

## Monetary policy remains to the fore this week

Last week, investor sentiment was influenced by the ECB meeting, which saw them hike rates by 25bps, and suggest that Eurozone rates have now peaked. Some better than expected US data, soft UK GDP for July, and a further rise in oil prices, with Brent crude now above \$93 per barrel also impacted the mood on markets.

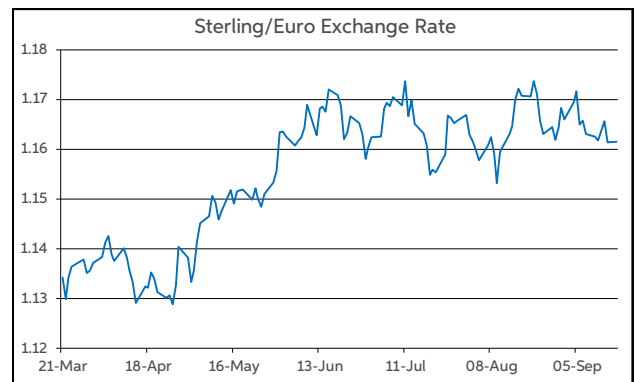
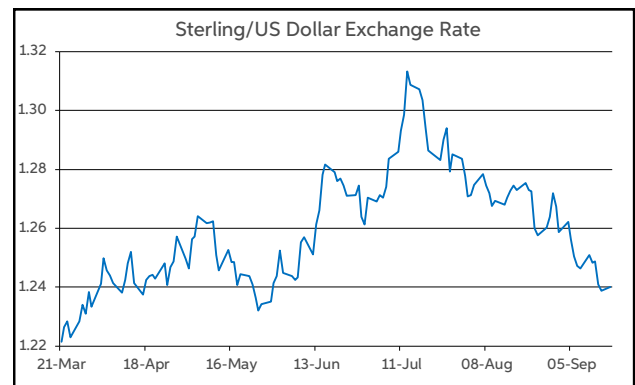
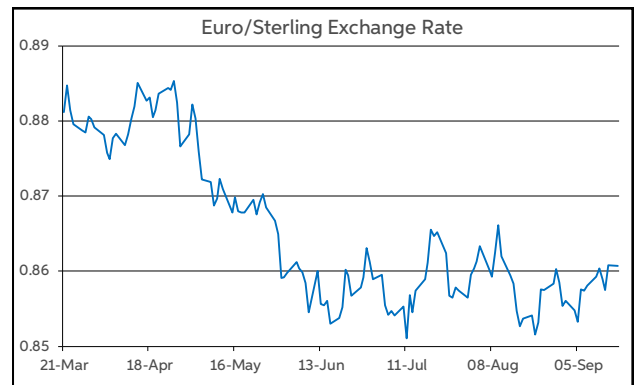
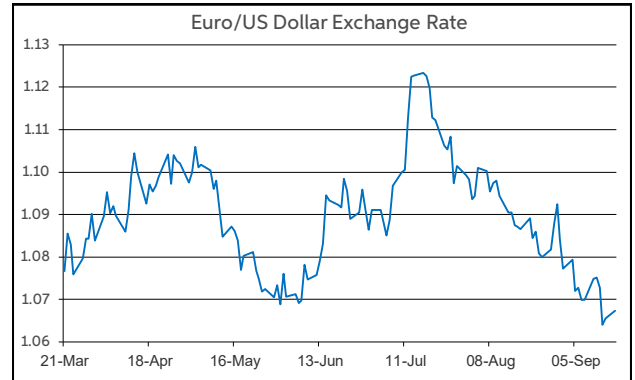
Against this backdrop, futures contracts indicate that Eurozone interest rates have now peaked. Furthermore, Eurozone rates are seen as being cut to circa 3.25% by end 2024, broadly unchanged from before the ECB meeting. Meantime, investors have reduced expectations for rate cuts in the US next year by about 10bps. Markets see UK rates peaking at circa 5.6%, and have built in an additional 10bps of rate cuts in the UK by end 2024.

On bond markets, US Treasury and German Bund yields rose by 6-14bps. In contrast, UK Gilt yields fell by 9bps. Currency-wise, the dollar and the euro were supported by the favourable move in yields. The greenback gained around 1% against the yen and sterling, and 0.5% versus the euro. Meanwhile, the euro's progress was dampened by indications that interest rates have now peaked in the Eurozone. The single currency rose by 0.5% against sterling.

As trading gets underway this morning, EUR/USD is back below \$1.07, having traded to a low of \$1.063 last week. GBP/USD is back at \$1.24. Elsewhere, EUR/GBP is operating just above 86p.

This week, the US Fed, BoE and BoJ policy meetings will be in focus. The Fed and BoJ are anticipated to leave rates unchanged, but their respective press conferences will garner very close attention. The BoE, though, is expected to hike rates by 25bps. Data-wise, the flash PMIs (Sep) in the US, Eurozone and UK are due.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0676	0.23	-0.24
EUR/GBP	0.8608	0.43	-2.67
GBP/USD	1.2399	-0.23	2.50
GBP/EUR	1.1613	-0.43	2.74
USD/JPY	147.62	0.14	12.59
EUR/JPY	157.61	0.37	12.34

\* 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	5.73	5.25	4.56
EUR	4.25	3.76	3.88	4.07	3.80	3.31
GBP	5.25	5.34	5.46	5.61	5.54	4.88

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

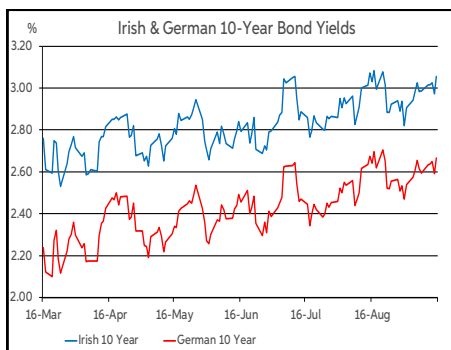
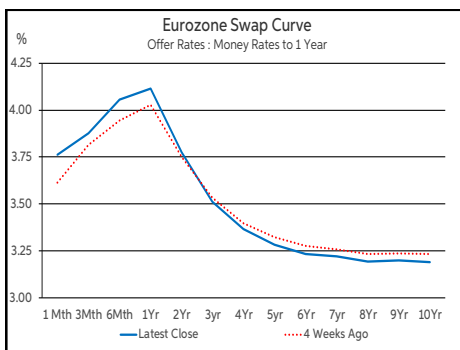
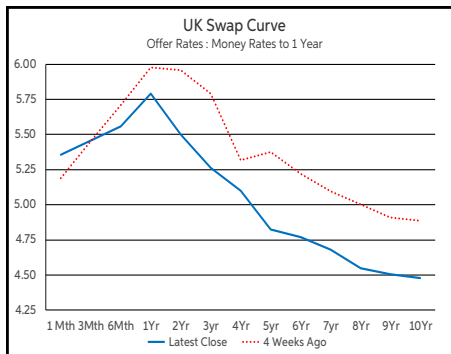
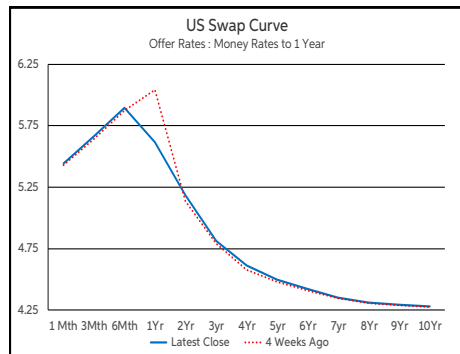
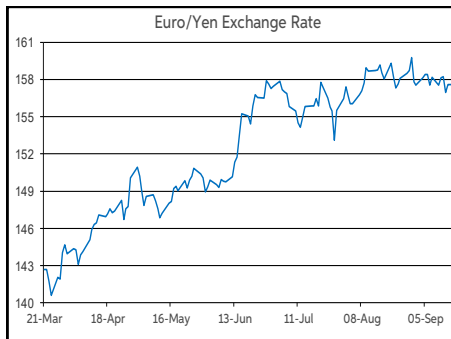
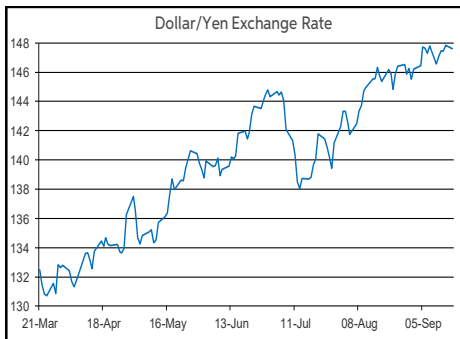
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

Monday 18 September 2023  
07:16 am



Euro		Sterling		Dollar	
EUR/GBP	0.8608	GBP/EUR	1.1613	USD/JPY	147.62
EUR/USD	1.0676	GBP/USD	1.2399	USD/CAD	1.3501
EUR/JPY	157.61	GBP/CAD	1.6744	USD/CHF	0.8959
EUR/SEK	11.9319	GBP/NZD	2.0957	USD/CNY	7.2842
EUR/DKK	7.4574	GBP/JPY	183.03	USD/BRL	4.8679
EUR/NOK	11.5094	GBP/SEK	13.867	USD/RUB	96.71
EUR/CHF	0.9564	GBP/DKK	8.6619	USD/INR	83.182
EUR/AUD	1.6559	GBP/NOK	13.3741		
EUR/HKD	8.3538	GBP/CHF	1.111	AUD/USD	0.6445
EUR/CAD	1.4414	GBP/AUD	1.9235	NZD/USD	0.5915



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
<b>10 Year Yield %</b>				
US	4.34	+5	+9	+46
Germany	2.67	+7	+5	+11
UK	4.36	+8	-31	+70
<b>5 Year Swap %</b>				
US	4.50	+3	+6	+50
Eurozone	3.28	+5	-3	+5
UK	4.83	-3	-55	+52
<b>2 Year Swap %</b>				
US	5.18	+0	+9	+51
Eurozone	3.77	+4	+3	+39
UK	5.50	+4	-46	+82
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	42	+2	+1	-16
Belgium	64	+2	-2	+1
France	55	+2	+0	+0
Italy	180	+4	+9	-34
Spain	107	+3	+2	-2
Portugal	75	+2	+1	-28
Greece	144	+3	+10	-59

Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	93.93	+0.25	+10.77	+9.34
West Texas Oil	90.83	+0.78	+11.79	+13.31
Gold \$	1923.6	+0.69	+1.87	+5.44

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