

## EUR/USD drops below \$1.16

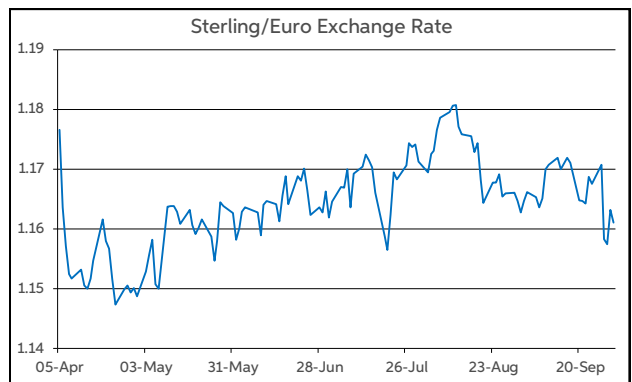
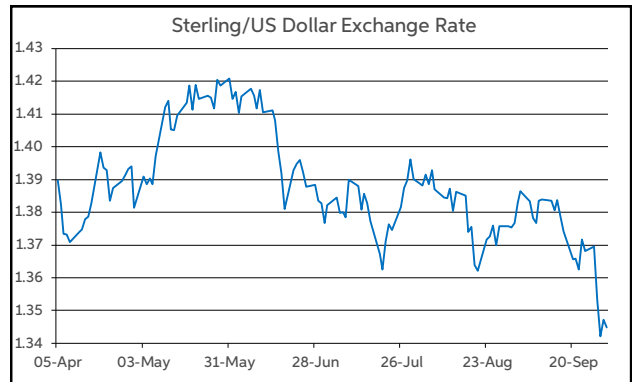
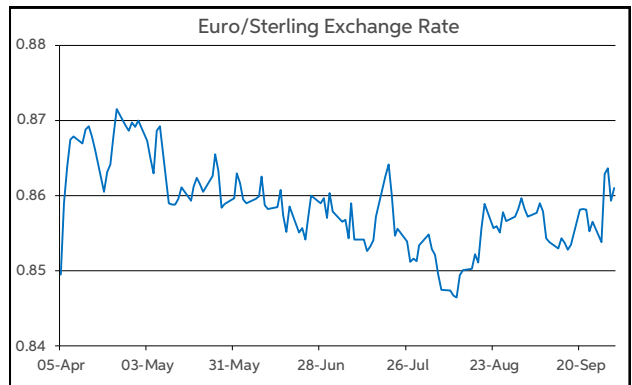
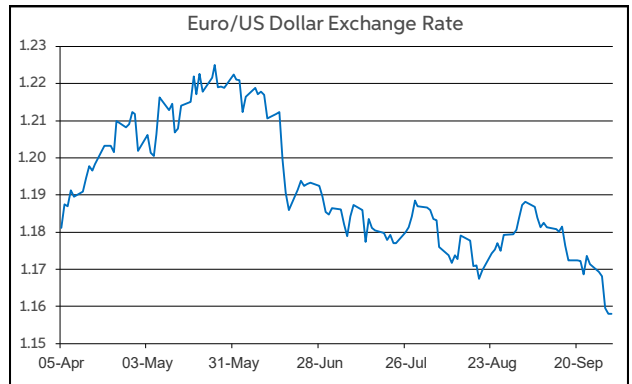
The cautious tone to proceedings on financial markets persisted yesterday. The Euro Stoxx 50 lost 0.8%, while at the close on Wall Street, the S&P 500 finished down 1.2% for the day. On bond markets, the UK Gilt yield curve continued to steepen, with longer dated tenors rising by 3-5bps. Meanwhile on currency markets, the main pairs were confined to narrow ranges.

Data-wise, the Eurozone unemployment rate continued to trend lower in August, declining to 7.5% from 7.6% as expected. Meantime, German and Italian inflation accelerated in September, rising to 4.1% and 3% respectively, from 3.4% and 2.5% in August. However, as the data was broadly in-line with expectations, it had no discernable impact on currency markets.

In level terms, despite sterling holding a somewhat firmer tone throughout yesterday, the main FX pairs open at very similar levels to 24 hours ago, as the pound handed back its gains overnight. This is reflected in EUR/GBP starting today just above the 86p mark once again. GBP/USD is operating at the midpoint of the \$1.34-1.35 corridor. Elsewhere, EUR/USD continues to grind lower, and is currently below the \$1.16 threshold, having breached key support levels this week. The euro is now trading at its lowest level against the dollar since July 2020.

Today, the latest inflation readings from the US and the Eurozone are due. Over the past number of months inflation has risen sharply owing to base effects and supply shortages. In the Eurozone this is set to continue in September, with flash HICP forecast to increase to 3.3% from 3%. Across the Atlantic, the Fed's preferred measure of inflation, the core-PCE deflator is projected to hold steady, at an already elevated level of 3.6% in August.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.1578	-0.24	-5.20
EUR/GBP	0.861	-0.24	-3.66
GBP/USD	1.3448	0.02	-1.65
GBP/EUR	1.1611	0.24	3.80
USD/JPY	111.14	-0.69	7.65
EUR/JPY	128.7	-0.93	2.01

\* 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	0.125	0.08	0.13	0.16	0.40	1.06
EUR	0.00	-0.56	-0.54	-0.50	-0.42	-0.20
GBP	0.10	0.05	0.08	0.45	0.72	1.00

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

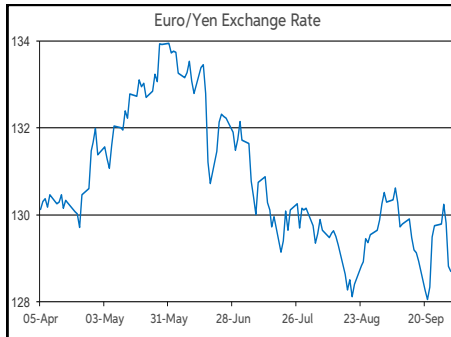
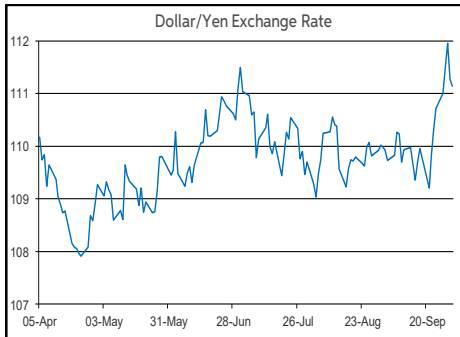
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

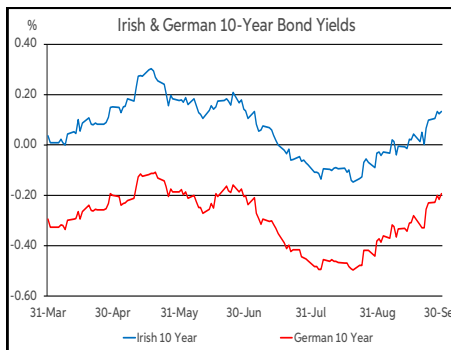
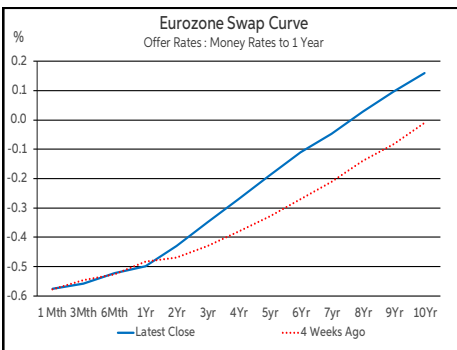
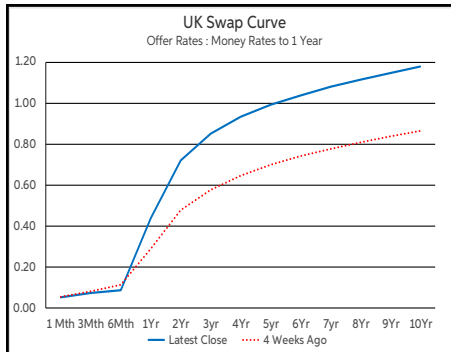
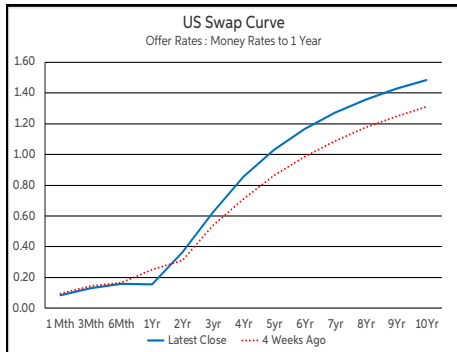
Friday 01 October 2021  
07:34 am



Euro		Sterling		Dollar	
EUR/GBP	0.8609	GBP/EUR	1.1609	USD/JPY	111.14
EUR/USD	1.158	GBP/USD	1.3446	USD/CAD	1.2723
EUR/JPY	128.7	GBP/CAD	1.7114	USD/CHF	0.9314
EUR/SEK	10.1627	GBP/NZD	1.9544	USD/CNY	6.4452
EUR/DKK	7.4365	GBP/JPY	149.44	USD/BRL	5.4428
EUR/NOK	10.161	GBP/SEK	11.8004	USD/RUB	72.9275
EUR/CHF	1.0787	GBP/DKK	8.6342	USD/INR	74.27
EUR/AUD	1.609	GBP/NOK	11.7947	AUD/USD	0.7196
EUR/HKD	9.014	GBP/CHF	1.2527	NZD/USD	0.6877
EUR/CAD	1.4737	GBP/AUD	1.8683		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 20
<b>10 Year Yield %</b>				
US	1.49	-3	+21	+58
Germany	-0.19	+2	+19	+38
UK	1.02	+3	+34	+83
<b>5 Year Swap %</b>				
US	1.03	-1	+20	+61
Eurozone	-0.19	+0	+15	+27
UK	0.99	+2	+30	+80
<b>2 Year Swap %</b>				
US	0.36	+1	+8	+17
Eurozone	-0.43	+0	+5	+10
UK	0.72	-1	+25	+69
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	39	-1	-2	+12
Belgium	31	-1	-1	+12
France	35	-0	-0	+11
Italy	105	+1	-0	-4
Spain	65	-1	-5	+2
Portugal	56	+0	-3	-8
Greece	104	-0	-9	-17



Commodities				
	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	78.52	-0.15	+7.52	+51.58
West Texas Oil	75.22	+0.21	+7.35	+55.57
Gold \$	1756.7	+1.77	-2.91	-7.37

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