

## Sterling under the cosh

The risk averse mood which has persisted for much of the week on markets, remained firmly intact yesterday. The Euro Stoxx 50 fell by 0.7%, while the S&P 500 moved 1.1% lower. On bond markets, benchmark 10-year yields rose by 3-4bps. Elsewhere, Brent crude oil declined by over 3%, edging down to \$91 per barrel.

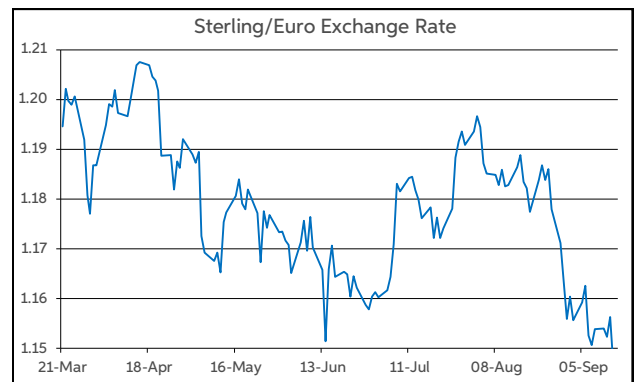
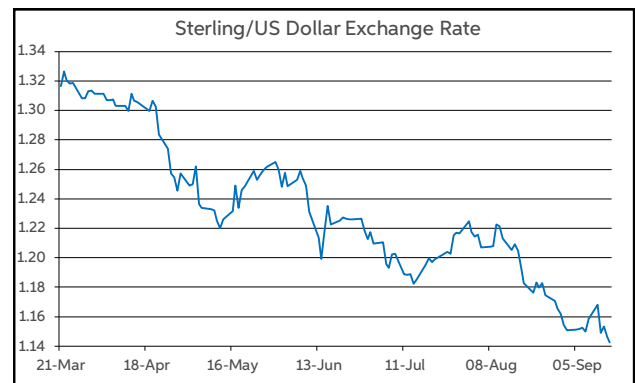
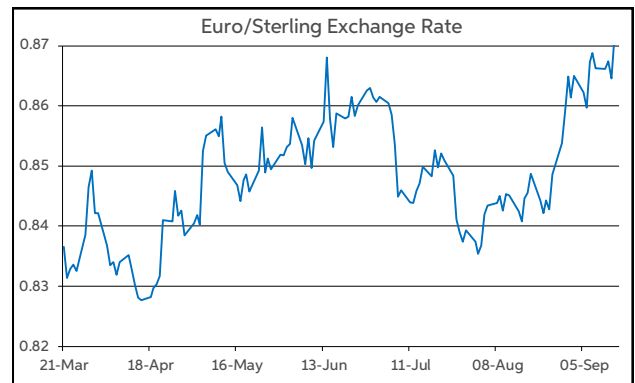
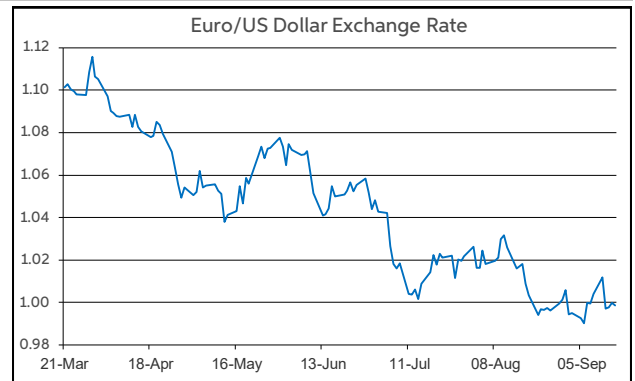
On the currency front, sterling found itself on the defensive yesterday. Below consensus retail sales data released this morning has put the pound under further downward pressure in early trading. Headline UK sales fell by 1.6% in August (vs. -0.5% f'cast). Overall, sterling has lost around 1% against the euro and the dollar since yesterday's open. Elsewhere, some hawkish rhetoric from a number of ECB officials has provided some support for the euro, at the margin, over the past 24 hours.

In terms of some key releases from the US yesterday, the data were mixed. Retail sales rose by 0.3% in August (vs. +0.0% f'cast), although, the control sales reading, an important measure of core activity, stagnated (+0.0% vs. +0.5% f'cast). Meantime, industrial production fell by 0.2% in the month (vs. +0.1% f'cast). The releases sparked some slight volatility for the dollar, but overall the greenback remained within its recent ranges against most majors.

As trading gets underway this morning, the softer sterling tone is reflected by EUR/GBP opening above the 87p handle. Elsewhere, GBP/USD is operating back in the lower half of \$1.14-1.15. EUR/USD is changing hands in the upper half of \$0.99-1.00.

Ahead today, the final reading of Eurozone HICP inflation (Aug) and preliminary US Michigan consumer sentiment (Sep) are due. However, neither release is likely to impact currency markets.

**Daniel Noonan, Economist, AIB**



| Today's Opening FX Rates |        |          |          |
|--------------------------|--------|----------|----------|
|                          |        | % Change |          |
|                          |        | Day *    | End 2021 |
| EUR/USD                  | 0.9984 | 0.17     | -12.17   |
| EUR/GBP                  | 0.8737 | 1.02     | 4.01     |
| GBP/USD                  | 1.1427 | -0.85    | -15.54   |
| GBP/EUR                  | 1.1441 | -1.01    | -3.86    |
| USD/JPY                  | 143.45 | -0.03    | 24.65    |
| EUR/JPY                  | 143.29 | 0.18     | 9.49     |

\* 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     | 2.94         | 3.48  | 4.39       | 4.30 | 3.76 |
| EUR                    | 0.50      | 0.67         | 1.01  | 2.23       | 2.56 | 2.55 |
| GBP                    | 1.75      | 2.22         | 2.74  | 4.13       | 4.34 | 3.95 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

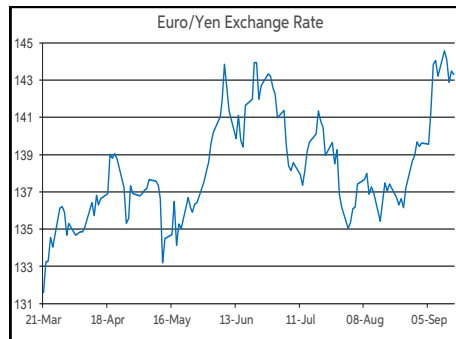
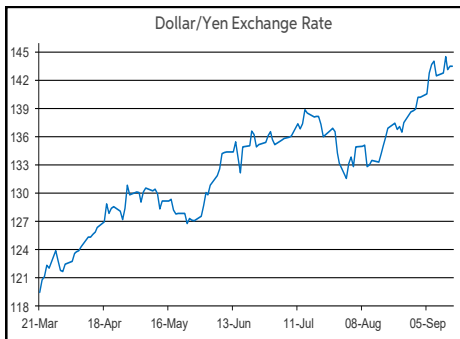
|         |   |            |            |                  |                           |                 |                                   |
|---------|---|------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl 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

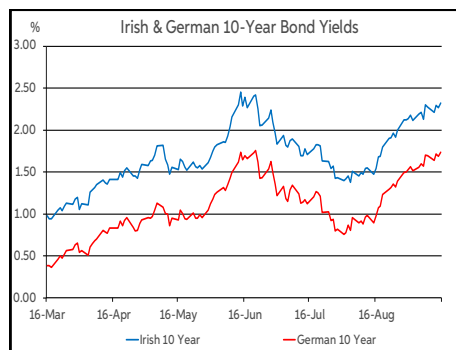
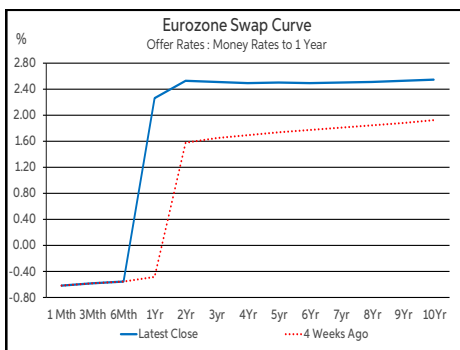
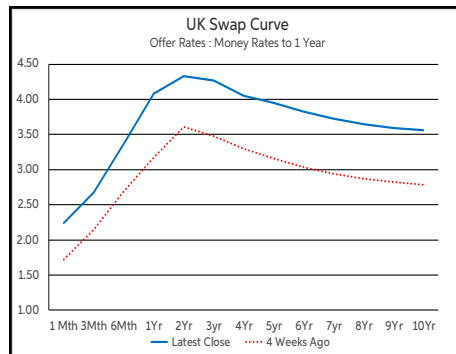
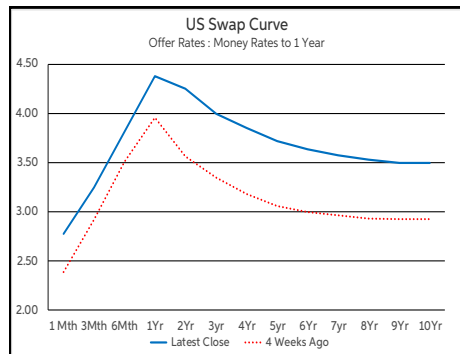
Friday 16 September 2022  
07:22 am



| Euro    |         | Sterling |         | Dollar  |        |
|---------|---------|----------|---------|---------|--------|
| EUR/GBP | 0.8737  | GBP/EUR  | 1.1441  | USD/JPY | 143.45 |
| EUR/USD | 0.9984  | GBP/USD  | 1.1427  | USD/CAD | 1.3257 |
| EUR/JPY | 143.29  | GBP/CAD  | 1.5151  | USD/CHF | 0.9633 |
| EUR/SEK | 10.7255 | GBP/NZD  | 1.914   | USD/CNY | 7.0079 |
| EUR/DKK | 7.4365  | GBP/JPY  | 163.93  | USD/BRL | 5.247  |
| EUR/NOK | 10.1851 | GBP/SEK  | 12.278  | USD/RUB | 59.85  |
| EUR/CHF | 0.9619  | GBP/DKK  | 8.5079  | USD/INR | 79.789 |
| EUR/AUD | 1.4889  | GBP/NOK  | 11.6485 | AUD/USD | 0.6706 |
| EUR/HKD | 7.8361  | GBP/CHF  | 1.1008  | NZD/USD | 0.5968 |
| EUR/CAD | 1.3238  | GBP/AUD  | 1.7039  |         |        |



| Debt Markets  |       |            |         |        |
|---|-------|------------|---------|--------|
|   | Close | Change bps |         |        |
|   |       | Day        | 4 Weeks | End 21 |
| <b>10 Year Yield %</b>                                  |       |            |         |        |
| US  | 3.45  | +4         | +56     | +194   |
| Germany   | 1.74  | +4         | +64     | +192   |
| UK  | 3.17  | +3         | +85     | +219   |
| Ireland   | 2.36  | +5         | +64     | +211   |
| Belgium   | 2.34  | +4         | +62     | +216   |
| France  | 2.30  | +3         | +62     | +210   |
| Italy   | 4.03  | +5         | +71     | +285   |
| Spain   | 2.91  | +5         | +66     | +231   |
| Portugal  | 2.81  | +4         | +64     | +232   |
| Greece  | 4.22  | -6         | +69     | +291   |
| <b>5 Year Swap %</b>                                    |       |            |         |        |
| US  | 3.72  | +8         | +70     | +239   |
| Eurozone  | 2.50  | +5         | +77     | +249   |
| UK  | 3.95  | +5         | +79     | +267   |
| <b>2 Year Swap %</b>                                    |       |            |         |        |
| US  | 4.25  | +9         | +73     | +331   |
| Eurozone  | 2.53  | +10        | +96     | +283   |
| UK  | 4.33  | +7         | +73     | +314   |
| <b>10 Year Government Bond Spreads to Benchmark bps</b> |       |            |         |        |
| Ireland   | 62    | +1         | +0      | +19    |
| Belgium   | 60    | -1         | -2      | +24    |
| France  | 56    | -1         | -2      | +18    |
| Italy   | 229   | +1         | +6      | +93    |
| Spain   | 116   | +1         | +2      | +39    |
| Portugal  | 106   | +0         | -0      | +40    |
| Greece  | 248   | -10        | +4      | +99    |



| Commodities    |          |       |         |        |
|----------------|----------|-------|---------|--------|
|                | % Change |       |         |        |
|                | Close    | Day   | 4 Weeks | End 21 |
| Brent Oil      | 90.84    | -3.46 | -5.95   | +16.79 |
| West Texas Oil | 85.72    | -3.56 | -8.03   | +13.79 |
| Gold \$        | 1663.7   | -1.89 | -5.37   | -9.01  |

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