

## Sterling down over 1%

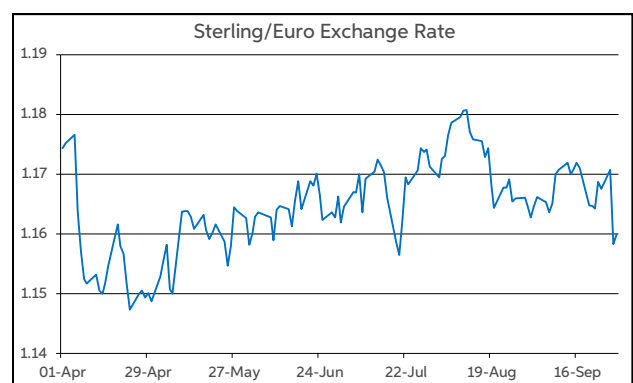
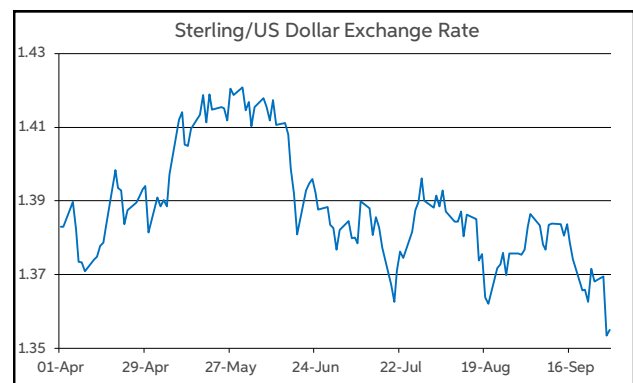
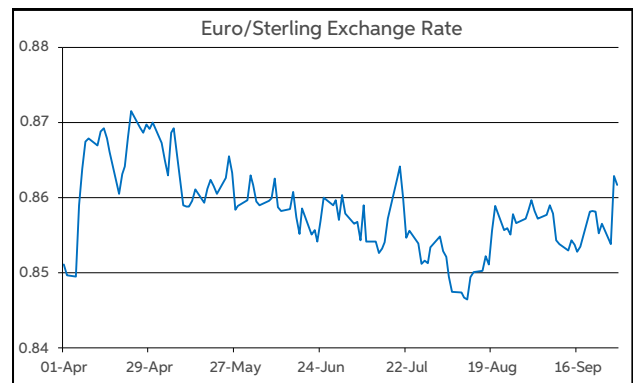
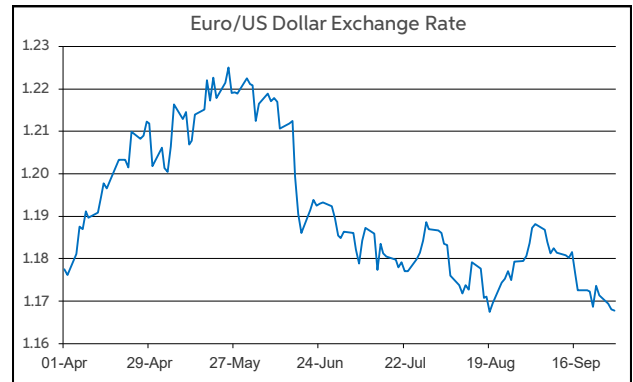
There was a risk-off tone on equity markets yesterday as concerns continue to mount regarding rising inflation pressures amid a slowdown in the economic recovery globally. On Wall Street, the S&P 500 fell by 2.0%, while the Euro Stoxx 50 was down 2.6% at the close. Meantime, having climbed above \$80bbl, oil prices declined slightly, ending the day just above \$79bbl. Currency-wise, sterling lost over 1% on the exchanges as risk appetite soured.

On bond markets, UK Gilt yields continued to rise. The 10Yr UK Gilt rose by 4bps to 1%, its highest level since May 2019. Shortages of petrol and rising home energy bills, due to a surge in wholesale gas prices, are adding to concerns that UK inflation will continue to accelerate, placing upward pressure on yields. However, in a speech late Monday, Bank of England Governor Bailey reiterated that the rise in inflation will prove to be transitory. Longer dated Eurozone and US bond yields also moved higher.

As trading gets underway this morning, the weaker tone to sterling is reflected in EUR/GBP opening above the 86p mark for the first time since July. Meanwhile, Cable (GBP/USD) is changing hands down at the midpoint of \$1.35-1.36, having started yesterday at the \$1.37 handle. EUR/USD is little changed from 24 hours ago, operating in the top half of the \$1.16-1.17 corridor still.

Data-wise, the main release of note today will be the EC Sentiment Indices for September. Both the industrial and services sector measures are forecast to continue to edge lower, albeit from very elevated levels. Meanwhile, the world's foremost central bankers, Fed Chair Powell, BoE Governor Bailey and ECB President Lagarde take part in a panel discussion at the ECB Forum on Central Banking, which may garner attention on currency markets.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.1679	-0.15	-4.37
EUR/GBP	0.8619	1.07	-3.56
GBP/USD	1.3547	-1.22	-0.92
GBP/EUR	1.1596	-1.06	3.69
USD/JPY	111.37	0.20	7.87
EUR/JPY	130.1	0.05	3.12

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

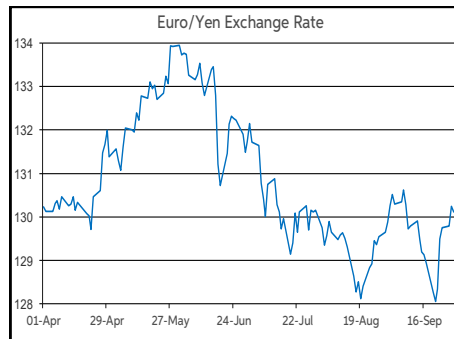
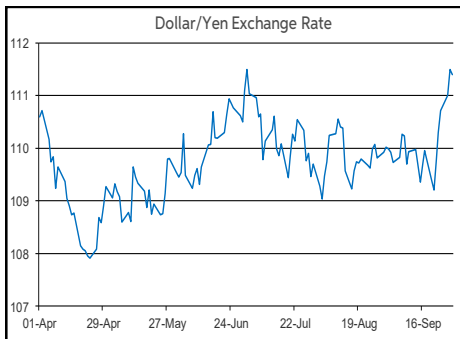
Opening Interest Rates						
	Base Rate	Money Market		Swap Rates		
		1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	0.125	0.09	0.13	0.16	0.40	1.09
EUR	0.00	-0.56	-0.54	-0.50	-0.41	-0.18
GBP	0.10	0.05	0.09	0.43	0.71	0.98

All rates quoted are indicative market rates

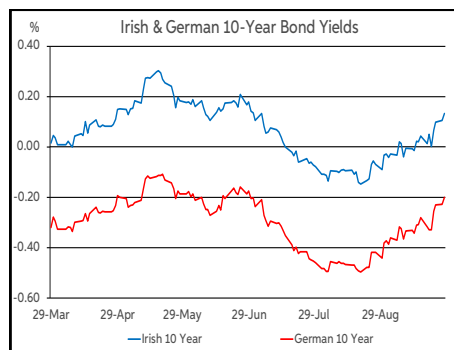
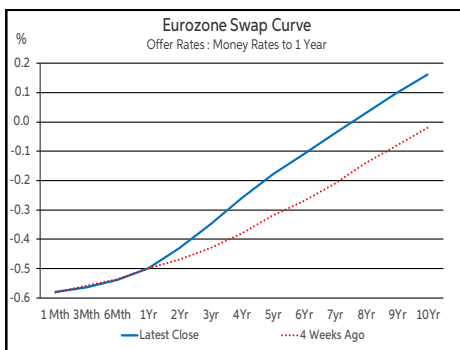
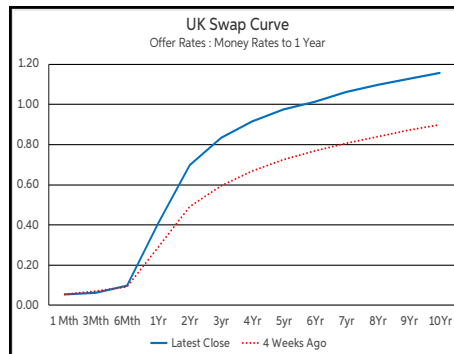
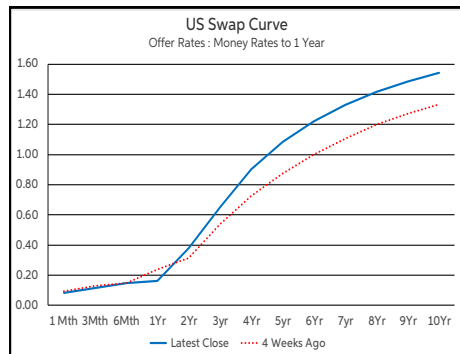
See Next Page For More Rates & Charts

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	0.8619	GBP/EUR	1.1596	USD/JPY	111.37
EUR/USD	1.1679	GBP/USD	1.3547	USD/CAD	1.2681
EUR/JPY	130.1	GBP/CAD	1.7182	USD/CHF	0.929
EUR/SEK	10.202	GBP/NZD	1.9485	USD/CNY	6.4647
EUR/DKK	7.4357	GBP/JPY	150.87	USD/BRL	5.4288
EUR/NOK	10.1105	GBP/SEK	11.8306	USD/RUB	72.793
EUR/CHF	1.0851	GBP/DKK	8.6236	USD/INR	74.1675
EUR/AUD	1.6103	GBP/NOK	11.7254	AUD/USD	0.7252
EUR/HKD	9.0878	GBP/CHF	1.2585	NZD/USD	0.6952
EUR/CAD	1.4812	GBP/AUD	1.8679		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 20
<b>10 Year Yield %</b>				
US	1.55	+6	+24	+63
Germany	-0.20	+3	+18	+38
UK	1.00	+4	+37	+80
Ireland	0.20	+3	+17	+50
Belgium	0.12	+2	+17	+50
France	0.15	+3	+18	+49
Italy	0.86	+6	+15	+34
Spain	0.45	+3	+10	+39
Portugal	0.35	+3	+13	+29
Greece	0.85	+3	+11	+22
<b>5 Year Swap %</b>				
US	1.08	+2	+24	+66
Eurozone	-0.18	+2	+15	+28
UK	0.98	+4	+26	+79
<b>2 Year Swap %</b>				
US	0.38	+0	+10	+19
Eurozone	-0.43	+0	+5	+10
UK	0.70	+4	+22	+67
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	40	-0	-1	+13
Belgium	32	-1	-1	+13
France	35	+0	-0	+12
Italy	106	+3	-4	-4
Spain	64	+0	-8	+1
Portugal	55	+0	-5	-9
Greece	105	+0	-8	-15



Commodities				
	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	79.09	-0.55	+8.36	+52.68
West Texas Oil	75.44	-0.13	+10.24	+56.03
Gold \$	1733.7	-0.92	-4.40	-8.58

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