

ECB policy decision in focus this week

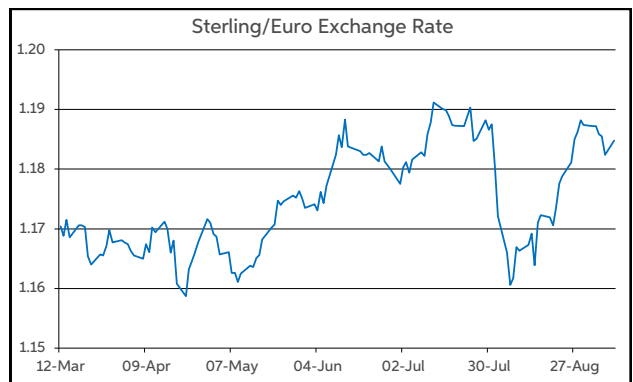
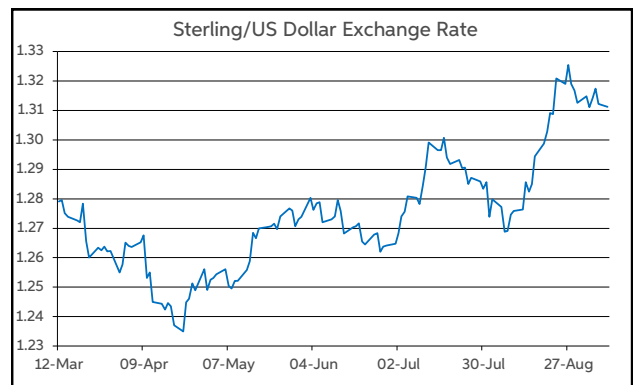
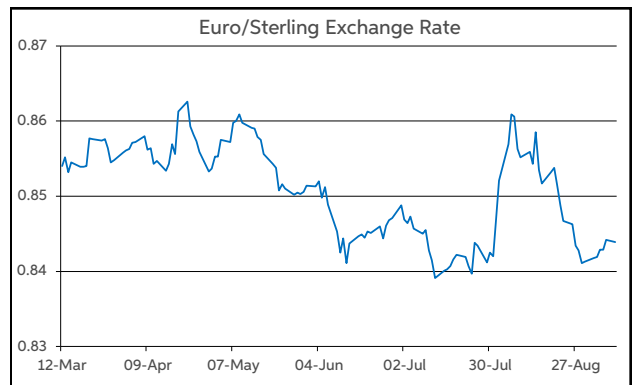
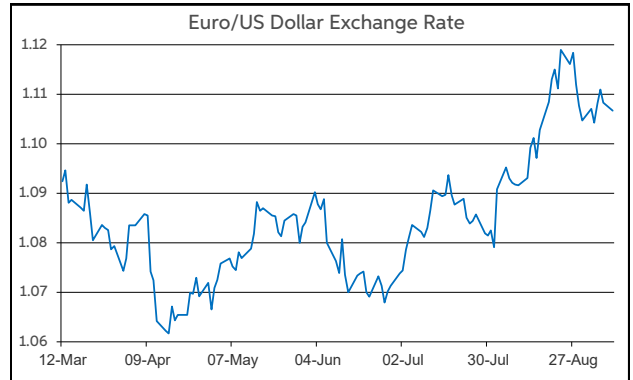
A key focus for markets last week was the US labour market data for August. This was in the context of the data being a potentially crucial factor in whether the Fed will cut by 25bps or 50bps on September 18th. Payrolls disappointed versus forecasts. However, the unemployment rate edged lower, while weekly earnings were slightly stronger than anticipated. Given the mixed results, the data was not a dial mover in terms of September rate cut expectations. Market pricing continues to move between 30-35bps.

There was also no significant immediate impact on the dollar from the jobs data. The currency was holding a modestly softer tone in the lead up the release. However, it did receive some support amid a risk averse mood on markets. Overall, most of the main FX pairs were confined to relatively narrow ranges last week. As trading gets underway this morning, EUR/USD opens in the upper half of \$1.10-1.11. EUR/GBP remains within the lower end of 84-85p.

Ahead this week, the ECB meeting/policy announcement (Thur) will be a key highlight and poses some event risk for the euro. The ECB left rates on hold at 3.75% in July after cutting by 25bps in June. The 'account' of the July meeting suggests that the ECB could cut rates again this week. A 25bps reduction is fully priced-in by markets. Therefore, an important aspect of the meeting will be what guidance, if any, will be forthcoming from President Lagarde on the outlook for Eurozone rates. Futures contracts indicate the market is expecting the Depo rate to end the year near 3%.

In terms of this week's macro data schedule, from a dollar viewpoint the main release will be CPI inflation for August. Meanwhile, for sterling, a busy diary of updates includes a raft of labour market metrics as well as the monthly GDP release (all July).

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.1067	-0.43	0.28
EUR/GBP	0.8439	0.06	-2.64
GBP/USD	1.3113	-0.49	3.02
GBP/EUR	1.1848	-0.06	2.71
USD/JPY	142.94	-0.03	1.33
EUR/JPY	158.18	-0.48	1.64

* 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	5.22	5.20	4.27	3.76	3.51
EUR	4.25	3.52	3.47	2.94	2.53	2.38
GBP	5.00	4.91	4.86	4.34	4.23	3.88

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

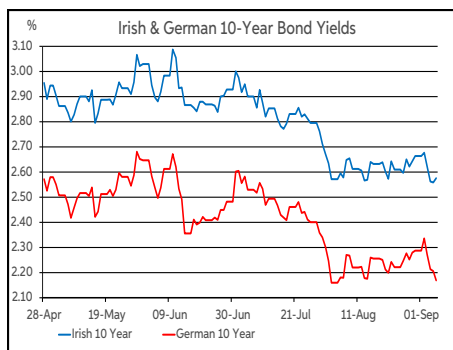
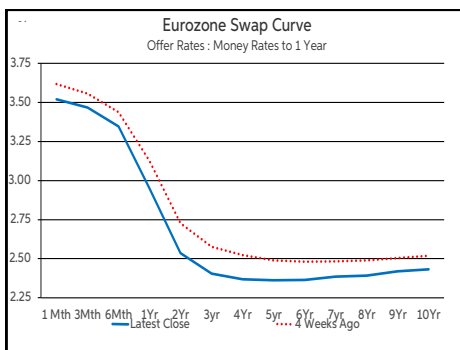
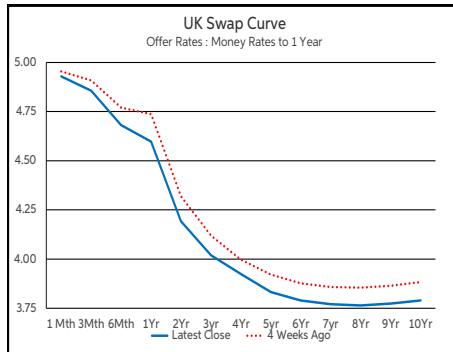
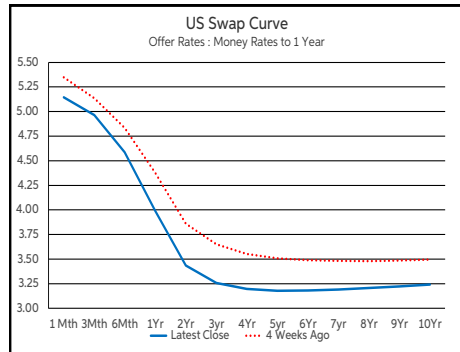
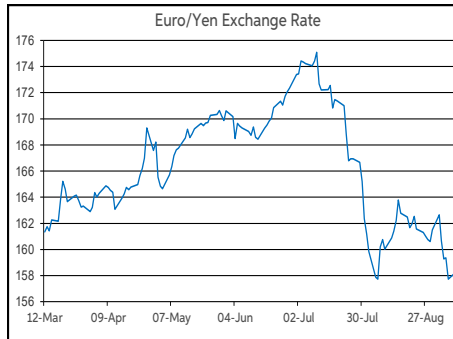
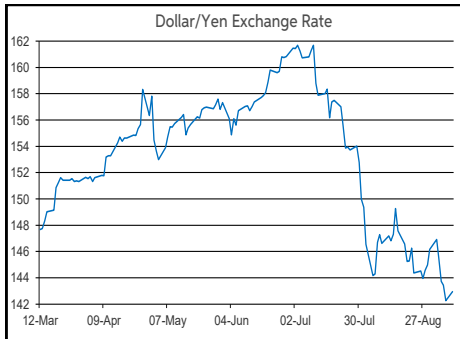
EUR/GBP	0.8439
EUR/USD	1.1067
EUR/JPY	158.18
EUR/SEK	11.4298
EUR/DKK	7.4611
EUR/NOK	11.8806
EUR/CHF	0.9364
EUR/AUD	1.66
EUR/HKD	8.6278
EUR/CAD	1.5012

Sterling

GBP/EUR	1.1848
GBP/USD	1.3113
GBP/CAD	1.7787
GBP/NZD	2.1291
GBP/JPY	187.42
GBP/SEK	13.541
GBP/DKK	8.8406
GBP/NOK	14.076
GBP/CHF	1.1094
GBP/AUD	1.9668

Dollar

USD/JPY	142.94
USD/CAD	1.3565
USD/CHF	0.8461
USD/CNY	7.1091
USD/BRL	5.5988
USD/RUB	90
USD/INR	83.9375
AUD/USD	0.6666
NZD/USD	0.6154



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	3.71	-2	-23	-15
Germany	2.17	-4	-5	+14
UK	3.89	-2	-6	+35
5 Year Swap %				
US	3.43	-6	-32	-36
Eurozone	2.36	-2	-12	-7
UK	3.83	-4	-8	+18
2 Year Swap %				
US	3.67	-10	-44	-66
Eurozone	2.54	-4	-18	-26
UK	4.19	-2	-12	-7
10 Year Government Bond Spreads to Benchmark bps				
Ireland	41	+3	-1	+8
Belgium	60	+1	-1	-6
France	71	+2	-3	+18
Italy	139	+3	-4	-29
Spain	83	+2	-3	-13
Portugal	63	+3	-2	-13
Greece	107	+4	-5	+2

Commodities				
	Close	% Change		
		Day	4 Weeks	End 23
Brent Oil	71.06	-2.24	-10.80	-7.76
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2497.0	-0.77	+2.72	+21.06

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