

Fed hikes by 75bps, spotlight shifts to BoE today

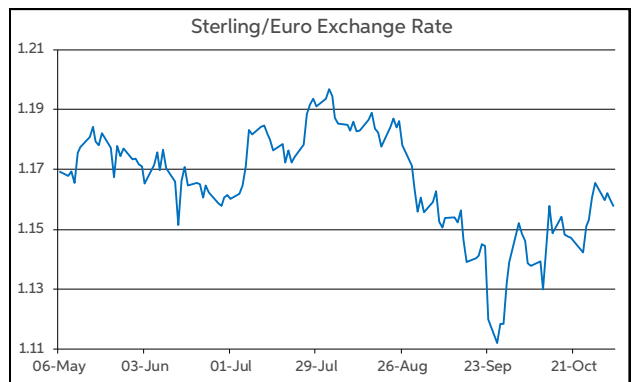
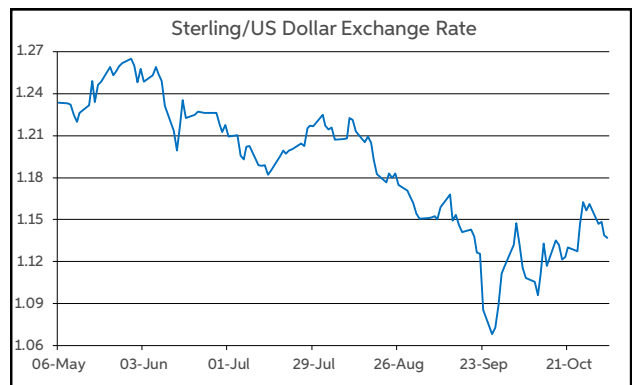
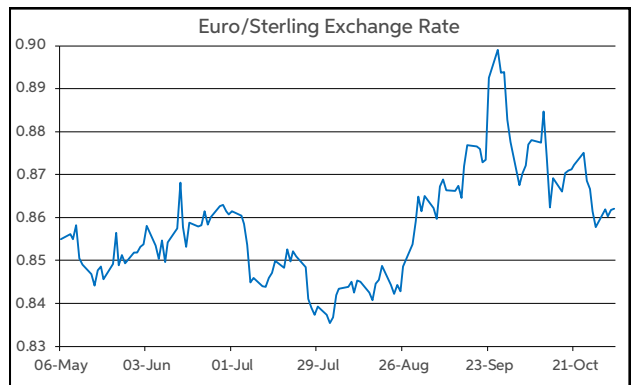
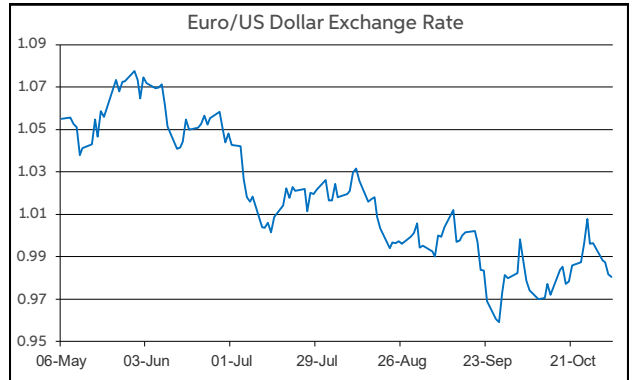
Investor sentiment was somewhat mixed yesterday, ahead of the latest Fed monetary policy announcement, after the close in Europe. The Euro Stoxx 50 declined by 0.8%, while Eurozone bond yields were little changed. Meantime, the action on currency markets remained confined to relatively narrow trading ranges throughout the European session.

However, the aforementioned Fed announcement and post-meeting press conference sparked some volatility on markets. As expected, the Fed hiked rates by 75bps for the fourth consecutive time. The meeting statement also opened the door to a potential slowdown in the pace of rate hikes in December, as anticipated. At the press conference though, Chair Powell struck a hawkish tone, stating that it would be “very premature” to consider pausing rate hikes, and that the FOMC now expects a higher terminal rate than the 4.5-4.75% range illustrated in its dotplot just six weeks ago.

The S&P 500, which had been in the green before the press conference, finished the day down 2.5% as Chair Powell’s hawkish rhetoric weighed on sentiment. Meantime, the dollar gained the upper hand on the exchanges. The firmer tone to the dollar sees EUR/USD open this morning back at the \$0.98 handle. GBP/USD is operating under the \$1.14 threshold, having been at the \$1.15 mark 24 hours ago. EUR/GBP has edged up above the 86p level.

Today, the market will continue to digest the Fed outcome. However, the Bank of England’s monetary policy meeting will also be in focus, and poses some event risk for sterling. The market expects the BoE to hike Bank rate by 75bps. The BoE’s assessment of the economic outlook in its Monetary Policy Report, and the post-meeting press conference, will also garner close attention.

Daniel Noonan, Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2021 |
| EUR/USD | 0.9803 | -0.84 | -13.77 |
| EUR/GBP | 0.8622 | 0.38 | 2.64 |
| GBP/USD | 1.1369 | -1.23 | -15.97 |
| GBP/EUR | 1.1595 | -0.38 | -2.57 |
| USD/JPY | 147.72 | 0.14 | 28.36 |
| EUR/JPY | 144.84 | -0.71 | 10.67 |

* v Previous Day's European Open
See Next Page for More Rates

| Opening Interest Rates | | | | | | |
|------------------------|-----------|--------------|-------|------------|------|------|
| | Base Rate | Money Market | | Swap Rates | | |
| | | 1-Mth | 3-Mth | 1-Yr | 2-Yr | 5-Yr |
| USD | 3.125 | 3.84 | 4.46 | 5.19 | 5.06 | 4.44 |
| EUR | 2.00 | 1.38 | 1.74 | 2.73 | 2.99 | 3.04 |
| GBP | 2.25 | 2.89 | 3.36 | 4.50 | 4.68 | 4.41 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

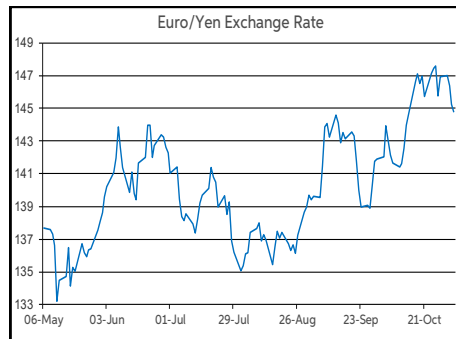
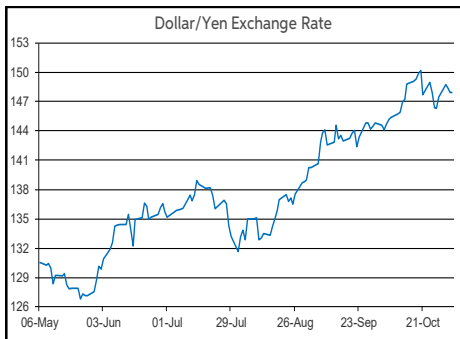
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|---------|---|------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke Shane Gargan Ian Burke | FX Options | Mark Tuite | Reuters Phone | AIBG.I 00353-1-7724018 | Morning Comment | John Fahey john.j.fahey@aib.ie |
|---------|---|------------|------------|------------------|---------------------------|-----------------|-----------------------------------|

Opening Levels

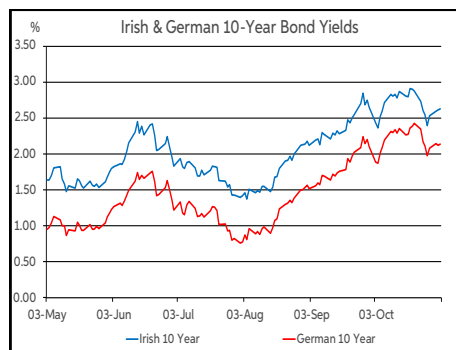
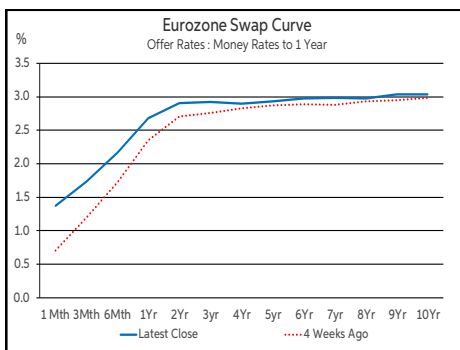
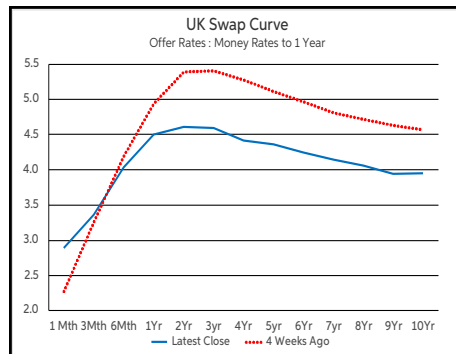
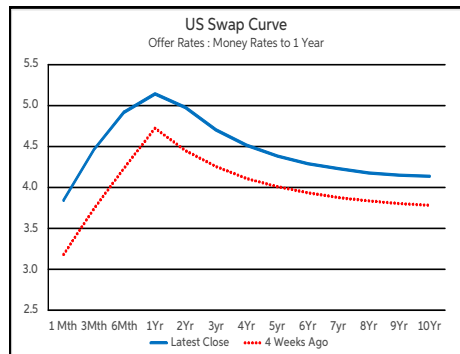
Thursday 03 November 2022
07:10 am



| Euro | | Sterling | | Dollar | |
|---------|---------|----------|---------|---------|--------|
| EUR/GBP | 0.8622 | GBP/EUR | 1.1595 | USD/JPY | 147.72 |
| EUR/USD | 0.9803 | GBP/USD | 1.1369 | USD/CAD | 1.3718 |
| EUR/JPY | 144.84 | GBP/CAD | 1.5599 | USD/CHF | 1.0053 |
| EUR/SEK | 10.9149 | GBP/NZD | 1.9567 | USD/CNY | 7.3047 |
| EUR/DKK | 7.443 | GBP/JPY | 167.94 | USD/BRL | 5.1432 |
| EUR/NOK | 10.2563 | GBP/SEK | 12.6544 | USD/RUB | 62.15 |
| EUR/CHF | 0.9857 | GBP/DKK | 8.6301 | USD/INR | 82.888 |
| EUR/AUD | 1.5472 | GBP/NOK | 11.8864 | AUD/USD | 0.6336 |
| EUR/HKD | 7.6972 | GBP/CHF | 1.1431 | NZD/USD | 0.581 |
| EUR/CAD | 1.3451 | GBP/AUD | 1.7941 | | |



| Debt Markets | | | | |
|---|-------|------------|---------|--------|
| | Close | Change bps | | |
| | | Day | 4 Weeks | End 21 |
| 10 Year Yield % | | | | |
| US | 4.10 | +5 | +34 | +258 |
| Germany | 2.14 | +1 | +12 | +231 |
| UK | 3.40 | -6 | -64 | +243 |
| 5 Year Swap % | | | | |
| US | 4.38 | +7 | +40 | +305 |
| Eurozone | 2.94 | +2 | +8 | +292 |
| UK | 4.36 | -9 | -70 | +309 |
| 2 Year Swap % | | | | |
| US | 4.97 | +7 | +56 | +403 |
| Eurozone | 2.91 | +2 | +21 | +321 |
| UK | 4.61 | -9 | -78 | +341 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 52 | +1 | -4 | +9 |
| Belgium | 60 | -1 | -8 | +24 |
| France | 54 | -1 | -8 | +16 |
| Italy | 215 | +0 | -29 | +79 |
| Spain | 113 | +3 | -9 | +35 |
| Portugal | 102 | +1 | -9 | +35 |
| Greece | 244 | -1 | -20 | +94 |



| Commodities | | | | |
|----------------|--------|----------|---------|--------|
| | Close | % Change | | |
| | | Day | 4 Weeks | End 21 |
| Brent Oil | 96.16 | +1.60 | +2.99 | +23.63 |
| West Texas Oil | 90.06 | +1.92 | +2.09 | +19.55 |
| Gold \$ | 1634.9 | -0.77 | -4.72 | -10.58 |

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