

## Dollar firmer post US CPI release

Risk appetite soured yesterday, as an above consensus US CPI inflation reading for August, increased expectations of a further sharp tightening in monetary policy from the US Fed. The Euro Stoxx 50 lost 1.7%. Meanwhile on Wall Street, the S&P 500 shed 4.3%. Elsewhere, oil prices declined by circa 1%.

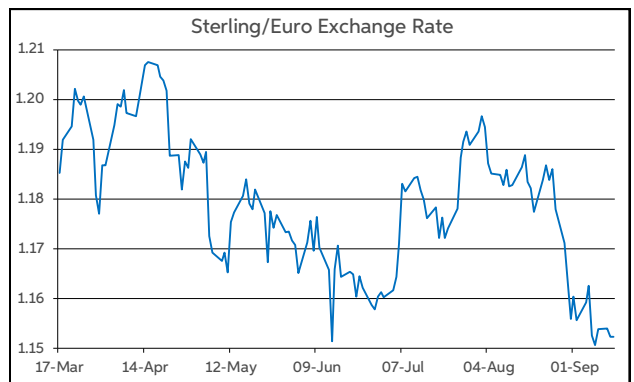
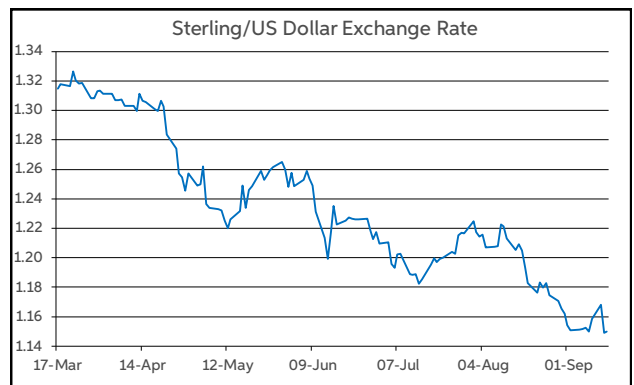
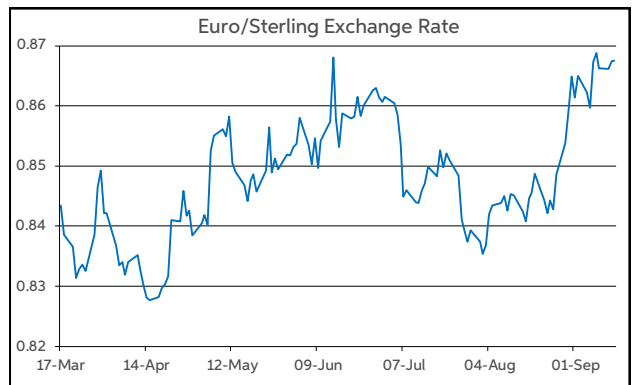
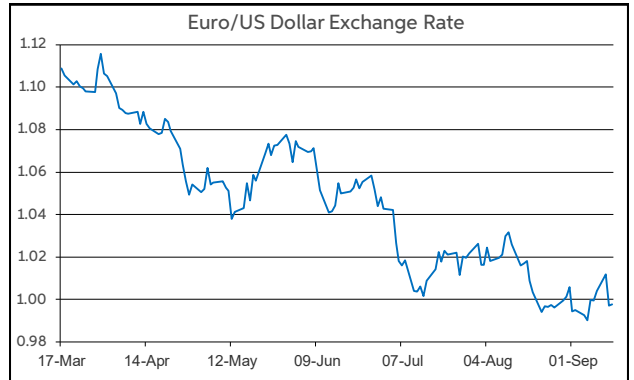
Regarding the aforementioned US CPI data, the headline rate printed at 8.3% (vs. 8.1% f'cast), while the core rate rose to 6.3% (vs. 6.1% f'cast). The release has increased the likelihood that the Fed will opt for its third consecutive 75bps rate hike next week. Meantime, markets are now pricing in a terminal rate of 4-4.25% in the US, in Q1 of next year. Unsurprisingly, US Treasury yields jumped higher in response to the hardening of rate expectations. The policy-sensitive 2-year yield rose by around 20bps.

On the currency front, the dollar returned to the ascendancy, boosted by the firming in US market interest rates and the risk averse backdrop, following the higher than expected CPI reading. The greenback gained over 1% against the euro, sterling and the yen. EUR/USD fell back below parity, while GBP/USD, which had tested above \$1.17 yesterday, moved back below \$1.16.

As trading gets underway this morning, EUR/USD is operating in the \$0.99-1.00 corridor. GBP/USD is changing hands at \$1.15. Elsewhere, EUR/GBP remains in the upper half of 86-87p.

Already today, UK CPI inflation data has been released. The headline rate fell to 9.9% (vs. 10.2% f'cast), while the core rate was in-line with the consensus at 6.3%. However, the data have not impacted sterling in early trading. Eurozone industrial production (July) and US PPI inflation (August) are due later today.

**Daniel Noonan, Economist, AIB**



| Today's Opening FX Rates |        |          |          |
|--------------------------|--------|----------|----------|
|                          |        | % Change |          |
|                          |        | Day *    | End 2021 |
| EUR/USD                  | 0.9976 | -1.48    | -12.24   |
| EUR/GBP                  | 0.8674 | 0.07     | 3.26     |
| GBP/USD                  | 1.1496 | -1.58    | -15.03   |
| GBP/EUR                  | 1.1523 | -0.07    | -3.16    |
| USD/JPY                  | 143.68 | 0.78     | 24.85    |
| EUR/JPY                  | 143.34 | -0.73    | 9.53     |

\* 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                    | 2.375        | 2.78  | 3.27       | 4.23 | 4.13 | 3.64 |
| EUR                    | 0.50         | 0.59  | 0.99       | 2.19 | 2.41 | 2.44 |
| GBP                    | 1.75         | 2.15  | 2.68       | 4.05 | 4.27 | 3.90 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

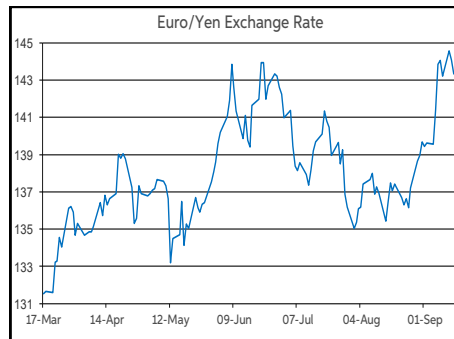
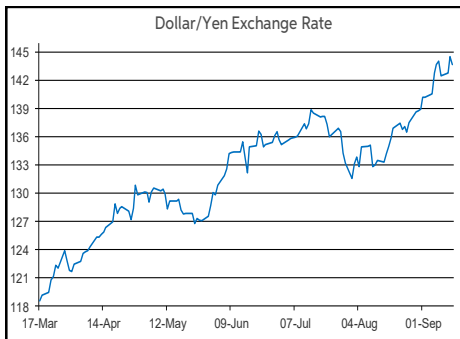
|         |   |            |            |                  |                           |                 |                                   |
|---------|---|------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl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

# Opening Levels

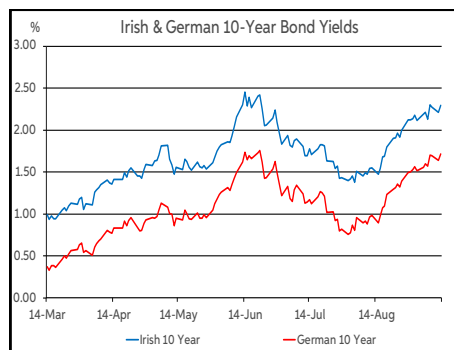
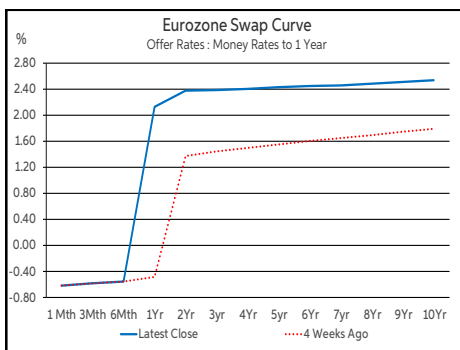
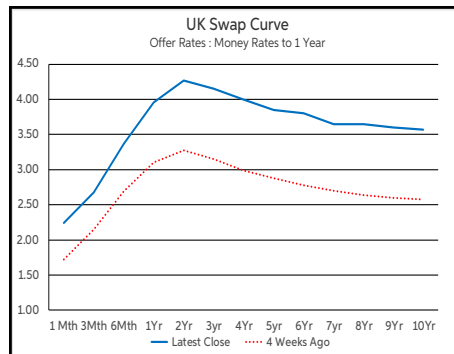
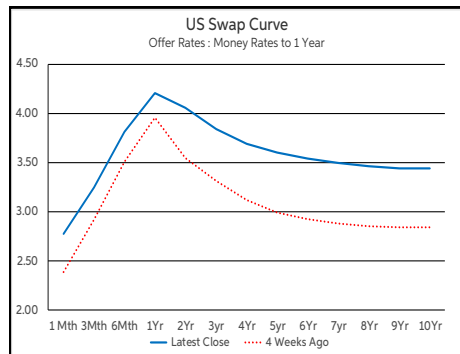
Wednesday 14 September 2022  
07:26 am



| Euro    |         | Sterling |         | Dollar  |         |
|---------|---------|----------|---------|---------|---------|
| EUR/GBP | 0.8674  | GBP/EUR  | 1.1523  | USD/JPY | 143.68  |
| EUR/USD | 0.9976  | GBP/USD  | 1.1496  | USD/CAD | 1.318   |
| EUR/JPY | 143.34  | GBP/CAD  | 1.5155  | USD/CHF | 0.9618  |
| EUR/SEK | 10.659  | GBP/NZD  | 1.9187  | USD/CNY | 6.9627  |
| EUR/DKK | 7.4364  | GBP/JPY  | 165.17  | USD/BRL | 5.1903  |
| EUR/NOK | 10.1065 | GBP/SEK  | 12.293  | USD/RUB | 60      |
| EUR/CHF | 0.9594  | GBP/DKK  | 8.5692  | USD/INR | 79.5775 |
| EUR/AUD | 1.485   | GBP/NOK  | 11.6564 |         |         |
| EUR/HKD | 7.8301  | GBP/CHF  | 1.106   | AUD/USD | 0.6717  |
| EUR/CAD | 1.3148  | GBP/AUD  | 1.7115  | NZD/USD | 0.599   |



| Debt Markets  |       |            |         |        |
|---|-------|------------|---------|--------|
|   | Close | Change bps |         |        |
|   |       | Day        | 4 Weeks | End 21 |
| <b>10 Year Yield %</b>                                  |       |            |         |        |
| US  | 3.41  | +5         | +60     | +190   |
| Germany   | 1.72  | +8         | +75     | +190   |
| UK  | 3.17  | +9         | +105    | +220   |
| Ireland   | 2.33  | +8         | +75     | +209   |
| Belgium   | 2.34  | +5         | +76     | +216   |
| France  | 2.29  | +7         | +75     | +210   |
| Italy   | 3.99  | +4         | +86     | +281   |
| Spain   | 2.86  | +6         | +77     | +227   |
| Portugal  | 2.77  | +6         | +77     | +229   |
| Greece  | 4.23  | +1         | +90     | +291   |
| <b>5 Year Swap %</b>                                    |       |            |         |        |
| US  | 3.60  | +12        | +65     | +227   |
| Eurozone  | 2.43  | +11        | +89     | +242   |
| UK  | 3.85  | +7         | +97     | +257   |
| <b>2 Year Swap %</b>                                    |       |            |         |        |
| US  | 4.06  | +18        | +55     | +311   |
| Eurozone  | 2.38  | +12        | +101    | +268   |
| UK  | 4.27  | +14        | +100    | +308   |
| <b>10 Year Government Bond Spreads to Benchmark bps</b> |       |            |         |        |
| Ireland   | 61    | +0         | +1      | +18    |
| Belgium   | 62    | -3         | +1      | +26    |
| France  | 57    | -1         | +1      | +19    |
| Italy   | 227   | -4         | +11     | +90    |
| Spain   | 114   | -2         | +2      | +37    |
| Portugal  | 105   | -2         | +3      | +39    |
| Greece  | 250   | -7         | +15     | +101   |



| Commodities    |          |       |         |        |
|----------------|----------|-------|---------|--------|
|                | % Change |       |         |        |
|                | Close    | Day   | 4 Weeks | End 21 |
| Brent Oil      | 93.17    | -0.88 | +0.90   | +19.79 |
| West Texas Oil | 87.84    | -0.39 | -1.56   | +16.61 |
| Gold \$        | 1701.6   | -1.31 | -4.17   | -6.94  |

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.