

BoE rate speculation intensifies

There a mixed tone to investor sentiment to start the trading week yesterday. Some risk aversion was evident during the European session. The Euro Stoxx 50 finished the day down 0.8%. Risk appetite did improve somewhat later in the day, with the S&P 500 managing to eke out a modest 0.3% gain at the closing bell last night on Wall Street. Overall though, the tone yesterday was one of caution. This was against a backdrop of concerns over economic growth and higher inflation.

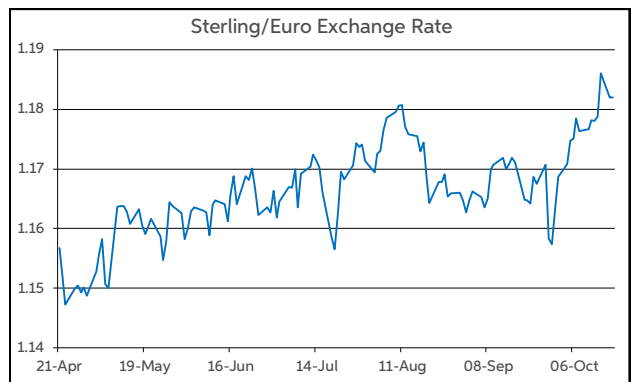
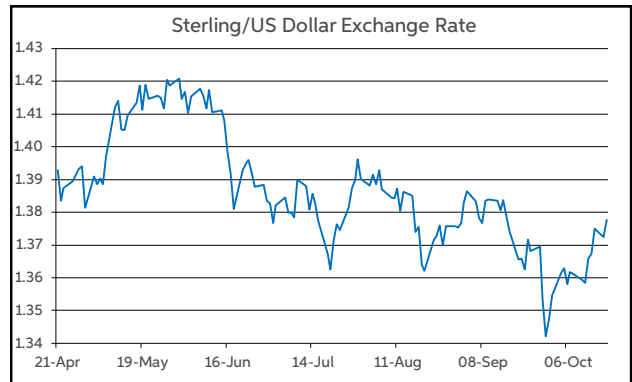
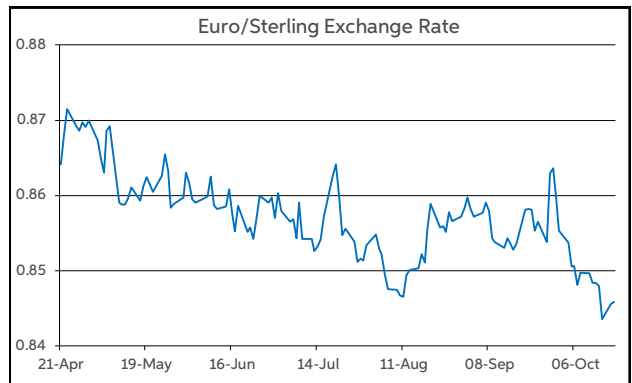
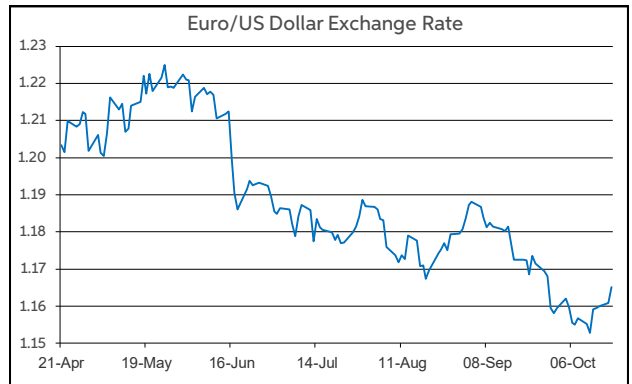
Yesterday's data contributed to these concerns. The main US release, industrial production for September, missed significantly to the downside of forecasts. The headline number fell by 1.3% in the month (vs. f'cast for +0.2%), while the manufacturing component registered a -0.7%/m/m contraction (f'cast for +0.1%).

Currency-wise, there was no notable impact on sterling from further hawkish comments over the weekend from BoE Governor Bailey in which he stated that the BoE was giving 'another signal' that it may have to raise interest rates. Although, his remarks did contribute to an over 20bps rise in the policy sensitive 2-year UK swap rate.

Of the FX action to register, the euro was generally holding a firmer tone, while at the same time, the dollar was somewhat softer. This is reflected in EUR/USD opening this morning above the midpoint of \$1.16-1.17. Meantime, EUR/GBP has edged up to 84.5p.

Looking ahead to today, a number of BoE speeches, including from Governor Bailey will be closely followed as speculation increases of BoE rate hikes sooner (much sooner) rather than later.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.1654	0.66	-4.58
EUR/GBP	0.8456	0.30	-5.38
GBP/USD	1.3778	0.35	0.77
GBP/EUR	1.182	-0.30	5.69
USD/JPY	114.09	-0.22	10.51
EUR/JPY	132.96	0.44	5.39

* 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	0.09	0.13	0.22	0.56	1.23
EUR	0.00	-0.56	-0.55	-0.48	-0.34	-0.06
GBP	0.10	0.12	0.21	0.84	1.15	1.22

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

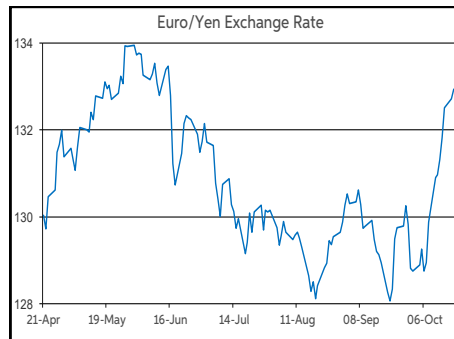
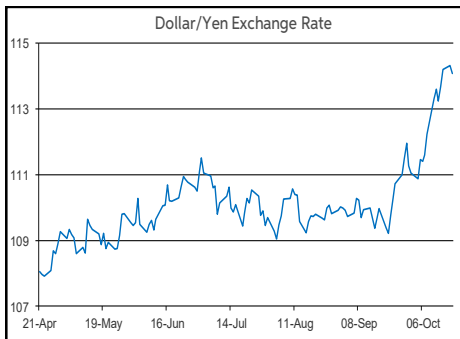
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

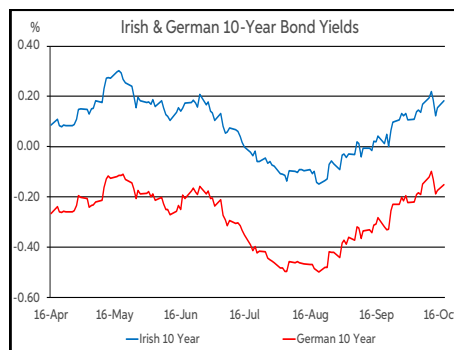
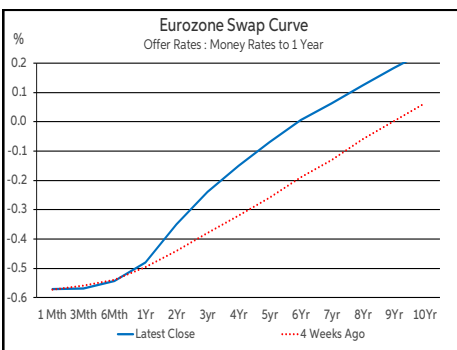
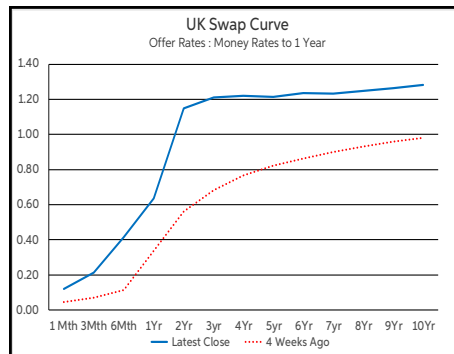
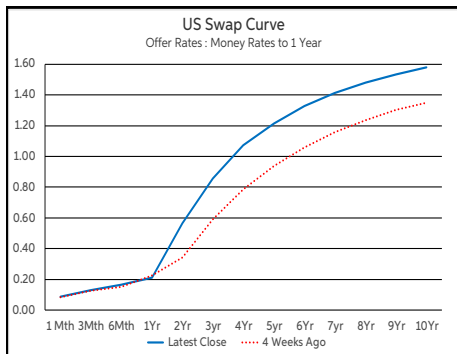
Tuesday 19 October 2021
07:09 am



Euro		Sterling		Dollar	
EUR/GBP	0.8456	GBP/EUR	1.182	USD/JPY	114.09
EUR/USD	1.1654	GBP/USD	1.3778	USD/CAD	1.2337
EUR/JPY	132.96	GBP/CAD	1.6999	USD/CHF	0.9204
EUR/SEK	10.041	GBP/NZD	1.9298	USD/CNY	6.4023
EUR/DKK	7.44	GBP/JPY	157.19	USD/BRL	5.5123
EUR/NOK	9.7479	GBP/SEK	11.8679	USD/RUB	71.0277
EUR/CHF	1.0728	GBP/DKK	8.795	USD/INR	74.892
EUR/AUD	1.5605	GBP/NOK	11.5233	AUD/USD	0.7465
EUR/HKD	9.0628	GBP/CHF	1.2684	NZD/USD	0.7138
EUR/CAD	1.4376	GBP/AUD	1.8455		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 20
10 Year Yield %				
US	1.59	+2	+28	+67
Germany	-0.15	+2	+17	+43
UK	1.14	+3	+34	+94
5 Year Swap %				
US	1.22	+4	+32	+79
Eurozone	-0.07	+6	+20	+39
UK	1.22	+8	+40	+103
2 Year Swap %				
US	0.57	+5	+26	+37
Eurozone	-0.35	+5	+10	+18
UK	1.15	+21	+60	+112
10 Year Government Bond Spreads to Benchmark bps				
Ireland	40	+1	+1	+13
Belgium	31	-0	-1	+12
France	34	-0	+0	+11
Italy	105	+0	+1	-5
Spain	64	-0	-2	+1
Portugal	53	+1	-4	-11
Greece	113	+4	+2	-8



Commodities				
	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	84.33	-0.62	+14.08	+62.80
West Texas Oil	82.62	+0.28	+17.34	+70.88
Gold \$	1764.6	-0.15	+0.04	-6.95

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