

Fed leaves policy on hold. BoE in focus today

Throughout the European session yesterday, there was a positive tone to investor sentiment. The upbeat mood was supported by data, which showed a surprise fall in UK core-CPI inflation (6.2% vs. 6.8% f'cast), and a sharp decline in German PPI inflation (-12.6%) in August. Against this backdrop, the Euro Stoxx 50 rose by 0.8%.

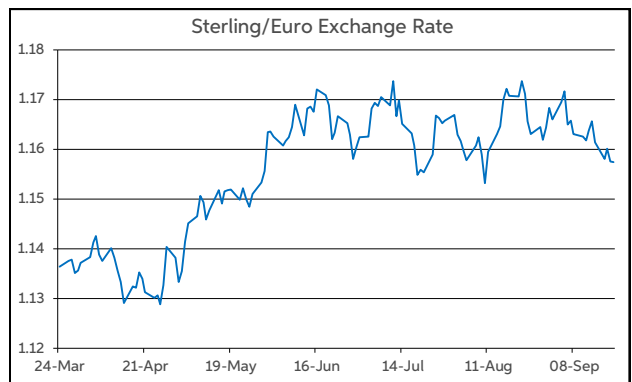
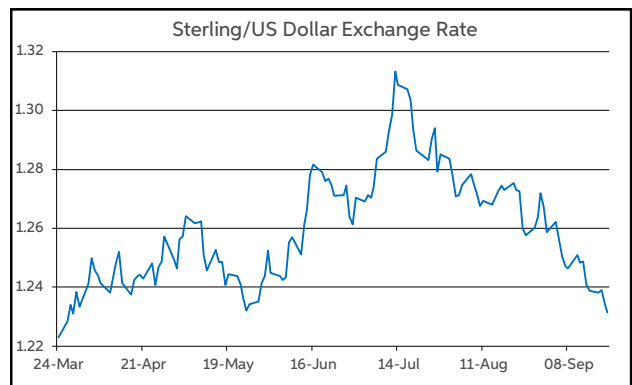
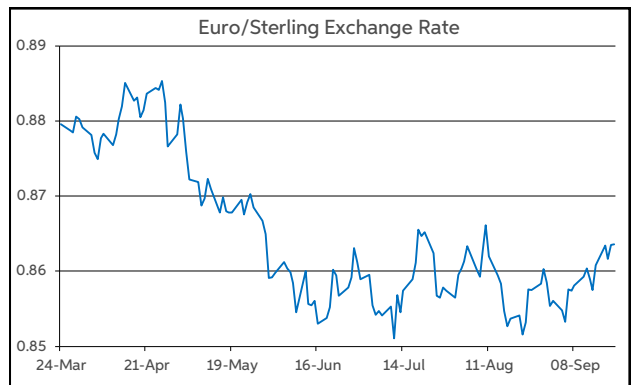
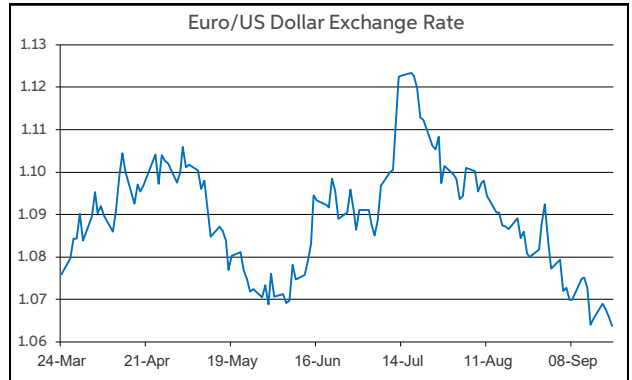
After the close in Europe, the Fed opted to leave rates on hold, as had been widely anticipated. Chair Powell, struck a balanced chord at the press conference, reiterating that future policy decisions will be based on the incoming data. Furthermore, the updated Fed interest rate dotplot showed that the median projection is still for rates to end this year at 5.50-5.75%, compared to their current level of 5.25-5.50%. Fed officials also upped their rate projections for next year, indicating a quick reversal of policy is unlikely.

The market reaction to the meeting saw a hardening in interest rate expectations. Futures contracts now suggest that there is a 60% chance the Fed will raise rates again. Furthermore, rates are now seen as being cut by circa 60bps from their current level in 2024, compared to by 75bps before the meeting. Elsewhere, overnight, the dollar recouped its losses from earlier in the day.

In level terms, EUR/USD opens back below the midpoint of \$1.06-1.07, having traded to a high of \$1.073 yesterday. GBP/USD is in the lower half of \$1.23-1.24. EUR/GBP remains in the 86-87p range.

Today, the monetary policy spotlight shifts to the Bank of England. Current futures pricing indicates there is just a 60% chance that the BoE will raise UK rates by 25bps, down from an 80% chance before the CPI data were released yesterday. The policy decision poses some event risk for sterling.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0639	-0.36	-0.59
EUR/GBP	0.8637	0.20	-2.34
GBP/USD	1.2315	-0.59	1.80
GBP/EUR	1.1574	-0.20	2.40
USD/JPY	148.28	0.30	13.10
EUR/JPY	157.79	-0.04	12.47

* 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	5.44	5.66	5.59	5.37	4.68
EUR	4.50	3.89	3.93	4.14	3.86	3.41
GBP	5.25	5.30	5.36	5.48	5.34	4.74

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

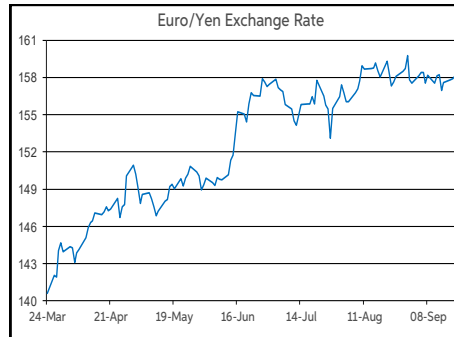
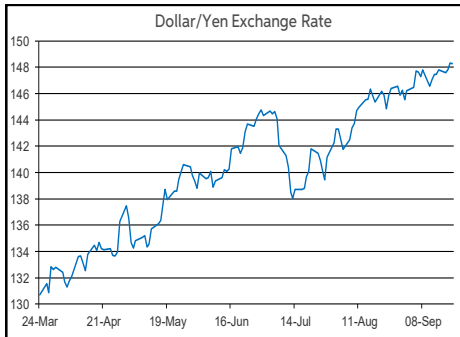
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
---------	----------------------------	------------	------------	------------------	---------------------------	-----------------	-----------------------------------

Opening Levels

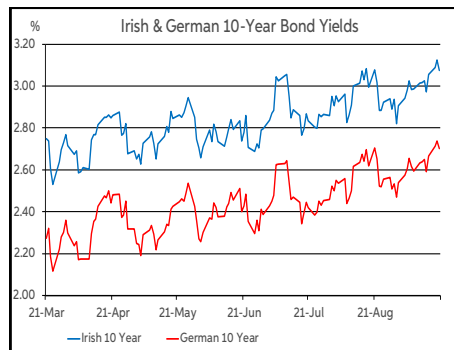
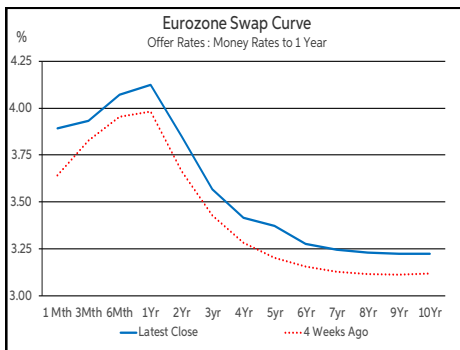
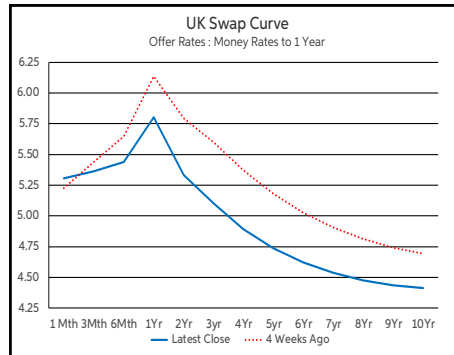
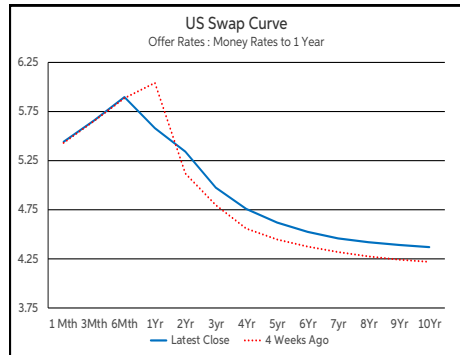
Thursday 21 September 2023
07:23 am



Euro		Sterling		Dollar	
EUR/GBP	0.8637	GBP/EUR	1.1574	USD/JPY	148.28
EUR/USD	1.0639	GBP/USD	1.2315	USD/CAD	1.3491
EUR/JPY	157.79	GBP/CAD	1.6617	USD/CHF	0.8999
EUR/SEK	11.8819	GBP/NZD	2.0844	USD/CNY	7.3021
EUR/DKK	7.4529	GBP/JPY	182.62	USD/BRL	4.8787
EUR/NOK	11.51	GBP/SEK	13.7533	USD/RUB	96.3275
EUR/CHF	0.9573	GBP/DKK	8.627	USD/INR	83.139
EUR/AUD	1.6593	GBP/NOK	13.3238	AUD/USD	0.6411
EUR/HKD	8.3241	GBP/CHF	1.1082	NZD/USD	0.5906
EUR/CAD	1.4356	GBP/AUD	1.9207		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	4.40	+3	+20	+52
Germany	2.70	-4	+18	+14
UK	4.22	-13	-25	+55
5 Year Swap %				
US	4.62	+6	+21	+62
Eurozone	3.37	+1	+18	+14
UK	4.74	-17	-44	+43
2 Year Swap %				
US	5.34	+9	+27	+67
Eurozone	3.85	+1	+19	+46
UK	5.33	-15	-45	+65
10 Year Government Bond Spreads to Benchmark bps				
Ireland	41	-0	+2	-18
Belgium	62	-1	-2	-2
France	54	-0	+1	-1
Italy	175	-3	+10	-39
Spain	105	-1	+3	-5
Portugal	73	-0	+2	-31
Greece	141	-1	+6	-62



Commodities				
	Close	% Change		
		Day	4 Weeks	End 22
Brent Oil	93.53	-0.86	+12.40	+8.87
West Texas Oil	90.3	-0.94	+14.43	+12.65
Gold \$	1929.7	-0.07	+0.80	+5.77

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.