

## Fed hikes by 75bps, BoE ahead today

As expected, the US Fed raised rates by 75bps yesterday, bringing the Fed Funds target range up to 3-3.25%. It was the third consecutive 75bps rate hike from the central bank. The updated interest dotplot shows the Fed anticipates an aggressive path of rate hikes over the next number of months. Rates are now seen as rising to 4.25-4.5% by year end, and to a peak of 4.5-4.75% next year. At the press conference Chair Powell struck a hawkish tone.

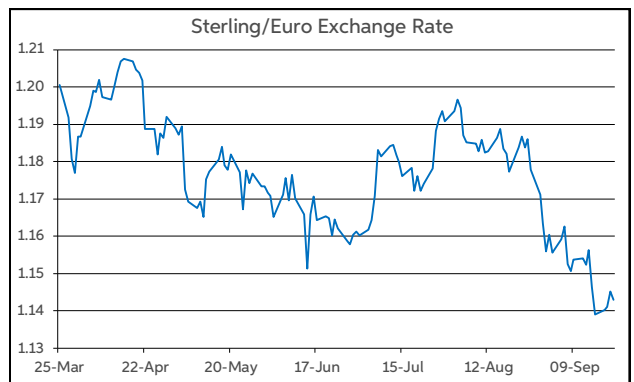
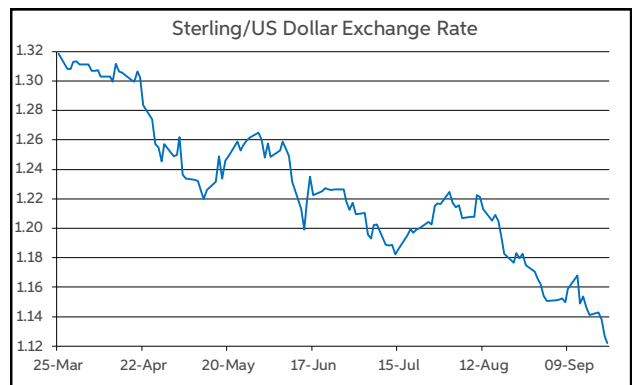
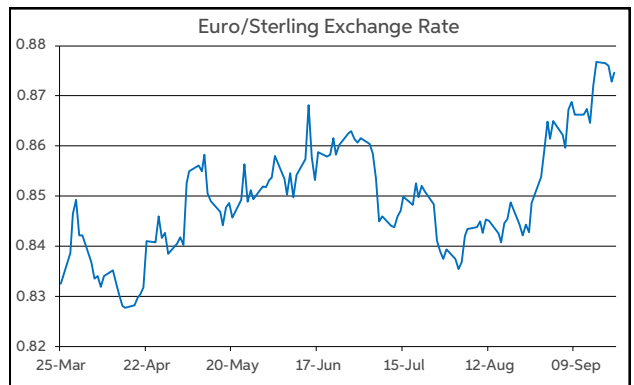
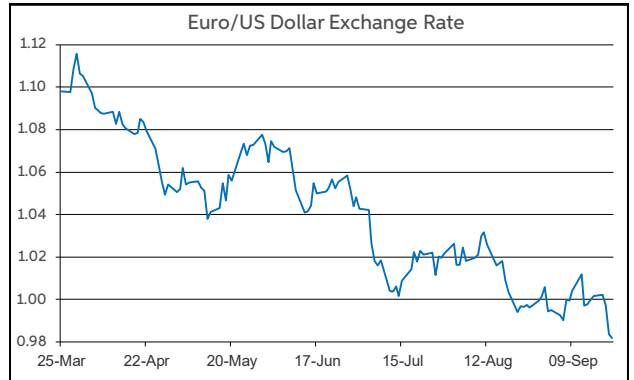
Although the Fed announcement was in-line with expectations, the dotplot outlines a more aggressive pace of rate hikes than the market had been pricing. Futures contracts have adjusted higher, moving to match the dotplot overnight. Meanwhile, equity markets fell sharply in response, with the S&P500 down 1.7%. On bond markets, the 2-year US Treasury yield rose by 17bps.

Currency-wise, the dollar was firmly in control yesterday. The dollar index, a measure of the currency's value versus a basket of its peers, rose to a new 20-year high. Meanwhile, the euro was on the defensive, as President Putin called 300k reservists up to the Russian army. EUR/USD fell back below the \$0.99 threshold.

In level terms, EUR/USD opens in the lower half of \$0.98-0.99. Meantime, EUR/GBP is changing hands near the midpoint of 87-88p. GBP/USD is operating down in the bottom half of \$1.12-1.13.

Today, it is the turn of the Bank of England to enter the monetary policy spotlight. A seventh consecutive increase in the Bank rate is anticipated. However, there remains some uncertainty regarding the magnitude of the rate hike. Current market pricing gives over an 80% chance of a 75bps rate hike, up from 50% on Monday. The announcement poses some event risk for sterling.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	0.9818	-1.42	-13.63
EUR/GBP	0.8746	-0.15	4.12
GBP/USD	1.1226	-1.25	-17.02
GBP/EUR	1.1429	0.15	-3.96
USD/JPY	145.24	0.85	26.21
EUR/JPY	142.65	-0.58	9.00

\* 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	3.05	3.60	4.58	4.53	3.91
EUR	1.25	0.70	1.10	2.48	2.83	2.77
GBP	1.75	2.34	2.87	4.36	4.65	4.22

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

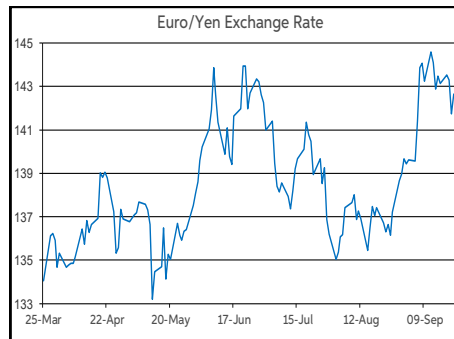
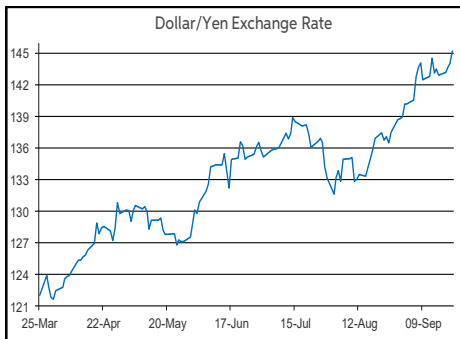
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

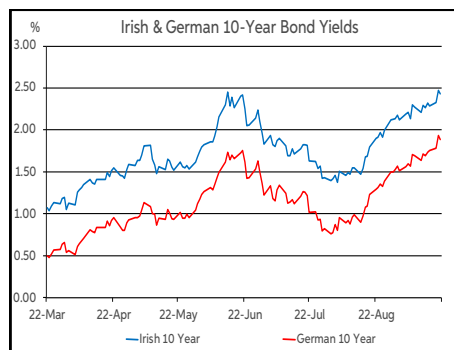
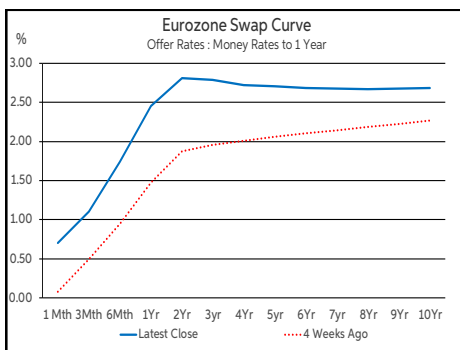
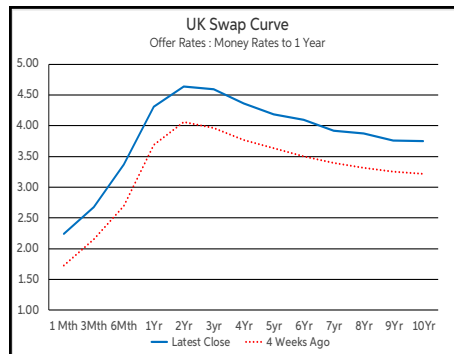
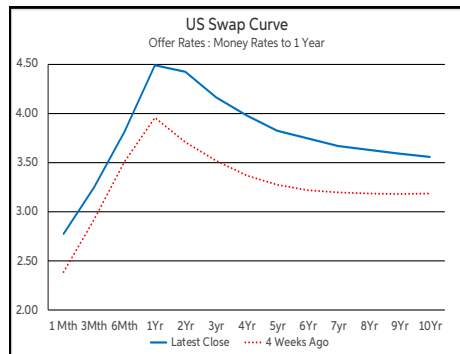
Thursday 22 September 2022  
07:28 am



Euro		Sterling		Dollar	
EUR/GBP	0.8746	GBP/EUR	1.1429	USD/JPY	145.24
EUR/USD	0.9818	GBP/USD	1.1226	USD/CAD	1.3525
EUR/JPY	142.65	GBP/CAD	1.5183	USD/CHF	0.9661
EUR/SEK	10.8963	GBP/NZD	1.9278	USD/CNY	7.0897
EUR/DKK	7.4359	GBP/JPY	163.07	USD/BRL	5.1716
EUR/NOK	10.2037	GBP/SEK	12.458	USD/RUB	60.95
EUR/CHF	0.9486	GBP/DKK	8.4996	USD/INR	80.7325
EUR/AUD	1.4888	GBP/NOK	11.6638	AUD/USD	0.6595
EUR/HKD	7.7083	GBP/CHF	1.0844	NZD/USD	0.582
EUR/CAD	1.3283	GBP/AUD	1.7019		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
<b>10 Year Yield %</b>				
US	3.53	-4	+42	+202
Germany	1.89	-5	+53	+207
UK	3.31	+2	+62	+234
<b>5 Year Swap %</b>				
US	3.82	+1	+59	+249
Eurozone	2.70	+4	+65	+269
UK	4.18	+7	+60	+291
<b>2 Year Swap %</b>				
US	4.42	+10	+76	+348
Eurozone	2.81	+12	+95	+311
UK	4.64	+10	+59	+345
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	58	+1	-5	+15
Belgium	59	-0	-6	+23
France	55	-0	-7	+18
Italy	223	-2	-8	+87
Spain	113	-1	-7	+36
Portugal	105	+0	-5	+39
Greece	256	+2	-7	+107



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	89.83	-0.87	-11.25	+15.49
West Texas Oil	83.38	-1.55	-12.71	+10.69
Gold \$	1673.7	+0.64	-4.41	-8.46

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