

Easing in interest rate expectations last week

Last week, encouraging core inflation data in the Eurozone and US, “less hawkish” central bank rhetoric, and signs of softer conditions in the US labour market, led to a marked easing in market interest rate expectations. Against this backdrop, equity markets moved higher on both sides of the Atlantic, with the Euro Stoxx 50 and the S&P 500 rising by 1.1% and 2.5%, respectively. Meanwhile, 2-year sovereign bond yields declined by 5-20bps in Europe and the US.

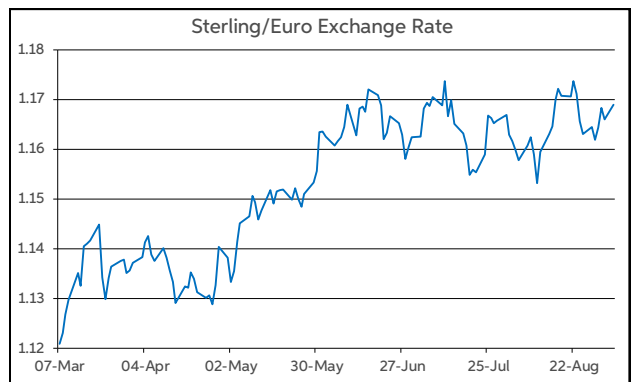
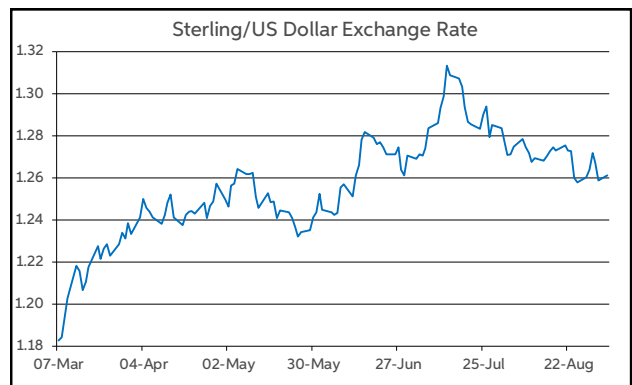
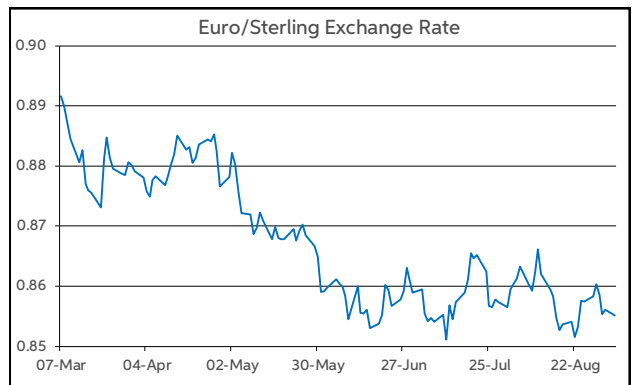
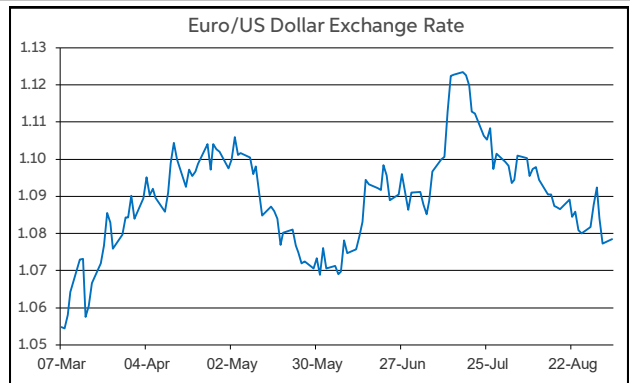
The market has pared back expectations of a rate hike from the ECB at its meeting later this month. Elsewhere, futures contracts pricing indicates that investors have reduced bets that the Fed will raise rates beyond their current level. Similarly, the market now sees a lower peak in UK rates this cycle. Across the board, official interest rates are seen as being 10-20bps lower by the end of next year, compared to the levels that were priced in last Monday.

There was some volatility on currency markets amid the move lower in interest rates. The dollar was holding a slightly firmer tone last week, with EUR/USD falling below \$1.08, and USD/JPY rising to a fresh YTD high of ¥147.3. However, the dollar was unable to hold onto all of its gains as the week progressed. Elsewhere, oil prices rose sharply, with Brent crude up by 4% to \$88 per barrel.

In level terms, EUR/USD opens this morning under the \$1.08 threshold. Meanwhile, EUR/GBP is operating back at the midpoint 85-86p. GBP/USD is in the lower half of the \$1.26-1.27 range.

Turning to this week, there is a very quiet data schedule. However, remarks from a number of central bank speakers throughout the week, including ECB President Lagarde and BoE Governor Bailey may impact sentiment.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0785	-0.55	0.78
EUR/GBP	0.8551	-0.12	-3.31
GBP/USD	1.2612	-0.44	4.26
GBP/EUR	1.169	0.12	3.43
USD/JPY	146.19	0.49	11.50
EUR/JPY	157.69	-0.08	12.39

* 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	5.38	5.44	5.66	5.65	5.09	4.37
EUR	4.25	3.64	3.77	3.96	3.65	3.22
GBP	5.25	5.25	5.44	5.71	5.71	5.08

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

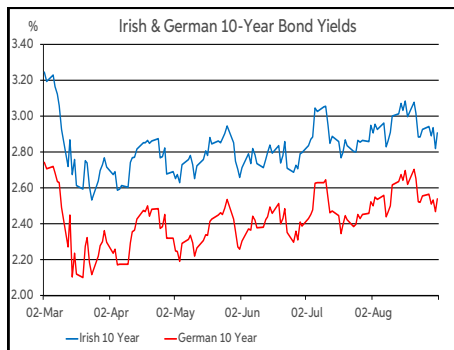
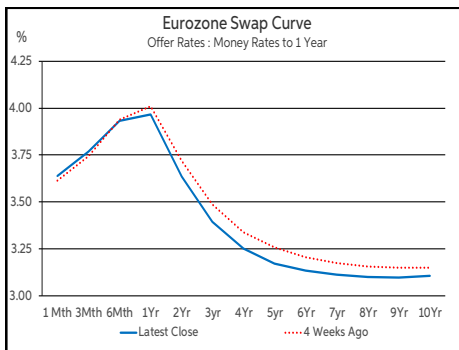
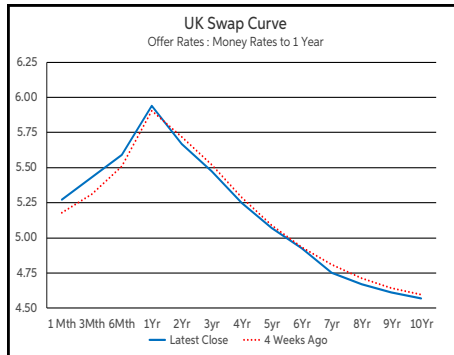
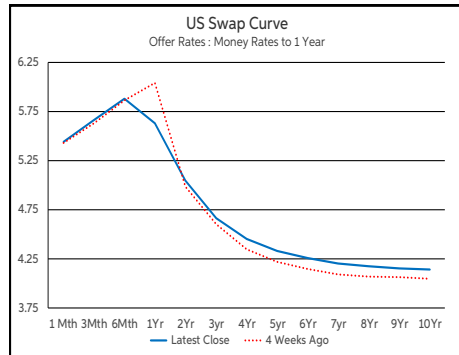
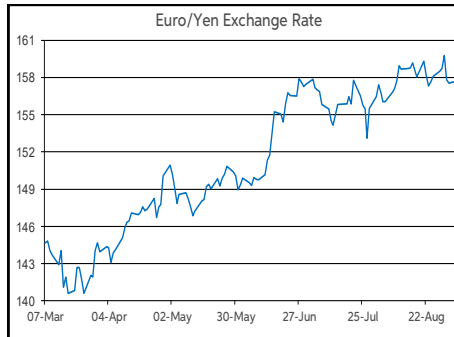
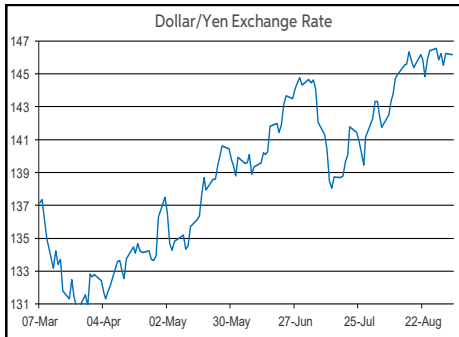
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

Monday 04 September 2023
07:16 am



Euro		Sterling		Dollar	
EUR/GBP	0.8551	GBP/EUR	1.169	USD/JPY	146.19
EUR/USD	1.0785	GBP/USD	1.2612	USD/CAD	1.3576
EUR/JPY	157.69	GBP/CAD	1.7125	USD/CHF	0.8842
EUR/SEK	11.8864	GBP/NZD	2.1168	USD/CNY	7.2657
EUR/DKK	7.452	GBP/JPY	184.37	USD/BRL	4.9463
EUR/NOK	11.489	GBP/SEK	13.8979	USD/RUB	96.4875
EUR/CHF	0.9537	GBP/DKK	8.7141	USD/INR	82.735
EUR/AUD	1.6653	GBP/NOK	13.431	AUD/USD	0.6476
EUR/HKD	8.4575	GBP/CHF	1.1153	NZD/USD	0.5956
EUR/CAD	1.4646	GBP/AUD	1.9473		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	4.18	+7	+14	+30
Germany	2.54	+7	+0	-2
UK	4.43	+7	+5	+76
5 Year Swap %				
US	4.33	+4	+15	+34
Eurozone	3.17	+5	-8	-6
UK	5.07	+2	-2	+77
2 Year Swap %				
US	5.05	+1	+10	+37
Eurozone	3.63	+2	-7	+25
UK	5.67	-1	-4	+99
10 Year Government Bond Spreads to Benchmark bps				
Ireland	39	+2	-4	-19
Belgium	63	+2	-3	-1
France	53	+2	-2	-2
Italy	170	+4	+2	-45
Spain	103	+2	-2	-7
Portugal	73	+2	-2	-31
Greece	129	-3	-1	-74

Commodities				
	Close	% Change		
		Day	4 Weeks	End 22
Brent Oil	88.55	+1.95	+2.68	+3.07
West Texas Oil	85.52	+2.36	+3.33	+6.69
Gold \$	1938.8	-0.05	-0.15	+6.27

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