

Sterling on the defensive

The cautious tone to investor sentiment on financial markets continued yesterday. The Euro Stoxx 50 declined by 0.9%, while the S&P 500 inched 0.2% lower. Meantime, oil prices moved higher with Brent crude rising to above \$77 per barrel.

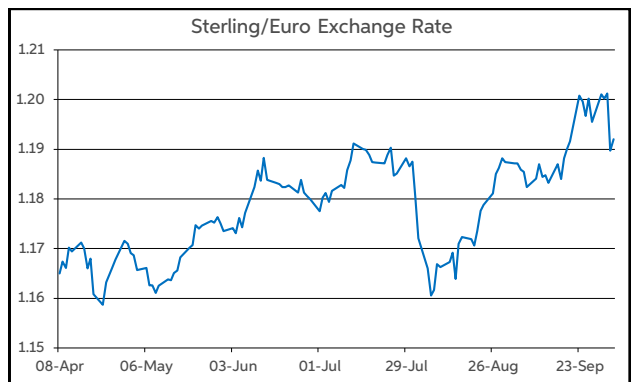
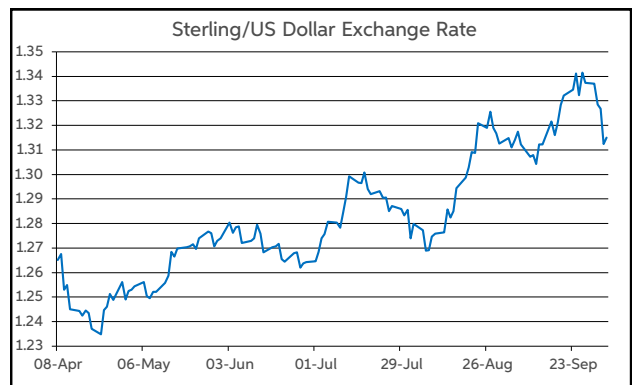
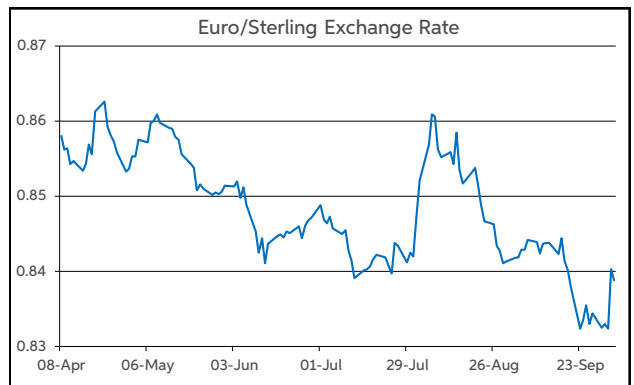
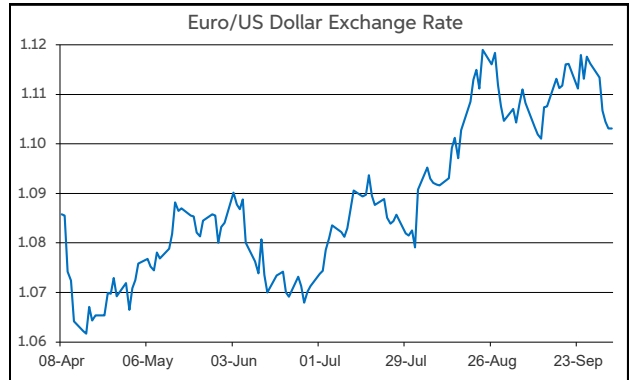
On the data front, the US non-manufacturing ISM printed well above the consensus at 54.9 (vs. 51.7 f'cast). However, the employment sub-index fell into contraction territory for the first time in three months. Elsewhere in the US, initial weekly jobless claims rose to 225k from 219k (f'cast for 220k).

Currency-wise, the dollar maintained the upper hand yesterday. Elsewhere, sterling was under some downward pressure following remarks by BoE Governor Bailey. He noted that the BoE may become a "bit more aggressive" and "a bit more activist" in cutting rates. His comments coincided with a softening in UK futures contracts, with markets now fully pricing in a rate cut in November. This saw GBP/USD fall below \$1.31 and EUR/GBP regain the 84p handle. However, sterling moved off its lows overnight.

In level terms, GBP/USD opens this morning at the midpoint of the \$1.31-1.32 range. Meanwhile, EUR/GBP is changing hands in the upper half of the 83-84p corridor. EUR/USD remains in the lower half of the \$1.10-1.11 trading band.

Turning to the day ahead, the main release of note will be the US labour market report for September. The consensus is for payrolls to increase by 140k, with the unemployment rate remaining at 4.2% and average earnings growth at +3.8% respectively. The data pose some event risk for the dollar. Elsewhere, in the UK comments from BoE Chief Economist Pill may garner some attention.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.1031	-0.02	-0.05
EUR/GBP	0.8385	0.66	-3.26
GBP/USD	1.3153	-0.69	3.33
GBP/EUR	1.1923	-0.66	3.38
USD/JPY	146.07	-0.44	3.55
EUR/JPY	161.14	-0.45	3.54

* 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	4.88	4.83	4.58	3.87	3.78	3.59
EUR	3.65	3.33	3.25	2.65	2.33	2.26
GBP	5.00	4.94	4.78	4.26	4.13	3.89

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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

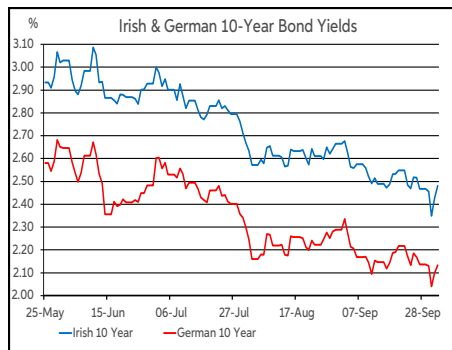
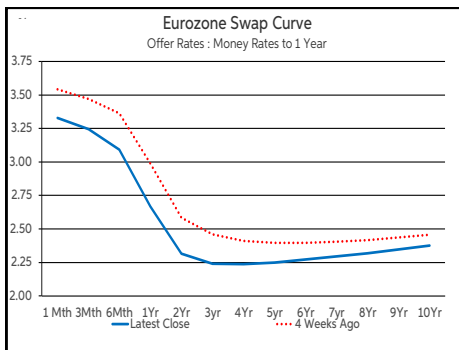
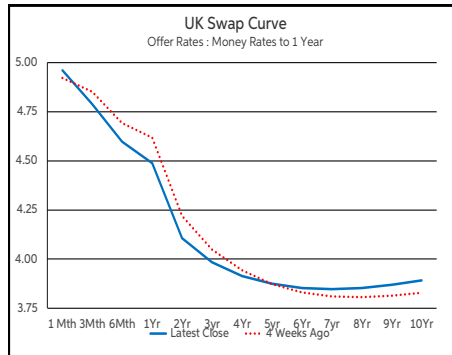
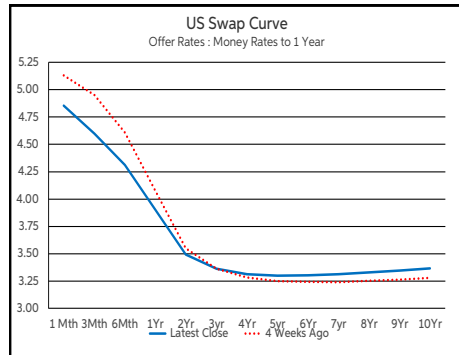
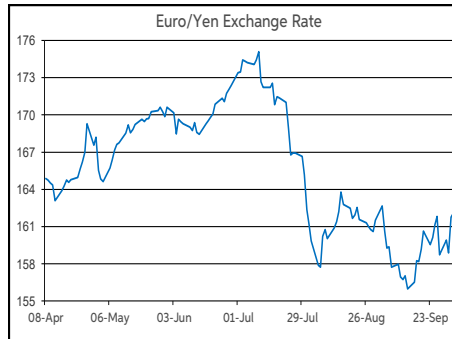
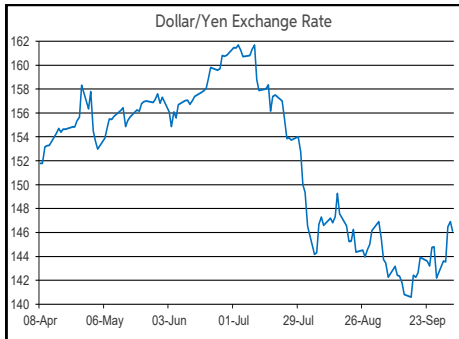
EUR/GBP	0.8388
EUR/USD	1.1031
EUR/JPY	161.2
EUR/SEK	11.3616
EUR/DKK	7.4595
EUR/NOK	11.6977
EUR/CHF	0.9385
EUR/AUD	1.6114
EUR/HKD	8.568
EUR/CAD	1.4956

Sterling

GBP/EUR	1.1919
GBP/USD	1.315
GBP/CAD	1.7829
GBP/NZD	2.1173
GBP/JPY	192.15
GBP/SEK	13.5388
GBP/DKK	8.8918
GBP/NOK	13.9435
GBP/CHF	1.1188
GBP/AUD	1.9212

Dollar

USD/JPY	146.12
USD/CAD	1.3558
USD/CHF	0.8507
USD/CNY	7.0176
USD/BRL	5.4775
USD/RUB	94.9
USD/INR	83.937
AUD/USD	0.6843
NZD/USD	0.6209



Debt Markets				
	Close	Day	Change bps	End 23
10 Year Yield %				
US	3.85	+6	+12	-1
Germany	2.14	+4	-7	+11
UK	4.02	-1	+10	+48
5 Year Swap %				
US	3.56	+7	+7	-23
Eurozone	2.25	+5	-14	-18
UK	3.87	-3	+1	+22
2 Year Swap %				
US	3.75	+7	-2	-59
Eurozone	2.32	+4	-26	-48
UK	4.11	-6	-11	-16
10 Year Government Bond Spreads to Benchmark bps				
Ireland	36	+2	-2	+2
Belgium	63	-0	+4	-3
France	80	+4	+10	+27
Italy	134	+2	-2	-33
Spain	79	+0	-2	-17
Portugal	57	-0	-4	-19
Greece	101	-0	-1	-4

Commodities				
	Close	Day	Change	End 23
Brent Oil	77.62	+5.03	+6.78	+0.75
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2655.9	-0.07	+5.55	+28.77

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