

## Fed policy decision due tonight

Risk appetite was somewhat steadier across financial markets yesterday. The S&P 500 finished close to flat for the day, while the Euro Stoxx 50 (+1.3%) recouped half of its losses from Monday. On bond markets, benchmark sovereign bond yields were little changed yesterday, and the spread between core and periphery Euro-area yields tightened slightly. Similarly, the main FX pairs were confined to narrow ranges.

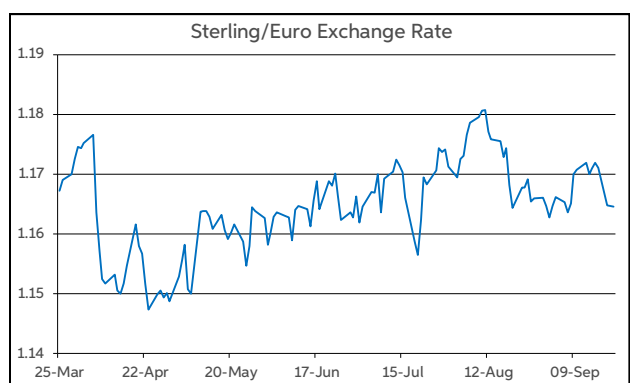
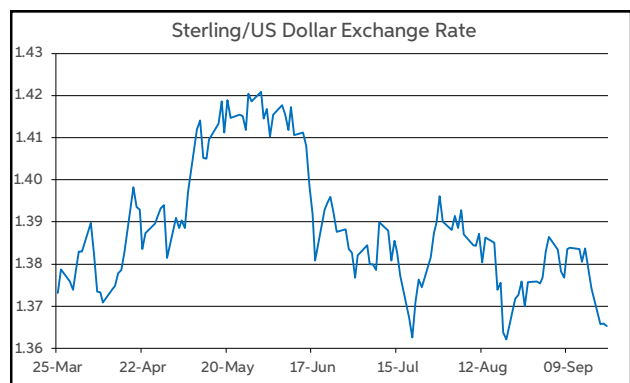
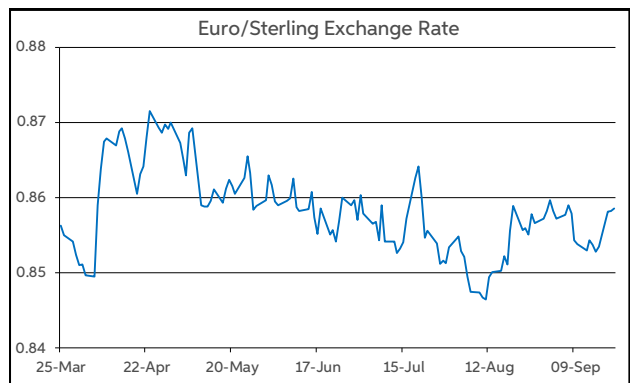
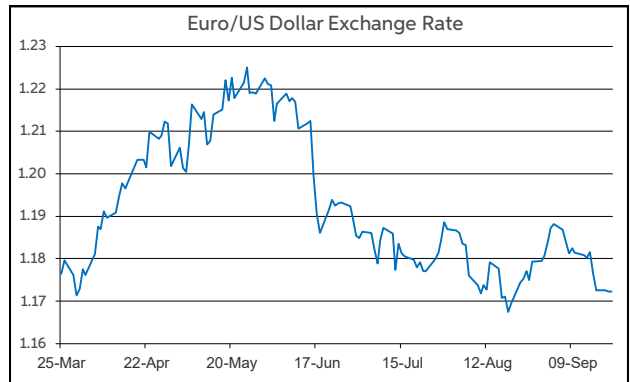
A quiet macro calendar likely contributed to the muted price action on the exchanges. The only release of note, US housing starts data printed above the consensus, rising by 3.9% in August. This follows a better than expected homebuilder sentiment report on Monday, indicating activity in the US housing market remains strong.

In level terms, the limited moves on currency markets are reflected in the main pairs opening today at very similar levels to 24 hours ago. EUR/USD is trading in the bottom half of \$1.17-1.18. Meantime, EUR/GBP remains in the 85-86p range, just below 86p. GBP/USD is changing hands at the midpoint of \$1.36-1.37.

Data-wise, another update on the US housing market, this time in the form of existing home sales for August is due. In the Eurozone, the flash consumer confidence reading is expected to show sentiment deteriorated in September. Although, neither release is likely to impact on forex markets, as investors keep their powder dry ahead of the US Fed policy decision after the close in Europe.

The FOMC is expected to vote to keep policy on hold. The latest interest rate projections will garner attention though, and may indicate a rate hike in 2022. Chair Powell's press conference will be monitored closely also, for any hints on the path of QE tapering.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.1722	-0.08	-4.02
EUR/GBP	0.8587	0.09	-3.92
GBP/USD	1.3652	-0.16	-0.15
GBP/EUR	1.1643	-0.09	4.08
USD/JPY	109.54	-0.03	6.10
EUR/JPY	128.43	-0.09	1.80

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

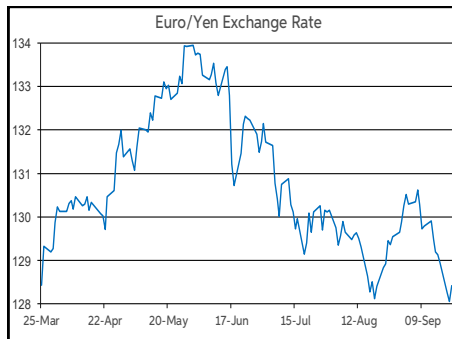
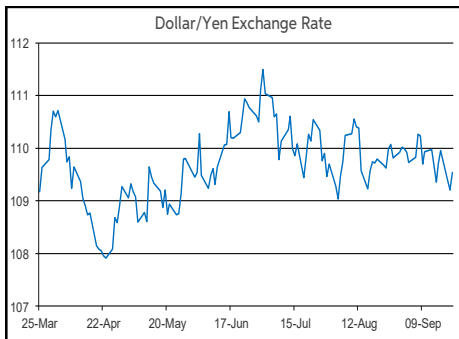
Opening Interest Rates						
	Base Rate	Money Market		Swap Rates		
		1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	0.125	0.08	0.13	0.16	0.34	0.94
EUR	0.00	-0.56	-0.55	-0.53	-0.44	-0.25
GBP	0.10	0.05	0.07	0.34	0.57	0.84

All rates quoted are indicative market rates

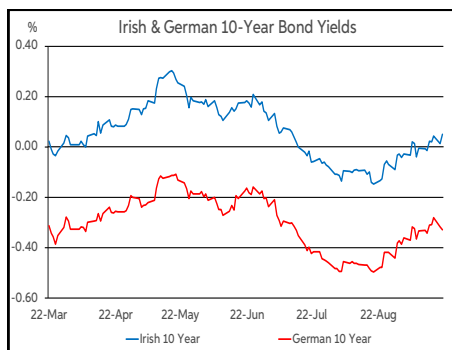
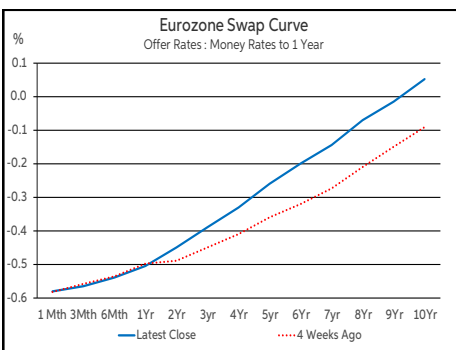
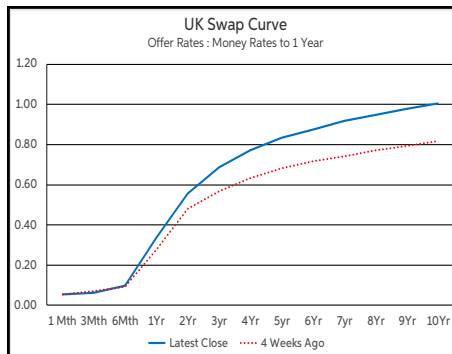
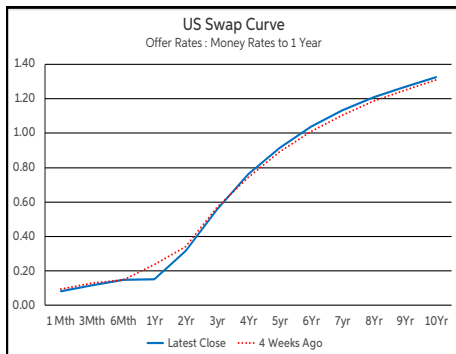
See Next Page For More Rates & Charts

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

Euro		Sterling		Dollar	
EUR/GBP	0.8587	GBP/EUR	1.1643	USD/JPY	109.54
EUR/USD	1.1722	GBP/USD	1.3652	USD/CAD	1.2782
EUR/JPY	128.43	GBP/CAD	1.7447	USD/CHF	0.924
EUR/SEK	10.1679	GBP/NZD	1.9442	USD/CNY	6.4673
EUR/DKK	7.436	GBP/JPY	149.54	USD/BRL	5.2702
EUR/NOK	10.143	GBP/SEK	11.8376	USD/RUB	72.807
EUR/CHF	1.0834	GBP/DKK	8.6584	USD/INR	73.8
EUR/AUD	1.6164	GBP/NOK	11.8139	AUD/USD	0.7252
EUR/HKD	9.1277	GBP/CHF	1.2616	NZD/USD	0.702
EUR/CAD	1.4989	GBP/AUD	1.8824		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 20
<b>10 Year Yield %</b>				
US	1.33	+2	+3	+41
Germany	-0.33	-1	+15	+25
UK	0.81	+1	+27	+61
<b>5 Year Swap %</b>				
US	0.91	+2	+5	+49
Eurozone	-0.26	+1	+11	+20
UK	0.83	+2	+16	+64
<b>2 Year Swap %</b>				
US	0.32	+0	+1	+12
Eurozone	-0.45	+0	+5	+8
UK	0.56	+1	+9	+53
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	39	+0	-2	+12
Belgium	32	+0	-1	+13
France	34	+0	-0	+11
Italy	102	-2	-3	-8
Spain	66	+0	-6	+3
Portugal	57	-0	-5	-7
Greece	107	-4	+2	-13



Commodities				
	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	74.36	+0.60	+4.66	+43.55
West Texas Oil	70.51	+0.14	+4.46	+45.83
Gold \$	1774.2	+0.59	-1.57	-6.45

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