

Spotlight remains on the UK

It was another eventful week for the UK Gilt market and sterling. Both experienced further volatility amid mixed messaging from the BoE and UK government.

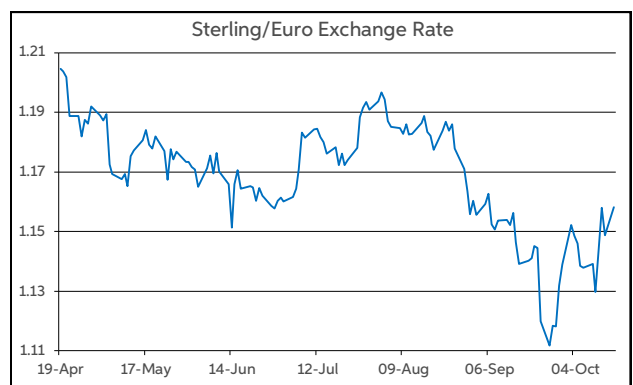
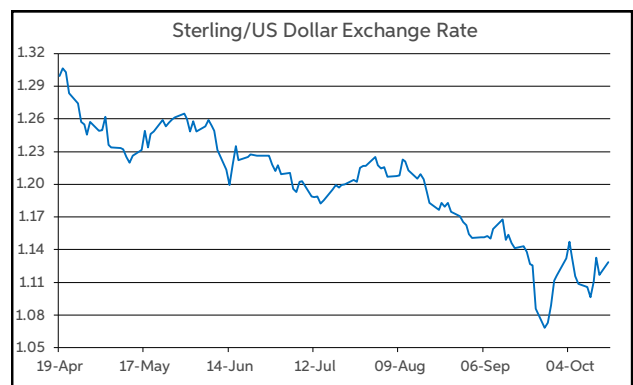
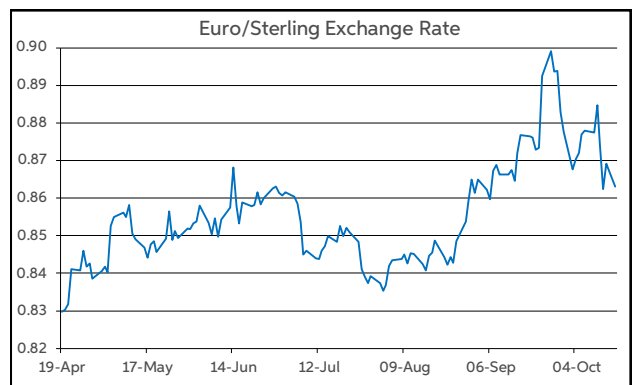
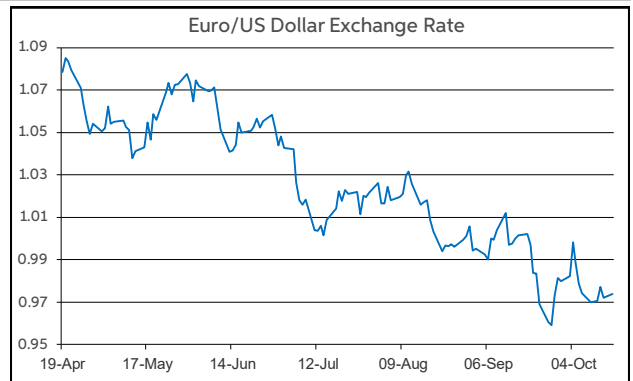
In terms of the BoE it was related to whether or not it would extend its Friday deadline for its temporary bond buying. Meantime, following conflicting statements, as the week came to a close, the UK Prime Minister confirmed that she was doing another U-turn on fiscal policy. The corporate tax rate is now to increase to 25%, with the Chancellor also being replaced.

The reports of the possible fiscal policy reversal had a beneficial impact on UK Gilt yields over the course of the week. Although, it was notable that the longer end of the curve underperformed (30-year yields were over 30bps higher on the week) with no extension from the BoE to its deadline. There was also a marked softening in rate hike expectations. This was in the region of around 50bps, with futures contracts moving to price the Bank rate peaking nearer to 5.5% by mid-2023, rather than closer to 6%.

From a currency viewpoint, sterling regained some ground over the week as a whole. In level terms, EUR/GBP starts this week in the lower half of 86-87p. Meanwhile, the GBP/USD pair is trading in the upper half of \$1.12-1.13. Elsewhere on the currency front, EUR/USD opens this morning near to the midpoint of \$0.97-0.98.

Looking ahead to today, the UK will remain in the market spotlight. The Treasury has announced this morning that the new Chancellor, Jeremy Hunt, will later today bring forward tax and spending measures in an effort to calm market concerns over the UK's fiscal policy.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	0.974	-0.41	-14.32
EUR/GBP	0.8631	-0.08	2.75
GBP/USD	1.1283	-0.33	-16.60
GBP/EUR	1.1579	0.08	-2.68
USD/JPY	148.7	0.86	29.21
EUR/JPY	144.85	0.44	10.68

* 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	3.44	4.19	4.97	4.84	4.23
EUR	1.25	0.89	1.40	2.60	2.97	3.10
GBP	2.25	2.59	3.42	5.08	5.40	5.34

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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

Monday 17 October 2022
07:22 am



Euro

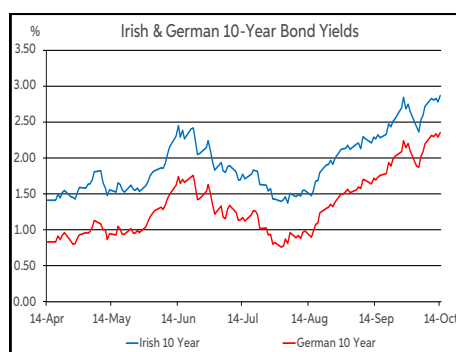
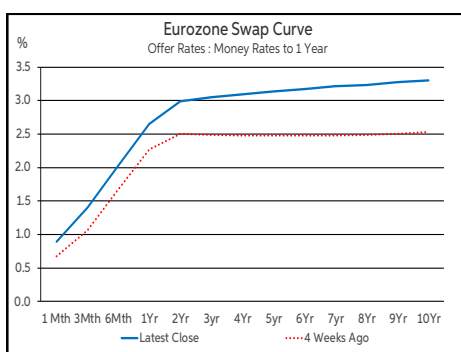
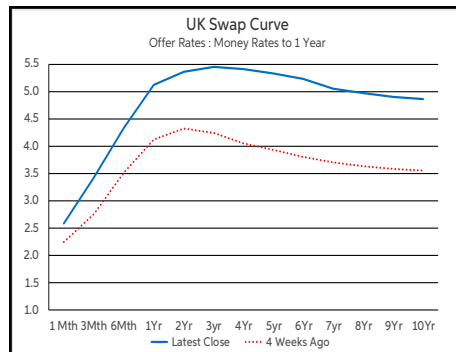
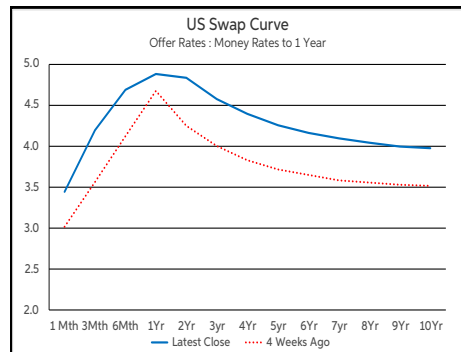
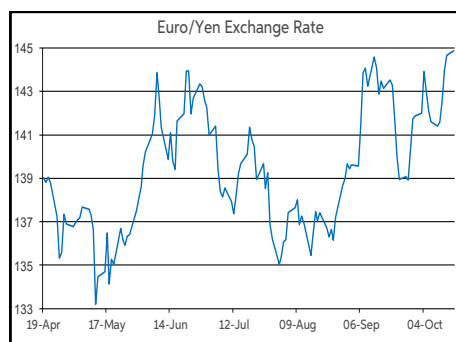
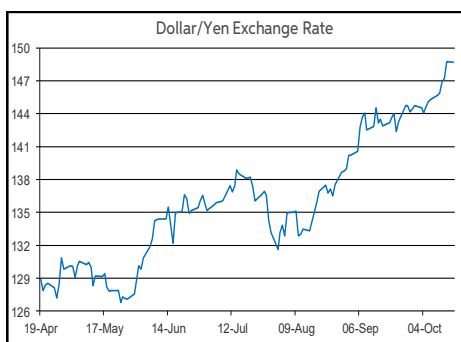
EUR/GBP	0.8631
EUR/USD	0.974
EUR/JPY	144.85
EUR/SEK	10.9748
EUR/DKK	7.4381
EUR/NOK	10.3594
EUR/CHF	0.9763
EUR/AUD	1.5617
EUR/HKD	7.6473
EUR/CAD	1.3469

Sterling

GBP/EUR	1.1579
GBP/USD	1.1283
GBP/CAD	1.5602
GBP/NZD	2.0187
GBP/JPY	167.78
GBP/SEK	12.7118
GBP/DKK	8.6141
GBP/NOK	11.9974
GBP/CHF	1.131
GBP/AUD	1.809

Dollar

USD/JPY	148.7
USD/CAD	1.3825
USD/CHF	1.0022
USD/CNY	7.1992
USD/BRL	5.3284
USD/RUB	62.27
USD/INR	82.381
AUD/USD	0.6237
NZD/USD	0.5587



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	4.02	+7	+57	+251
Germany	2.36	+6	+60	+254
UK	4.32	+14	+119	+335
5 Year Swap %				
US	4.26	+6	+57	+292
Eurozone	3.14	+1	+67	+313
UK	5.33	+11	+140	+406
2 Year Swap %				
US	4.83	+7	+62	+389
Eurozone	2.99	-0	+49	+329
UK	5.36	+8	+104	+417
10 Year Government Bond Spreads to Benchmark bps				
Ireland	54	+1	-2	+11
Belgium	65	+3	+8	+30
France	58	+1	+4	+21
Italy	243	+6	+17	+107
Spain	116	+1	+0	+38
Portugal	109	-1	+2	+42
Greece	245	-19	-8	+96

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	91.63	-3.11	+0.31	+17.81
West Texas Oil	86.1	-3.90	+0.62	+14.30
Gold \$	1641.8	-1.44	-1.98	-10.21

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, p.l.c. and Allied Irish Bank (GB). In Northern Ireland it is distributed by Allied Irish Bank (NI). In the United States of America it is distributed by Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and AIB (NI) are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.