

## Fed cuts rates by 50bps

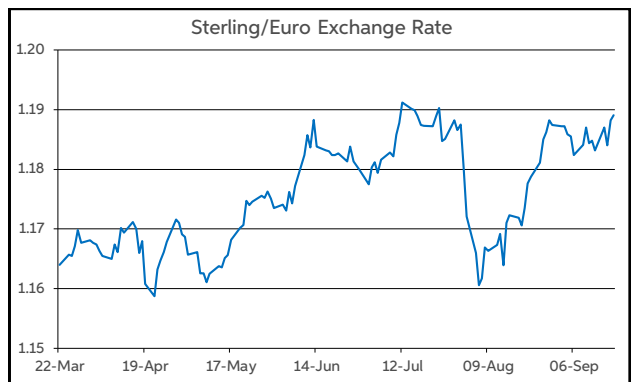
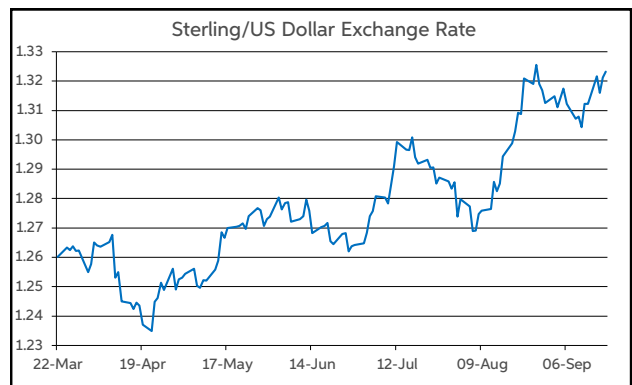
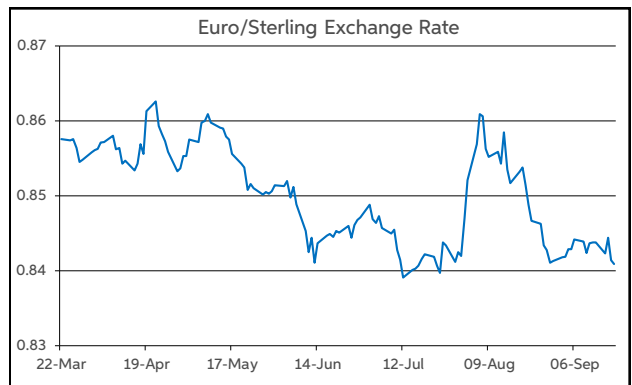
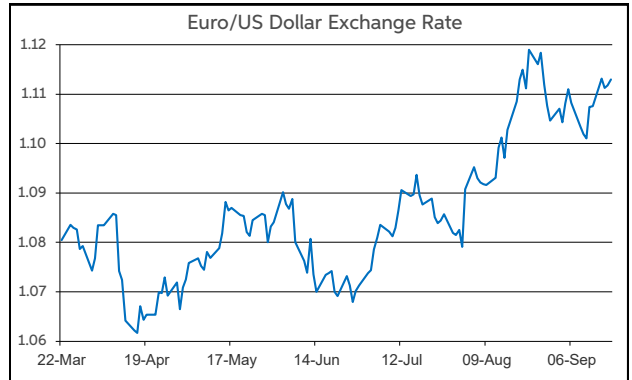
Overnight, the US Fed cut rates for the first time since 2020, lowering the Funds target range by 50bps to 4.75-5.00%. In recent weeks there has been uncertainty as to whether the Fed would cut rates by 25 or 50bps. In explaining the decision to opt for the larger cut, Chair Powell noted that, "the upside risks to inflation have diminished and the downside risks to employment have increased".

Both the meeting statement and the updated interest rate dotplot projections released by the Fed indicate that further easing can be expected between now and the end of 2025. The dotplot suggest that rates will end this year between 4.25-4.50%, before being lowered to 3.25-3.50% by end 2025. However, at the press conference Chair Powell struck a somewhat less dovish tone, suggesting that the Fed is unlikely to continue to cut in 50bps clips.

Currency-wise, the Fed policy decision and press conference were sources of volatility for the dollar. In the initial aftermath of the policy announcement, the dollar softened, with EUR/USD rising to a high of \$1.119. However, the greenback recouped its losses, amid the aforementioned remarks from Chair Powell. Elsewhere, sterling was holding a firmer tone yesterday. As trading gets underway this morning, EUR/USD opens in the lower half of \$1.11-1.12. Meantime, GBP/USD is operating above \$1.32. EUR/GBP is back near to 84p.

Turning to the day ahead, the monetary policy spotlight will shift to the BoE policy announcement. The BoE cut rates in August by 25bps in a very close 5-4 decision. Since then though, officials have been coy regarding the potential for further easing this month. Thus, market expectations are for no changes to Bank rate today. However, the meeting statement will be in focus, as investors look for guidance in relation to the future path of policy.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.113	0.10	0.85
EUR/GBP	0.8409	-0.49	-2.99
GBP/USD	1.3232	0.56	3.95
GBP/EUR	1.1888	0.49	3.08
USD/JPY	142.75	1.01	1.20
EUR/JPY	158.89	1.11	2.09

\* 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	4.88	5.08	5.08	4.14	3.69	3.48
EUR	3.65	3.41	3.48	2.86	2.51	2.36
GBP	5.00	4.91	4.80	4.24	4.08	3.76

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

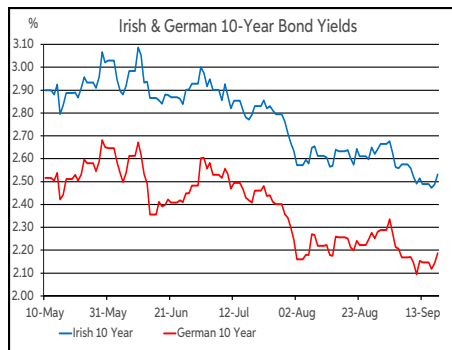
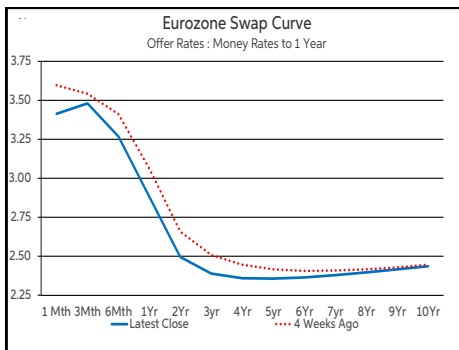
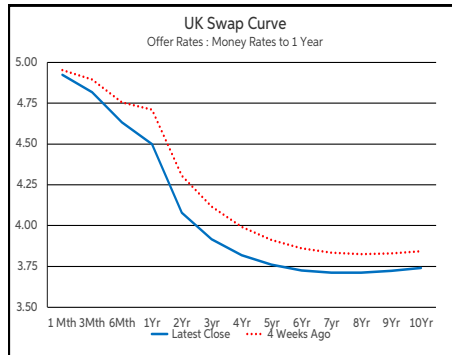
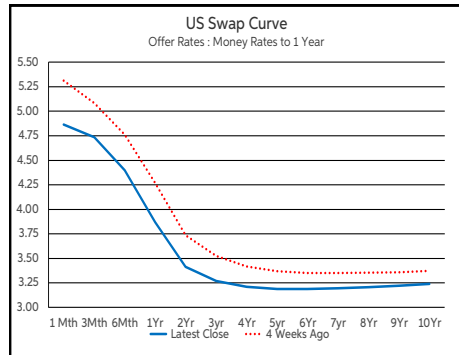
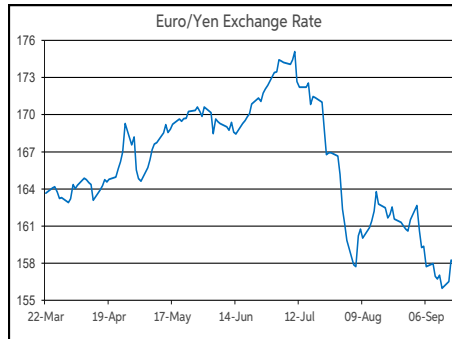
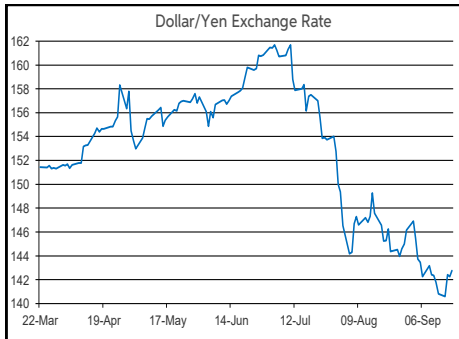
EUR/GBP	0.8408
EUR/USD	1.113
EUR/JPY	158.88
EUR/SEK	11.3257
EUR/DKK	7.4596
EUR/NOK	11.7272
EUR/CHF	0.9432
EUR/AUD	1.6351
EUR/HKD	8.6733
EUR/CAD	1.5123

## Sterling

GBP/EUR	1.1888
GBP/USD	1.3232
GBP/CAD	1.7983
GBP/NZD	2.128
GBP/JPY	188.89
GBP/SEK	13.4649
GBP/DKK	8.8704
GBP/NOK	13.936
GBP/CHF	1.1218
GBP/AUD	1.9451

## Dollar

USD/JPY	142.75
USD/CAD	1.3586
USD/CHF	0.8476
USD/CNY	7.0703
USD/BRL	5.4605
USD/RUB	92.2
USD/INR	83.6
AUD/USD	0.6804
NZD/USD	0.6219



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
<b>10 Year Yield %</b>				
US	3.69	+4	-9	-17
Germany	2.19	+4	-1	+16
UK	3.85	+8	-4	+31
<b>5 Year Swap %</b>				
Ireland	2.56	+5	-4	+20
Belgium	2.79	+5	+0	+10
France	2.92	+6	+1	+36
Italy	3.57	+7	+1	-13
Spain	3.00	+6	-1	+1
Portugal	2.79	+6	-1	-0
Greece	3.20	+9	-9	+12
<b>2 Year Swap %</b>				
US	3.43	+3	-19	-36
Eurozone	2.36	+4	-5	-7
UK	3.76	+7	-15	+11
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	37	+0	-3	+3
Belgium	60	+0	+1	-6
France	73	+2	+2	+20
Italy	138	+3	+2	-29
Spain	81	+1	+0	-15
Portugal	59	+2	-0	-16
Greece	101	+5	-7	-4

Commodities				
	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	73.65	-0.07	-3.16	-4.40
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2558.8	-0.42	+1.86	+24.06

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