

EUR/USD opens at a new YTD low

Investor sentiment continued to hold a cautious tone yesterday, despite some better than anticipated US inflation data. Core-PCE inflation was revised lower to 3.0% in July and remained at that level in August (vs. 3.4% f'cast). However, the revision was largely driven by changes in the methodology used by the US statistics agency.

Elsewhere, US GDP was revised sharply higher for Q2. The final reading of GDP shows the economy expanded by 2.2% annualised in Q2, compared to the previous estimate of 1.5%. Meantime, in the Eurozone, the flash readings of HICP inflation for September came in above the consensus in Germany, France and Italy. However, there remained limited evidence still of second round inflation effects. Energy prices remained the main driver of inflation.

Against this backdrop, US market rate expectations softened in the aftermath of the core-PCE release. Current pricing indicates there is now just a 40% chance of a rate hike later this month, with 90bps of tightening anticipated by end'27. On Monday, pricing was closer to a 70% chance of a hike in October and 100bps of tightening in total. Short-dated US Treasury yields declined by 2bps amid the softening in rate expectations, but long-dated yields rose by circa 5bps. Elsewhere, German Bund yields moved lower along the curve, which contributed to a widening in the spread to the French 10-year yield, to around to 128bps.

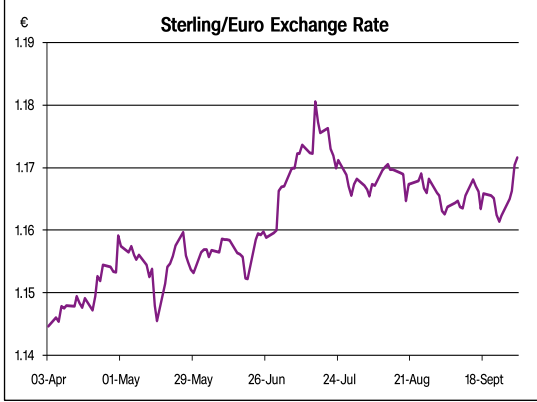
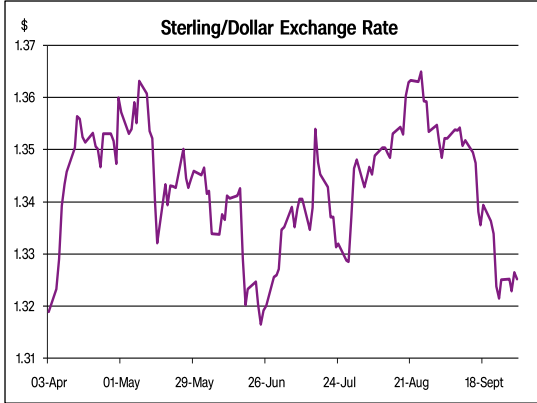
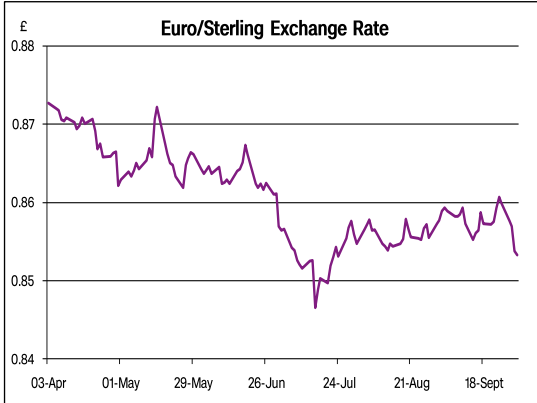
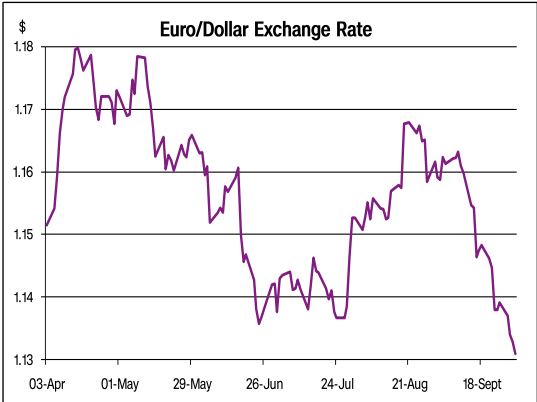
On the currency front, the euro and yen were on the defensive yesterday, while sterling was holding a slightly firmer tone. This sees EUR/GBP open today in the lower half of 85-86p. Meantime, EUR/USD is operating at a new year-to-date low, close to the \$1.13 threshold. USD/JPY is above ¥158.

Today, the data calendar is sparse. Eurozone unemployment (Aug) and the US manufacturing ISM (Sep) are due. Remarks from a number of central bank officials, including ECB President Lagarde will also be in focus.

Daniel Noonan, Economist, AIB

Today's Opening FX Rates			
		% Change	
		Day *	End 2025
EUR/USD	1.1310	-0.19	-3.70
EUR/GBP	0.8531	-0.40	-2.11
GBP/USD	1.3250	+0.19	-1.66
GBP/EUR	1.1714	+0.40	2.16
USD/JPY	158.16	+0.66	0.96
EUR/JPY	178.90	+0.47	-2.77
* v Previous Day's European Open			
See Next Page for More Rates			

Opening Interest Rates						
		Money Market		Swap Rates		
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	3.88	3.90	4.04	4.55	5.04	5.10
EUR	2.50	Stale	2.62	3.36	3.57	3.62
GBP	3.75	3.72	3.91	4.47	4.93	5.03





Today's Opening Rates

Euro

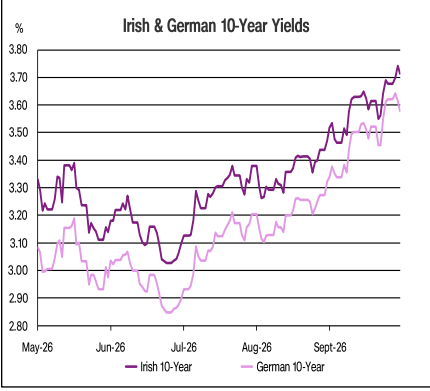
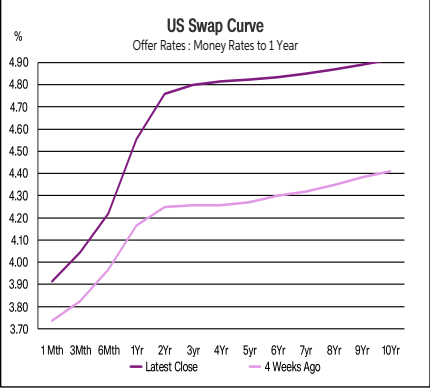
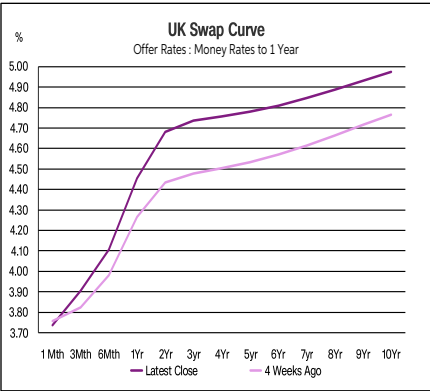
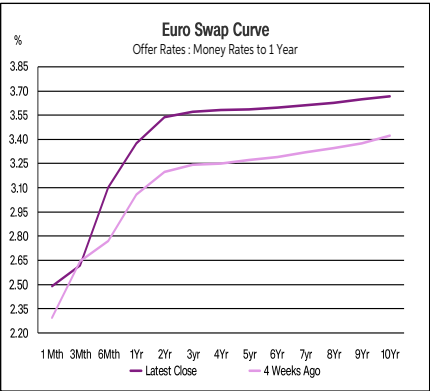
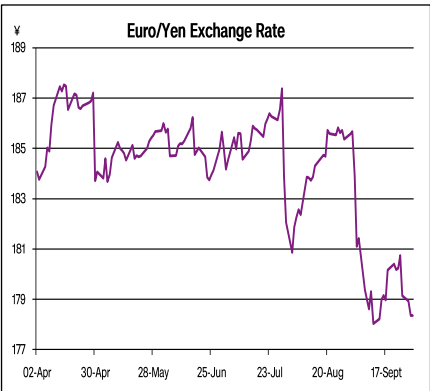
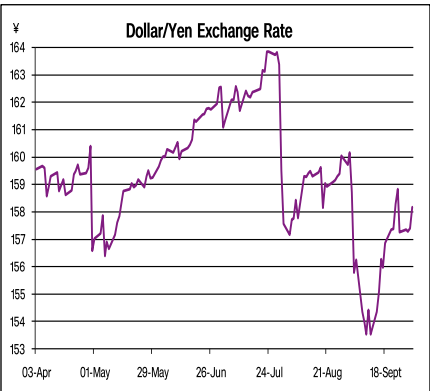
EUR/GBP	0.8532
EUR/USD	1.1309
EUR/JPY	178.89
EUR/SEK	11.3383
EUR/DKK	7.4753
EUR/NOK	10.8986
EUR/CHF	0.947
EUR/AUD	1.6277
EUR/HKD	8.8745
EUR/CAD	1.6108

Sterling

GBP/EUR	1.1716
GBP/USD	1.3252
GBP/CAD	1.8873
GBP/NZD	2.3585
GBP/JPY	209.59
GBP/SEK	13.283
GBP/DKK	8.7585
GBP/NOK	12.7694
GBP/CHF	1.1096
GBP/AUD	1.9069

Dollar

USD/JPY	158.16
USD/CAD	1.4244
USD/CHF	0.8375
USD/CNY	6.7045
USD/BRL	5.1802
USD/RUB	83.0000
USD/INR	95.995
AUD/USD	0.6948
NZD/USD	0.5616



Debt Markets

		Change bps		
	Close	Day	4 Weeks	End 25
10 Year Yield %				
US	5.29	+4	+50	+114
Germany	3.58	-4	+20	+72
UK	5.43	+2	+20	+96
Ireland	3.71	-3	+18	+69
Belgium	4.37	+2	+43	+102
France	4.86	+5	+61	+130
Italy	4.64	+1	+42	+113
Spain	4.15	-0	+31	+85
Portugal	4.03	-4	+29	+87
Greece	4.45	-1	+37	+97

5 Year Swap %				
US	5.08	+4	+56	+135
Eurozone	3.58	-3	+32	+102
UK	5.01	+1	+25	+111

2 Year Swap %				
US	5.00	-0	+50	+143
Eurozone	3.53	-5	+34	+128
UK	4.91	-1	+27	+118

10 Year Government Bond Spreads to Benchmark bps				
Ireland	13	+1	-2	-3
Belgium	79	+5	+5	+23
France	128	+8	+8	+41
Italy	106	+5	+5	+22
Spain	57	+3	+3	+11
Portugal	45	-0	+9	+15
Greece	87	+3	+17	+17

Commodities

	% Change			
	Close	Day	4 Weeks	End 25
Brent Oil	103.53	+0.92	+8.26	+70.14
West Texas Oil	97.18	+1.06	+5.46	+69.72
Gold \$	4156.0	-0.59	-5.25	-3.67

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