

Fed deeply divided on rate outlook

The Fed cut by 25bps last night, leaving the fed funds target range at 1.75%-2.00%. The central bank continued to guide that it will “act as appropriate to sustain the expansion”. However, the updated ‘dot plot’ pointed to no further rate cuts by end-2020, though there is a large degree of division within the FOMC on this issue.

This means that the Fed’s central view for the likely path for rates remains out of line with the markets. As a result, the dollar strengthened in the aftermath of the meeting, though it has handed back nearly all of these gains overnight. At the same time, there was limited impact on equity or bond markets.

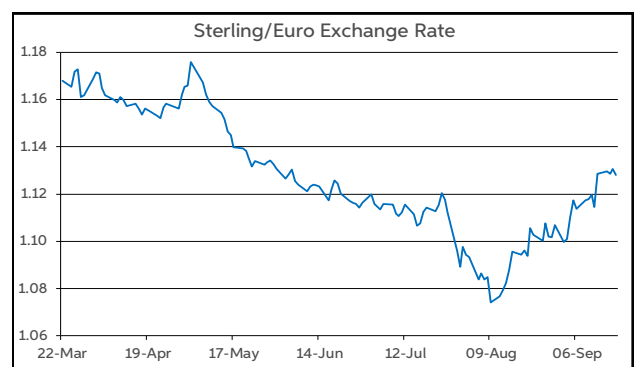
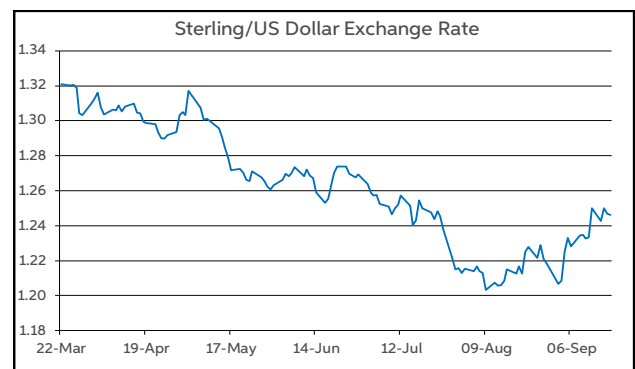
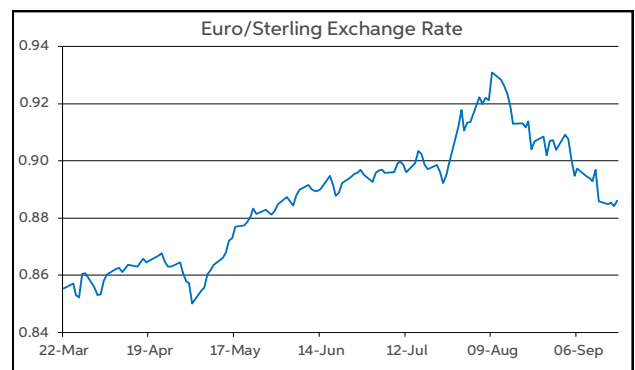
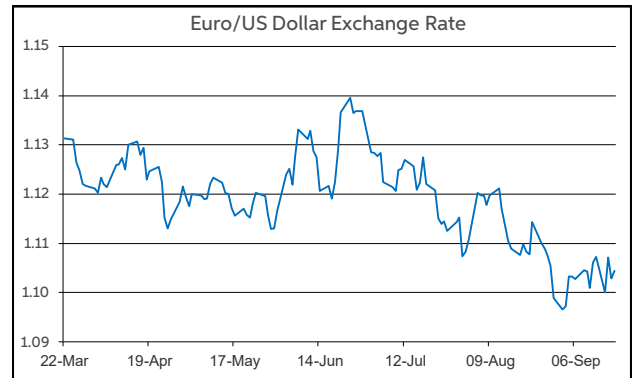
Overnight, the BoJ also held its September policy meeting. The central bank appeared to lay the groundwork for a rate cut. As a result, the yen has come under some slight downward pressure.

In level terms, the marginally firmer dollar tone sees EUR/USD open near the middle of the \$1.10-1.11 band, while GBP/USD is close to the \$1.245 mark. Meanwhile, EUR/GBP continues to change near to the midpoint of the 88-89p band.

Today, the BoE will round off a busy calendar of central bank meetings. However, given ongoing uncertainty related to Brexit, the MPC are expected to leave rates on hold. Therefore, sterling reaction could be muted. The UK Supreme Court may also issue its decision on PM Johnson’s proroguing of Parliament later today, which could provoke some volatility in the currency.

Elsewhere, the action in the dollar could see markets continue to react to last night’s Fed meeting. August existing home sales and the September print of the Philly Fed index are unlikely to impact the currency. There is little out to influence the euro.

Conor Beakey, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1042	-0.20	-3.72
EUR/GBP	0.8856	-0.05	-1.42
GBP/USD	1.2464	-0.17	-2.30
GBP/EUR	1.1287	0.05	1.45
USD/JPY	107.95	-0.23	-1.47
EUR/JPY	119.24	-0.38	-5.15

* v Previous Day's European Open

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Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.875	2.04	2.16	2.06	1.72	1.58
EUR	0.00	-0.45	-0.40	-0.30	-0.42	-0.36
GBP	0.75	0.71	0.78	0.94	0.79	0.75

All rates quoted are indicative market rates

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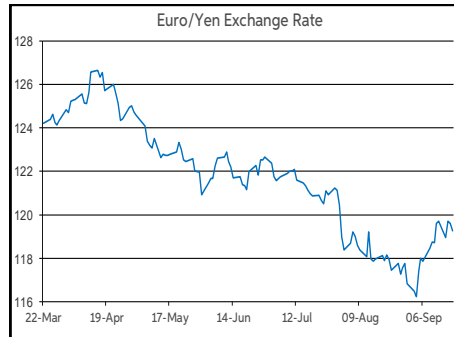
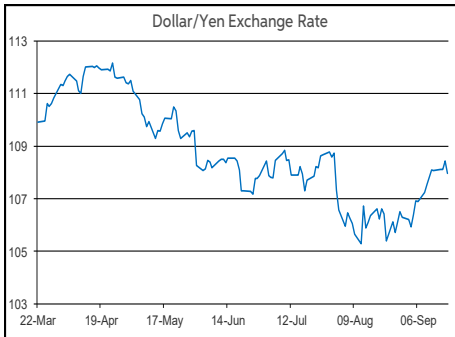
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

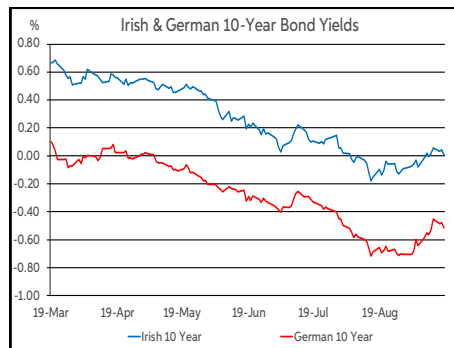
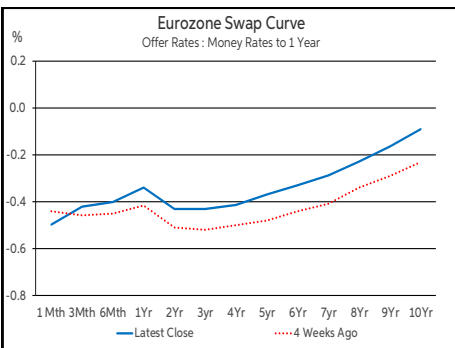
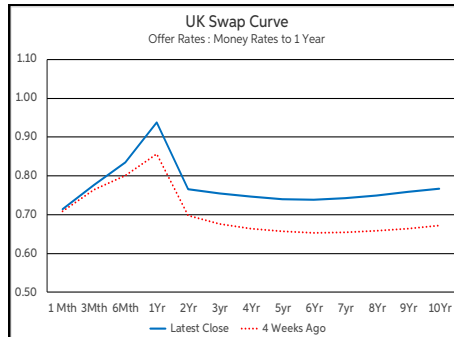
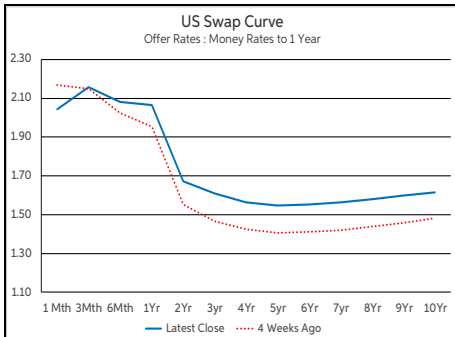
Thursday 19 September 2019
07:21 am



Euro		Sterling		Dollar	
EUR/GBP	0.8858	GBP/EUR	1.1285	USD/JPY	107.95
EUR/USD	1.1043	GBP/USD	1.2463	USD/CAD	1.3282
EUR/JPY	119.24	GBP/CAD	1.6556	USD/CHF	0.9962
EUR/SEK	10.7332	GBP/NZD	1.9747	USD/CNY	7.0989
EUR/DKK	7.4669	GBP/JPY	134.54	USD/BRL	4.1103
EUR/NOK	9.882	GBP/SEK	12.1122	USD/RUB	64.3234
EUR/CHF	1.1003	GBP/DKK	8.4273	USD/INR	71.133
EUR/AUD	1.627	GBP/NOK	11.1494	AUD/USD	0.6787
EUR/HKD	8.6426	GBP/CHF	1.242	NZD/USD	0.6312
EUR/CAD	1.4666	GBP/AUD	1.8365		



Debt Markets				
	Close	Day	4 Weeks	End 18
10 Year Yield %				
US	1.80	-1	+21	-88
Germany	-0.51	-4	+17	-75
UK	0.64	-5	+17	-63
Ireland	0.01	-4	+11	N/A
Belgium	-0.19	-5	+16	-94
France	-0.23	-4	+17	-93
Italy	0.88	-4	-45	-184
Spain	0.22	-5	+15	-120
Portugal	0.23	-7	+12	-148
Greece	1.35	-11	-60	-295
5 Year Swap %				
US	1.55	-5	+14	-101
Eurozone	-0.37	-2	+11	-60
UK	0.74	-7	+8	-58
2 Year Swap %				
US	1.67	-5	+12	-97
Eurozone	-0.43	-1	+8	-29
UK	0.77	-5	+7	-40
10 Year Government Bond Spreads to Benchmark bps				
Ireland	52	-0	-6	N/A
Belgium	33	-1	-0	-19
France	28	-1	+1	-18
Italy	139	-0	-61	-109
Spain	73	-1	-2	-45
Portugal	74	-3	-5	-73
Greece	187	-8	-77	-220



Commodities				
	Close	Day	4 Weeks	End 18
Brent Oil	63.6	-1.47	+5.47	+18.22
West Texas Oil	58.19	-1.81	+4.56	+28.88
Gold \$	1494.2	-0.65	-0.56	+16.47

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