

ECB expected to cut rates today

There was a more positive tone to investor sentiment yesterday. The Euro Stoxx 50 rose by a modest 0.3%, while the S&P 500 gained 1.1%. On bond markets, US Treasury yields rose by 1-5bps along the curve. In contrast, German Bund yields edged 2-5bps lower, while UK Gilt yields declined by 6-8bps.

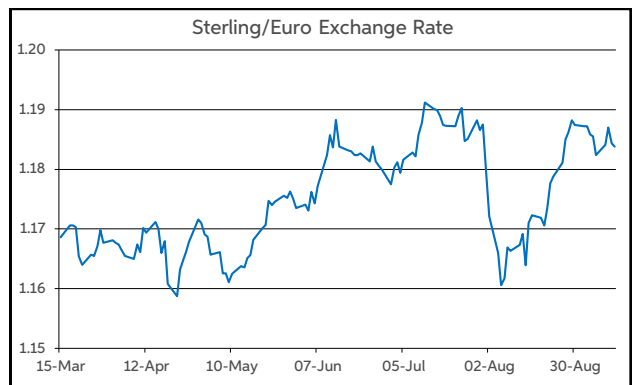
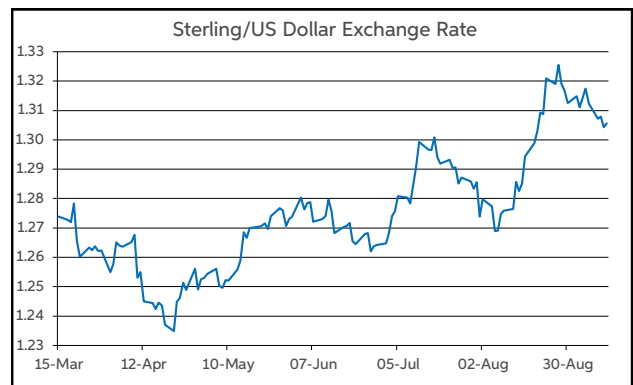
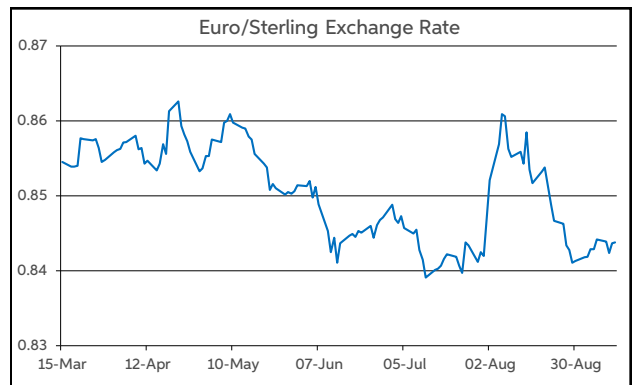
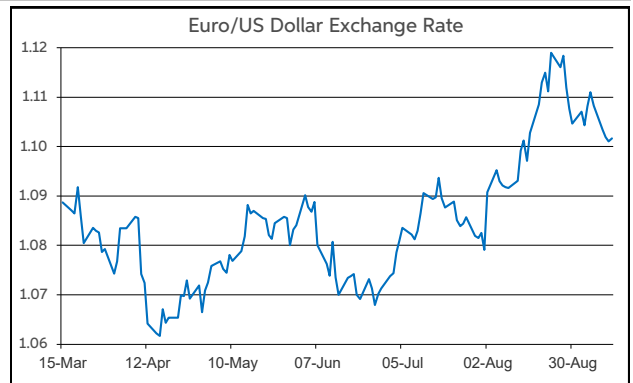
The rise in US yields coincided with a firming in US futures contracts, in the aftermath of the release of CPI inflation figures for August. Both the headline and core rates printed in-line with the consensus, at 2.6% and 3.2%, respectively. However, the month-on-month rise in core inflation came in at +0.3%, which was the fastest reading since April. Investors pared back expectations of a 50bps rate cut from the Fed following the release. Meantime, UK futures contracts softened slightly, as UK GDP flat-lined in July.

Currency-wise, the dollar was on the front-foot amid the firming in US rates and the rise in Treasury yields. Elsewhere, sterling was under some downward pressure as UK yields declined. However, sterling recouped most of its losses after the European close.

The stronger dollar and weaker sterling is reflected by GBP/USD opening this morning back at the midpoint of \$1.30-1.31. EUR/USD is changing hands in the bottom half of \$1.10-1.11. Meantime, EUR/GBP remains in the lower half of 84-85p.

Today, the main highlight will be the ECB monetary policy meeting outcome. The Governing Council is expected to cut rates, with the deposit rate being lowered to 3.5% and the re-fi rate to 3.65%. The post-meeting press conference and the updated staff projections will also garner attention, as investors look for guidance on the future path of policy. The meeting poses event risk for the euro.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.1017	-0.26	-0.17
EUR/GBP	0.8438	0.08	-2.65
GBP/USD	1.3056	-0.34	2.57
GBP/EUR	1.1849	-0.08	2.73
USD/JPY	142.54	1.03	1.05
EUR/JPY	157.09	0.80	0.94

* 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	5.23	5.21	4.26	3.71	3.44
EUR	4.25	3.49	3.46	2.85	2.45	2.30
GBP	5.00	4.91	4.82	4.23	4.02	3.68

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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Euro

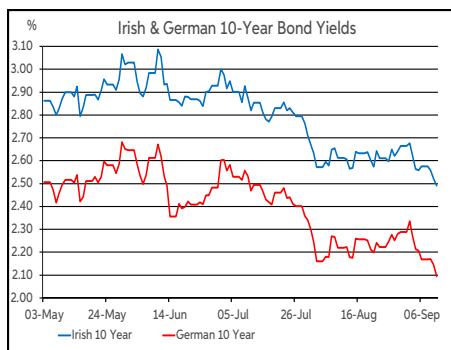
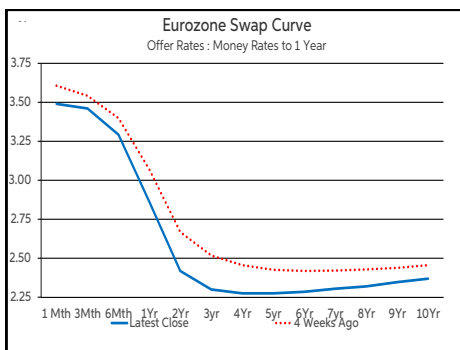
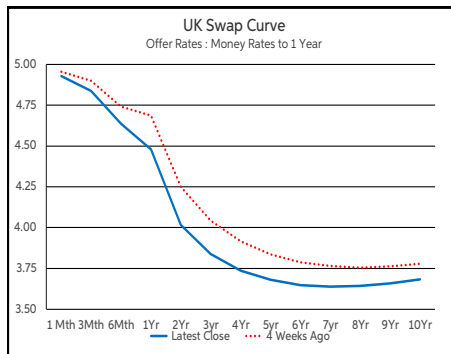
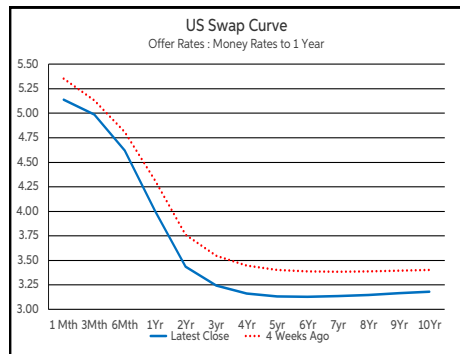
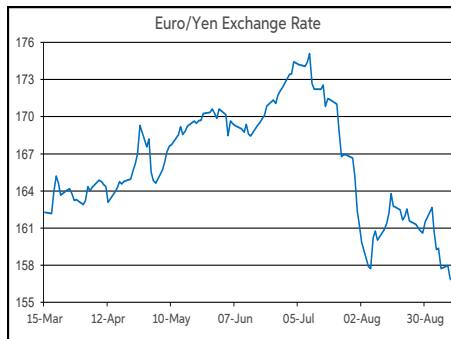
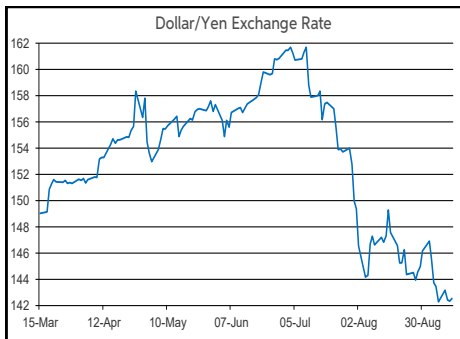
EUR/GBP	0.8438
EUR/USD	1.1017
EUR/JPY	157.09
EUR/SEK	11.44
EUR/DKK	7.4616
EUR/NOK	11.942
EUR/CHF	0.9394
EUR/AUD	1.6465
EUR/HKD	8.5943
EUR/CAD	1.4948

Sterling

GBP/EUR	1.1849
GBP/USD	1.3056
GBP/CAD	1.771
GBP/NZD	2.1215
GBP/JPY	186.1
GBP/SEK	13.552
GBP/DKK	8.8417
GBP/NOK	14.142
GBP/CHF	1.1129
GBP/AUD	1.9516

Dollar

USD/JPY	142.54
USD/CAD	1.3566
USD/CHF	0.8524
USD/CNY	7.1199
USD/BRL	5.6688
USD/RUB	91.05
USD/INR	83.952
AUD/USD	0.6689
NZD/USD	0.6153



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	3.65	+1	-17	-21
Germany	2.10	-5	-8	+7
UK	3.76	-6	-7	+22
5 Year Swap %				
US	3.39	+3	-25	-40
Eurozone	2.28	-3	-14	-15
UK	3.68	-7	-15	+3
2 Year Swap %				
US	3.67	+5	-35	-67
Eurozone	2.42	-4	-24	-38
UK	4.02	-6	-23	-25
10 Year Government Bond Spreads to Benchmark bps				
Ireland	43	+3	+0	+9
Belgium	61	+0	+0	-5
France	72	+2	-2	+19
Italy	137	+0	-2	-31
Spain	83	+1	-1	-13
Portugal	63	+0	-0	-13
Greece	105	-2	-5	+0

Commodities				
	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	70.61	+2.05	-11.47	-8.35
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2511.4	-0.19	+2.61	+21.76

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