

BoE leaves rates unchanged as expected

As expected, the Bank of England left Bank rate unchanged at 5% yesterday. The MPC voted 8-1 to leave rates on hold, with the dissenter in favour of a 25bps cut. However, the meeting statement had a dovish tilt, noting that “a gradual approach to removing policy restraint remains appropriate”. The BoE also announced it will reduce its bond holdings by £100bn over the next year.

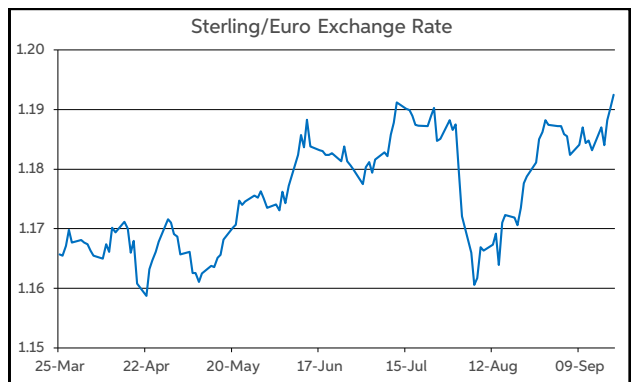
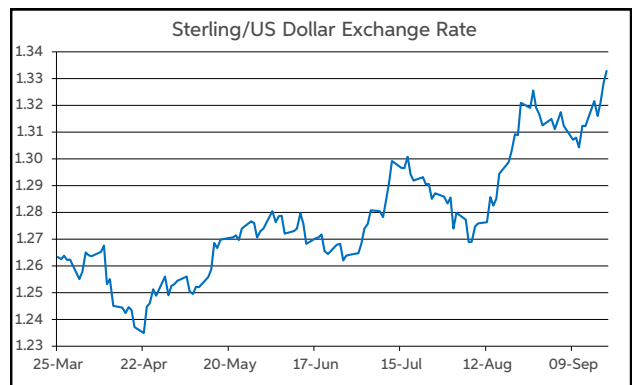
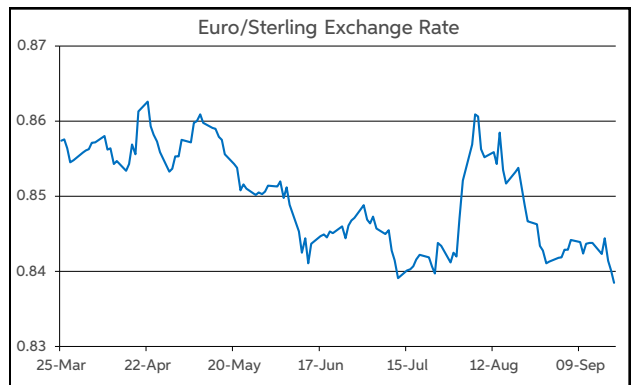
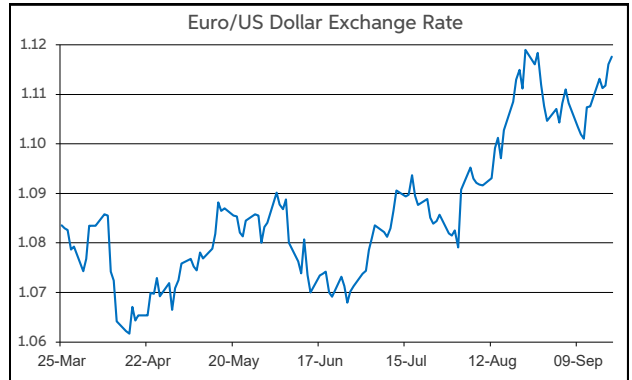
As the BoE decision was broadly in-line with expectations, it had only a limited impact on markets. UK futures contracts continue to indicate that the BoE will cut rates in November and a total of 40bps of easing is priced-in for year end.

Elsewhere, there was a positive mood on markets as investors continued to digest the Fed’s decision to cut rates by a bumper 50bps. Against this backdrop, the S&P 500 gained 1.7%, while the Euro Stoxx 50 rose by 2.2%. Meanwhile, the BoJ also opted to leave policy on hold overnight as anticipated. The market reaction to the decision has been muted.

On the currency front, the dollar was under some downward pressure yesterday. At the same time, there was a firmer tone to sterling. This is reflected in GBP/USD opening this morning up above the \$1.33 threshold. EUR/USD is operating up in the top half of \$1.11-1.12. Meantime, EUR/GBP is down below the 84p handle. USD/JPY remains near the midpoint of ¥142-143.

Already this morning, UK retail sales have printed well above the consensus, rising by 1% in August (vs. +0.4% f’cast). Sterling has been on the front-foot in early trading following the release. Later today, the main highlight will be the flash reading of Eurozone consumer confidence for September.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.1176	0.50	1.27
EUR/GBP	0.8385	-0.39	-3.26
GBP/USD	1.3329	0.91	4.71
GBP/EUR	1.1924	0.39	3.38
USD/JPY	141.91	-0.88	0.60
EUR/JPY	158.62	-0.38	1.92

* v Previous Day's European Open
See Next Page for More Rates

Opening Interest Rates						
	Money Market			Swap Rates		
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	4.88	5.08	5.08	4.09	3.67	3.48
EUR	3.65	3.40	3.46	2.84	2.46	2.34
GBP	5.00	4.94	4.84	4.29	4.10	3.80

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

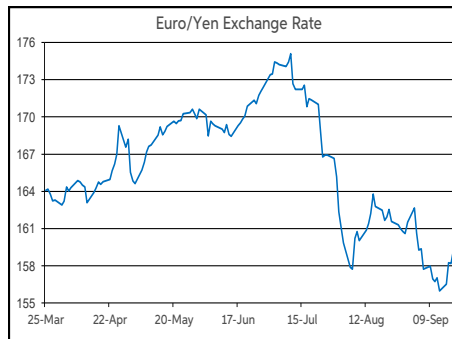
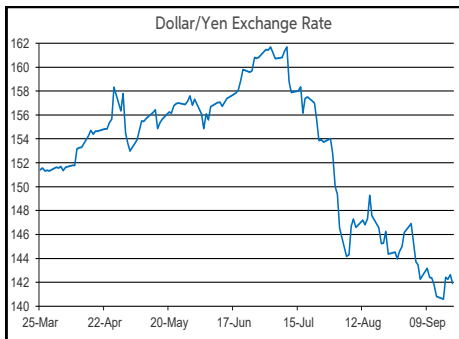
EUR/GBP	0.8385
EUR/USD	1.1176
EUR/JPY	158.62
EUR/SEK	11.3341
EUR/DKK	7.4593
EUR/NOK	11.6875
EUR/CHF	0.9449
EUR/AUD	1.6369
EUR/HKD	8.7047
EUR/CAD	1.515

Sterling

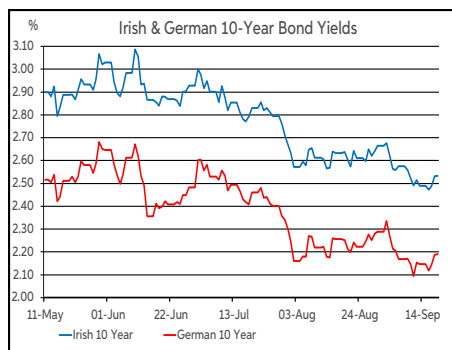
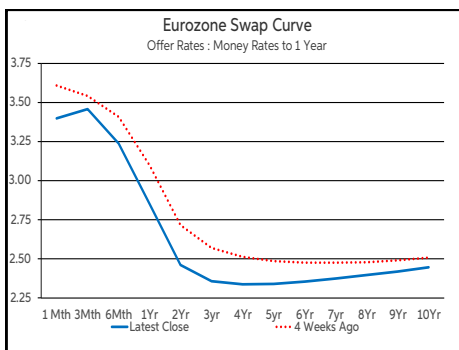
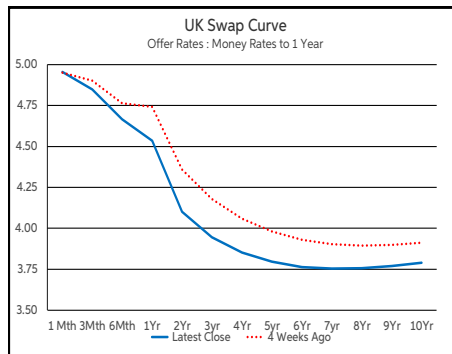
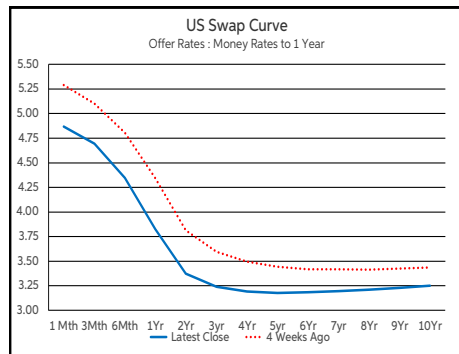
GBP/EUR	1.1924
GBP/USD	1.3329
GBP/CAD	1.8067
GBP/NZD	2.1294
GBP/JPY	189.15
GBP/SEK	13.5126
GBP/DKK	8.8956
GBP/NOK	13.9446
GBP/CHF	1.1268
GBP/AUD	1.9521

Dollar

USD/JPY	141.91
USD/CAD	1.3552
USD/CHF	0.8454
USD/CNY	7.0454
USD/BRL	5.425
USD/RUB	92.7
USD/INR	83.467
AUD/USD	0.6827
NZD/USD	0.6259



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	3.74	+5	-12	-12
Germany	2.19	+0	-5	+16
UK	3.89	+4	-7	+35
5 Year Swap %				
US	3.44	-1	-23	-35
Eurozone	2.34	-2	-14	-9
UK	3.80	+4	-18	+14
2 Year Swap %				
US	3.62	-6	-42	-72
Eurozone	2.46	-4	-25	-33
UK	4.10	+2	-25	-16
10 Year Government Bond Spreads to Benchmark bps				
Ireland	38	+0	-3	+4
Belgium	61	+0	+2	-5
France	74	+1	+3	+21
Italy	136	-2	-1	-31
Spain	80	-1	-1	-16
Portugal	59	-1	-1	-17
Greece	101	+0	-3	-4



Commodities				
	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	74.88	+1.67	-3.03	-2.80
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2586.5	+1.08	+4.15	+25.40

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