

UK yields lower amid more policy U-turns

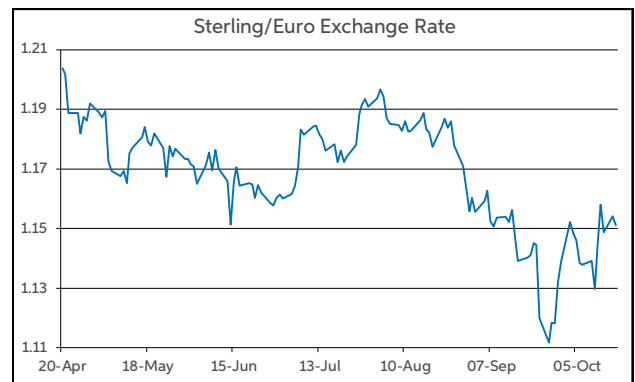
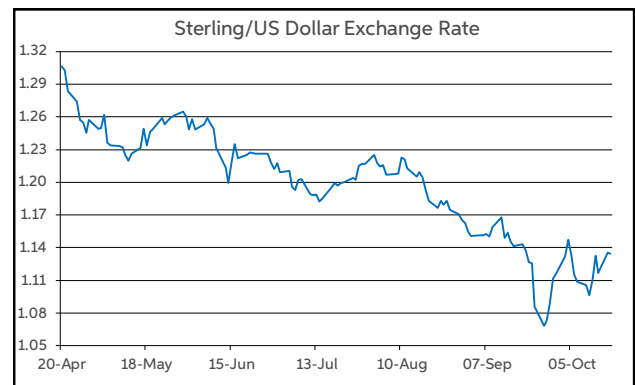
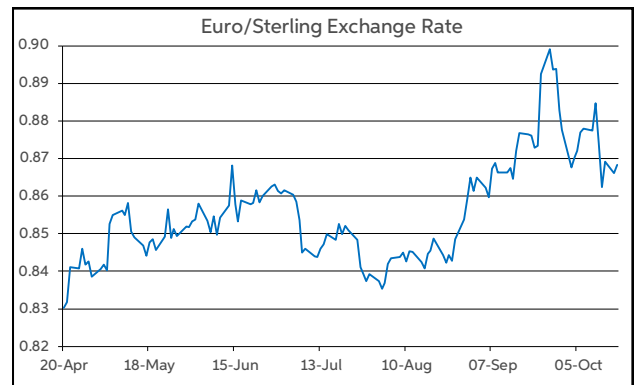
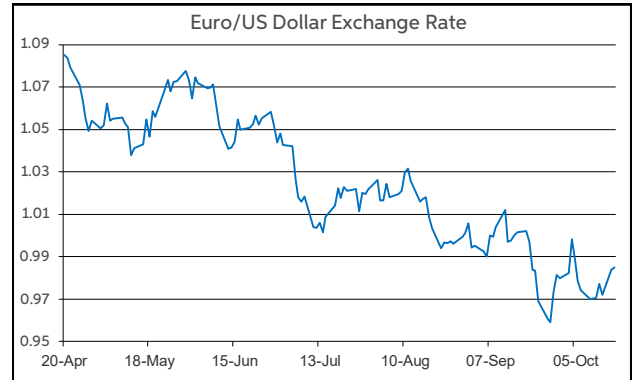
Not for the first time over the last number of weeks, market attention was centred on the UK yesterday. The focus was on the new Chancellor, Jeremy Hunt. He announced a further raft of fiscal policy U-turns, as he attempted to regain the government's credibility and calm market concerns. This included scrapping the planned 1p cut to the basic rate of income tax. The Energy Price Guarantee is also to end next April, 18 months earlier than originally planned. The Chancellor also stated that spending plans are under review, with cuts expected.

In terms of market reaction, the Chancellor's policy reversals were well received. This was evident in the performance of UK Gilts, which had seen a surge in yields following the 'mini budget' in late September. UK yields were down 30-40bps along the curve. The largest falls were at the longer end, which had underperformed last week. The 10-year yield is now back below 4%, while the 30-year yield is near 4.40%. Meanwhile, there was a further softening in UK rate hike expectations, with the peak now envisaged to be nearer 5%.

Currency-wise, the latest batch of policy reversals helped to provide further support to sterling yesterday. At the same time, the dollar was holding a slightly softer tone against some of the other majors. In level terms, this is reflected in EUR/USD opening this morning up at the midpoint of \$0.98-99 and GBP/USD up in \$1.13 territory. Meantime, EUR/GBP continues to trade within 86-87p.

Looking ahead to today, the main data releases are from the US diary. These are industrial production numbers for September and homebuilder sentiment for October. Neither release though, is anticipated to have much impact on the dollar.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	0.985	1.18	-13.35
EUR/GBP	0.8682	0.10	3.36
GBP/USD	1.1343	1.06	-16.16
GBP/EUR	1.1514	-0.10	-3.25
USD/JPY	148.91	0.08	29.40
EUR/JPY	146.71	1.26	12.10

* 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	3.48	4.23	4.96	4.81	4.20
EUR	1.25	0.89	1.40	2.63	2.97	3.09
GBP	2.25	2.65	3.39	4.80	5.00	4.92

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

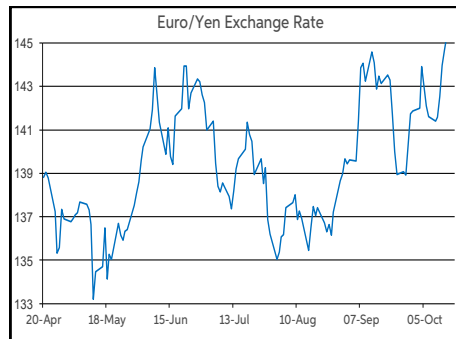
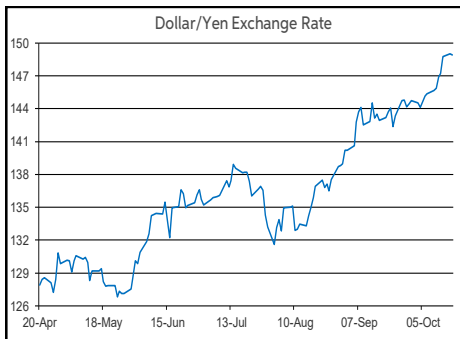
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

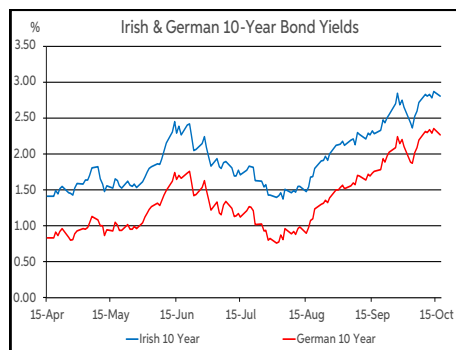
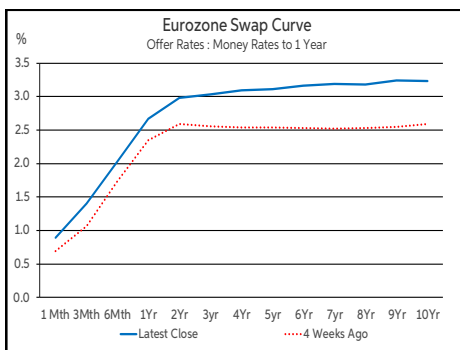
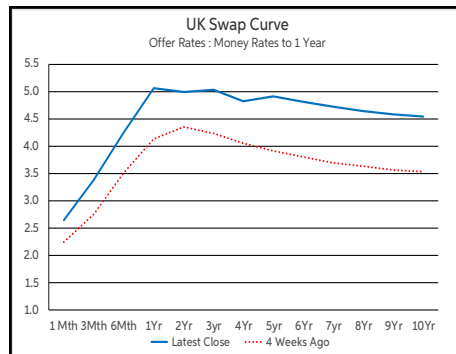
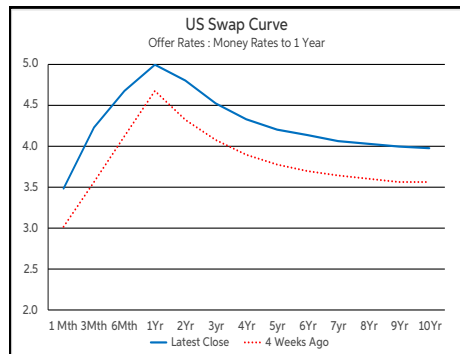
Tuesday 18 October 2022
07:31 am



Euro		Sterling		Dollar	
EUR/GBP	0.8682	GBP/EUR	1.1514	USD/JPY	148.91
EUR/USD	0.985	GBP/USD	1.1343	USD/CAD	1.3688
EUR/JPY	146.71	GBP/CAD	1.553	USD/CHF	0.9937
EUR/SEK	10.9505	GBP/NZD	1.9915	USD/CNY	7.1923
EUR/DKK	7.4372	GBP/JPY	168.95	USD/BRL	5.2808
EUR/NOK	10.3632	GBP/SEK	12.609	USD/RUB	61.9
EUR/CHF	0.9789	GBP/DKK	8.5635	USD/INR	82.209
EUR/AUD	1.5612	GBP/NOK	11.938		
EUR/HKD	7.7307	GBP/CHF	1.1273	AUD/USD	0.6308
EUR/CAD	1.3485	GBP/AUD	1.7977	NZD/USD	0.5693



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	4.01	-1	+52	+250
Germany	2.27	-9	+48	+245
UK	3.98	-34	+85	+301
Ireland	2.83	-7	+46	+258
Belgium	2.92	-10	+54	+274
France	2.85	-9	+50	+266
Italy	4.66	-13	+60	+348
Spain	3.43	-9	+48	+284
Portugal	3.36	-9	+51	+287
Greece	4.92	+11	+46	+361
5 Year Swap %				
US	4.20	-4	+46	+287
Eurozone	3.12	-3	+58	+311
UK	4.91	-42	+101	+364
2 Year Swap %				
US	4.80	-3	+52	+386
Eurozone	2.98	-2	+39	+328
UK	4.99	-37	+68	+380
10 Year Government Bond Spreads to Benchmark bps				
Ireland	56	+2	-2	+13
Belgium	65	-0	+6	+29
France	58	-0	+2	+21
Italy	239	-4	+12	+103
Spain	116	+0	-0	+39
Portugal	109	-0	+3	+42
Greece	265	+20	-2	+116



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	91.62	-0.01	-0.41	+17.79
West Texas Oil	86	-0.12	-0.17	+14.16
Gold \$	1649.9	+0.50	-1.54	-9.76

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