

ECB leaves interest rates on hold

For the first time since June 2022, the ECB left policy on hold yesterday, as expected. At the press conference, President Lagarde reiterated that the ECB will ensure rates are set at a sufficiently restrictive level for as long as necessary to return inflation to target. This indicates that rate cuts are currently not on the agenda, despite the recent slowdown in activity.

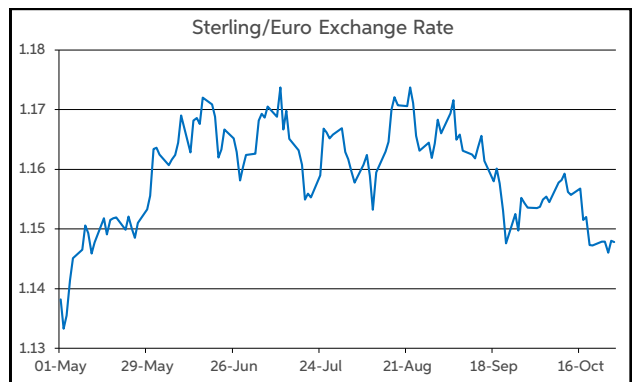
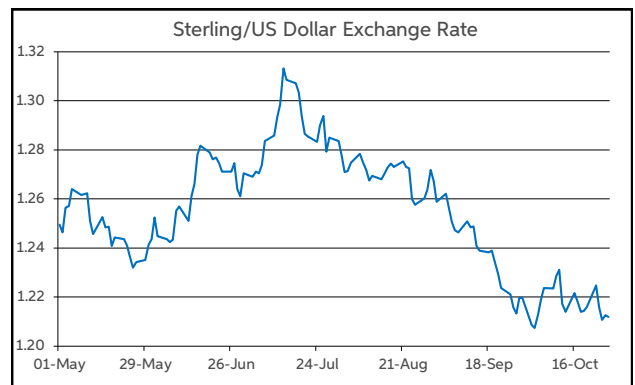
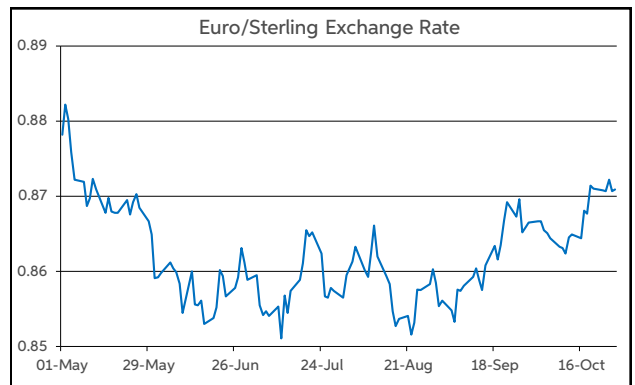
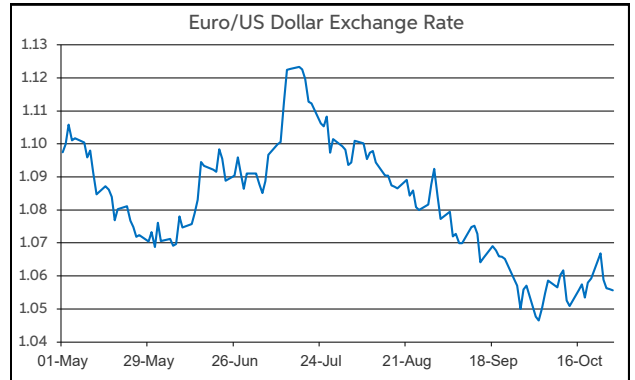
The market reaction to the meeting was limited. Futures contracts pricing still show that the market thinks Eurozone rates have peaked. Furthermore, rate cuts are not expected until around the middle of next year. There is now a total of 75bps worth of rate cuts priced in for H2 2024, compared to roughly 70bps before the meeting. The euro reaction to the decision was also very muted.

Elsewhere on markets, risk appetite remained weak. The Euro Stoxx 50 fell by 0.6% yesterday, while the S&P 500 declined by 1.2%. In terms of fixed income, amid ongoing volatility, yields moved lower across the board. Most notably the 10-year US Treasury yields fell back below 4.9%. Meantime, US futures contracts softened slightly, despite US GDP expanding strongly by 4.9% annualised in Q3 (vs. +4.3% f'cast).

As FX trading gets underway this morning, EUR/USD opens near the midpoint of \$1.05-1.06. GBP/USD is operating up above the \$1.21 threshold. Meantime, EUR/GBP continues to change hands in and around 87p. USD/JPY remains above the ¥150 handle also.

Today, the main releases of interest come from the US. Core-PCE inflation is forecast to edge lower to 3.7% in September from 3.9%. Meanwhile, personal consumption and income are projected to maintain solid momentum in September.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0557	0.13	-1.35
EUR/GBP	0.8709	-0.22	-1.53
GBP/USD	1.212	0.35	0.19
GBP/EUR	1.1477	0.22	1.55
USD/JPY	150.19	-0.16	14.55
EUR/JPY	158.58	-0.04	13.03

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

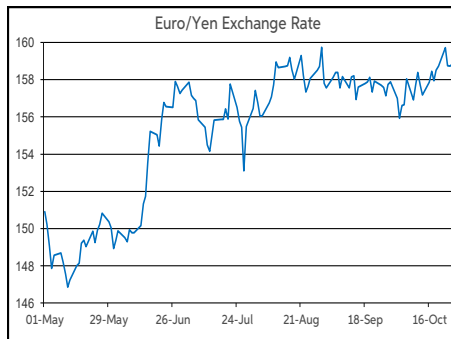
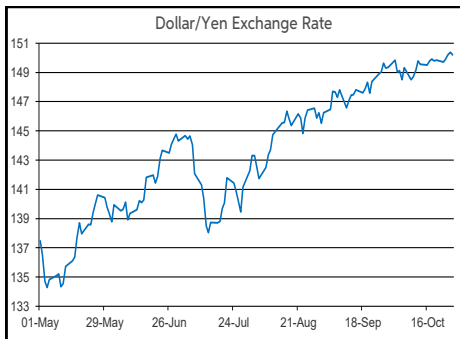
Opening Interest Rates						
Base Rate	Money Market		Swap Rates			
	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr	
USD	5.38	5.44	5.65	5.61	5.23	4.84
EUR	4.50	3.85	3.94	3.97	3.67	3.33
GBP	5.25	5.20	5.24	5.30	5.22	4.86

All rates quoted are indicative market rates

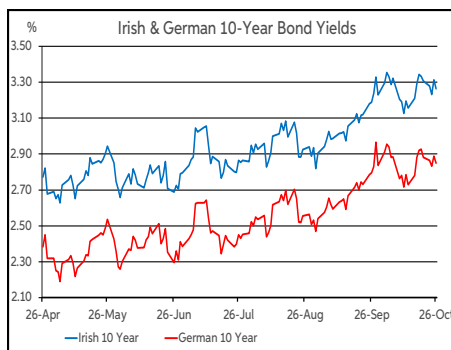
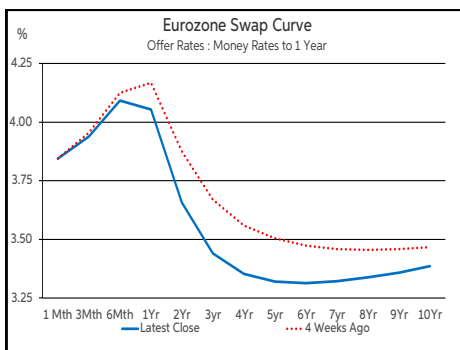
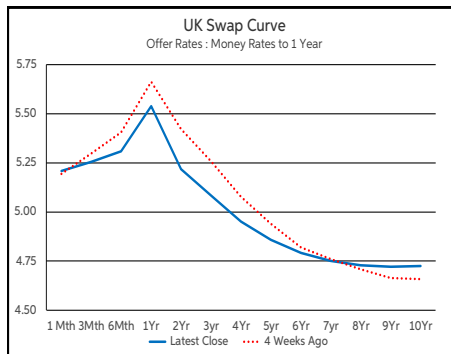
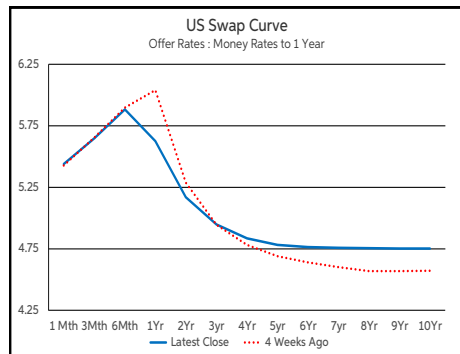
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FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Euro		Sterling		Dollar	
EUR/GBP	0.8709	GBP/EUR	1.1477	USD/JPY	150.19
EUR/USD	1.0557	GBP/USD	1.212	USD/CAD	1.3815
EUR/JPY	158.58	GBP/CAD	1.6746	USD/CHF	0.8994
EUR/SEK	11.7795	GBP/NZD	2.0822	USD/CNY	7.3166
EUR/DKK	7.4622	GBP/JPY	182.03	USD/BRL	4.9863
EUR/NOK	11.8172	GBP/SEK	13.5228	USD/RUB	94.4
EUR/CHF	0.9494	GBP/DKK	8.5651	USD/INR	83.245
EUR/AUD	1.6646	GBP/NOK	13.565		
EUR/HKD	8.2559	GBP/CHF	1.09	AUD/USD	0.6342
EUR/CAD	1.4588	GBP/AUD	1.911	NZD/USD	0.5818



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	4.85	-11	+27	+97
Germany	2.85	-4	-12	+29
UK	4.60	-1	+11	+93
5 Year Swap %				
US	4.78	-13	+13	+79
Eurozone	3.32	-7	-18	+9
UK	4.86	-5	-8	+56
2 Year Swap %				
US	5.17	-12	-8	+49
Eurozone	3.66	-7	-21	+27
UK	5.22	-5	-20	+54
10 Year Government Bond Spreads to Benchmark bps				
Ireland	45	+0	+5	-14
Belgium	67	+0	+4	+3
France	63	+0	+9	+8
Italy	200	-3	+9	-14
Spain	111	-1	+4	+2
Portugal	72	+0	-6	-32
Greece	133	-6	-21	-70



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	87.93	-2.44	-7.81	+2.35
West Texas Oil	83.8	-2.64	-8.57	+4.54
Gold \$	1984.8	+0.26	+6.45	+8.79

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