Morning Comment

AIB Treasury Economic Research Unit



Monday 16 September 2024 07:19 am

Busy central bank diary this week, with Fed in focus

Monetary policy is front and centre of the market discourse at the moment as we are in the midst of the September round of central bank meetings. Last week, it was the ECB that was under the spotlight. As expected, it cut the Deposit rate by 25bps to 3.50%. However, President Lagarde was tight lipped regarding the rate outlook over its final two meetings of 2024. As a result, the market's expectation for 50bps of additional rate cuts by year end has lessened. Currency-wise, while there was some initial modest downward pressure on the euro, there was no sustained reaction given the lack of specific guidance. The \$1.10 level for EUR/USD remained in place, while EUR/GBP retained the 84p threshold.

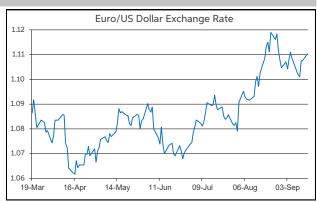
Attention this week turns to the Fed, BoE and BoJ. Of the three, the main focus will be on the Fed. The meeting entails event risk for the dollar amid uncertainty over whether there will be a 25bps or 50bps rate cut. Some softening in futures contract pricing towards the end of last week indicates the market is still not ruling out a 50bps cut. Aside from the policy decision, the release of the latest Fed interest rate projections and Chair Powell's press conference will be closely scrutinised and therefore could also be sources of volatility for the dollar. EUR/USD starts the week up at \$1.11.

The BoE is expected to keep the Bank Rate unchanged at 5.00%, having cut rates by 25bps in August. It has been non-committal on the rates outlook, so the market will be looking to see if the statement/minutes provide any new insight. Market expectations for less BoE easing versus elsewhere, has helped provide a supportive backdrop to sterling recently. Meantime, the BoJ is also expected to leave rates unchanged, having hiked in July. However, yen watchers will be paying close attention to Governor Ueda's comments for insight on the BoJ's tightening trajectory.

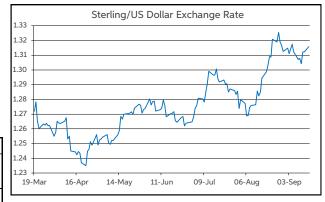
John Fahey, Senior Economist, AIB

| Today's Opening FX Rates | | | | | |
|----------------------------------|--------|----------|----------|--|--|
| | | % Change | | | |
| | | Day * | End 2023 | | |
| EUR/USD | 1.1103 | 0.19 | 0.61 | | |
| EUR/GBP | 0.8436 | 0.07 | -2.68 | | |
| GBP/USD | 1.3158 | 0.08 | 3.37 | | |
| GBP/EUR | 1.185 | -0.07 | 2.75 | | |
| USD/JPY | 140.06 | -0.63 | -0.71 | | |
| EUR/JPY | 155.51 | -0.47 | -0.08 | | |
| * v Previous Day's European Open | | | | | |
| See Next Page for More Rates | | | | | |

| Opening Interest Rates | | | | | | |
|------------------------|-----------|--------------|-------|------------|------|------|
| | | Money Market | | Swap Rates | | 5 |
| | Base Rate | 1-Mth | 3-Mth | 1-Yr | 2-Yr | 5-Yr |
| USD | 5.38 | 5.20 | 5.20 | 4.14 | 3.64 | 3.40 |
| EUR | 3.65 | 3.41 | 3.47 | 2.85 | 2.46 | 2.31 |
| GBP | 5.00 | 4.89 | 4.79 | 4.18 | 3.98 | 3.66 |









All rates quoted are indicative market rates

See Next Page For More Rates & Charts

FX Spot Karl Cooke FX Options Mark Tuite Reuters AIBG.I Morning Comment John Fahey Shane Gargan O0353-1-7724018 Morning Comment John Fahey john.j.fahey@aib.ie

Opening Levels



| | Euro | |
|---------|------|---------|
| EUR/GBP | | 0.8436 |
| EUR/USD | | 1.1103 |
| EUR/JPY | | 155.51 |
| EUR/SEK | | 11.3178 |
| EUR/DKK | | 7.4623 |
| EUR/NOK | | 11.7816 |
| EUR/CHF | | 0.9392 |
| EUR/AUD | | 1.6506 |
| EUR/HKD | | 8.6557 |
| EUR/CAD | | 1.5073 |
| | | |

| Sterling | |
|----------|---------|
| GBP/EUR | 1.185 |
| GBP/USD | 1.3158 |
| GBP/CAD | 1.7865 |
| GBP/NZD | 2.1306 |
| GBP/JPY | 184.29 |
| GBP/SEK | 13.4111 |
| GBP/DKK | 8.8443 |
| GBP/NOK | 13.9631 |
| GBP/CHF | 1.1132 |
| GBP/AUD | 1.9563 |
| | |

| Dollar | | | | | |
|---------|--------|--|--|--|--|
| USD/JPY | 140.06 | | | | |
| USD/CAD | 1.3576 | | | | |
| USD/CHF | 0.8459 | | | | |
| USD/CNY | 7.093 | | | | |
| USD/BRL | 5.5625 | | | | |
| USD/RUB | 91.1 | | | | |
| USD/INR | 83.885 | | | | |
| | | | | | |
| AUD/USD | 0.6726 | | | | |
| NZD/USD | 0.6176 | | | | |
| | | | | | |



US Swap Curve

5.50

5.25 5.00 4.75

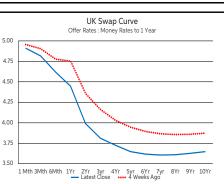
4.50 4.25

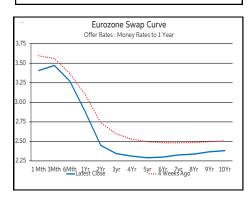
4.00

3.75

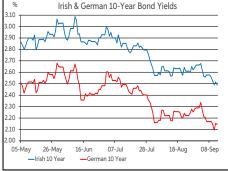
3.25 3.00







1 Mth 3Mth 6Mth 1Yr 2Yr 3yr 4Yr 5yr 6Yr 7yr Latest Close 4Yr 5yr 6Yr 7yr 4 Weeks Ago



| Debt Markets | | | | | | |
|------------------|----------------|-------------|--------------|--------|--|--|
| | | | Change bps | | | |
| | Close | Day | 4 Weeks | End 23 | | |
| 10 Year Yield % | | | | | | |
| US | 3.65 | -3 | -24 | -21 | | |
| Germany | 2.15 | -1 | -11 | +12 | | |
| UK | 3.77 | -1 | -16 | +23 | | |
| Ireland | 2.53 | -1 | -14 | +16 | | |
| Belgium | 2.74 | -2 | -12 | +5 | | |
| France | 2.84 | -1 | -14 | +28 | | |
| Italy | 3.51 | -3 | -13 | -19 | | |
| Spain | 2.94 | -2 | -15 | -5 | | |
| Portugal | 2.74 | -3 | -15 | -5 | | |
| Greece | 3.14 | -2 | -19 | +6 | | |
| 5 Year Swap % | | | | | | |
| US | 3.38 | -3 | -34 | -41 | | |
| Eurozone | 2.29 | -4 | -20 | -14 | | |
| UK | 3.65 | -6 | -29 | -0 | | |
| 2 Year Swap % | | | | | | |
| US | 3.62 | -5 | -48 | -72 | | |
| Eurozone | 2.45 | -4 | -28 | -35 | | |
| UK | 3.99 | -7 | -36 | -27 | | |
| 10 Year Governme | nt Bond Spread | s to Benchn | nark bps | | | |
| Ireland | 38 | -1 | -3 | +4 | | |
| Belgium | 59 | -1 | -1 | -7 | | |
| France | 69 | -0 | -3 | +16 | | |
| Italy | 137 | -2 | -2 | -31 | | |
| Spain | 80 | -1 | -4 | -17 | | |
| Portugal | 59 | -2 | -4 | -17 | | |
| Greece | 99 | -1 | -8 | -6 | | |

| Commodities | | | | | | |
|----------------|--------------------------|----------|--------|--------|--|--|
| | | % Change | | | | |
| | Close Day 4 Weeks End 23 | | | | | |
| Brent Oil | 71.61 | -0.50 | -10.13 | -7.05 | | |
| West Texas Oil | 71.65 | -0.17 | -1.90 | -1.27 | | |
| Gold \$ | 2576.5 | +0.69 | +2.76 | +24.92 | | |

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