

Dollar erases sharp gains overnight

The release of US CPI inflation for September had a significant impact on markets yesterday. The data showed that both the headline and core rates rose by more than anticipated, to 3.7% (vs. 3.6% f'cast) and 2.6% (vs. 2.5% f'cast). The underlying details of the report showed that higher energy prices remained the main driver of inflation. However, price pressures broadened in the month, with five of the seven sub-components that make-up the core CPI basket registering faster monthly price increases.

Against this backdrop, US market interest rate expectations initially firmed. At one point, market pricing indicated that there was a 50% chance of a Fed rate hike later this month, with 90bps of policy tightening expected in total, up from 20% and 75bps. Overnight though, futures pricing has softened, amid some dovish remarks from Fed officials, and concern regarding the health of the AI-sector (Nikkei down 5.1%, led lower by a sharp fall in tech-stocks). Market pricing now suggests there is just a 30% chance of a Fed rate hike in October, with circa 70bps of tightening expected between now and the end of 2027. At the same time, market rate expectations have also softened, albeit more modestly, in the Eurozone and UK.

On the currency front, the initial hardening in US rates boosted the dollar. As a result, EUR/USD fell to a new 18-month low of \$1.1116, while GBP/USD troughed at \$1.3138. However, the dollar has handed back most of its gains overnight. As trading gets underway this morning, EUR/USD is operating just above the \$1.12 threshold. GBP/USD is near the midpoint of the \$1.32-1.33 corridor. EUR/GBP is changing hands in the top half the 84-85p band.

Already this morning, UK GDP has printed above the consensus, rising by 0.1% m/m in August (vs. -0.1% f'cast). However, the release has not impacted sterling so far in early trading. Later today, US retail sales and industrial production data (both Sep) are due. Meantime, remarks from Fed Chair Warsh and a slew of other central bank officials will warrant attention. Developments regarding the AI/tech-sector will also be in focus.

Daniel Noonan, Economist, AIB

Today's Opening FX Rates

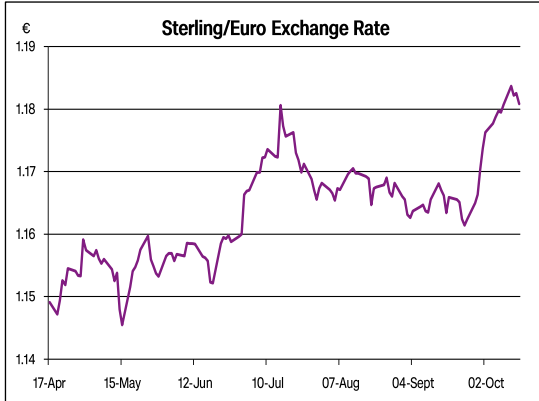
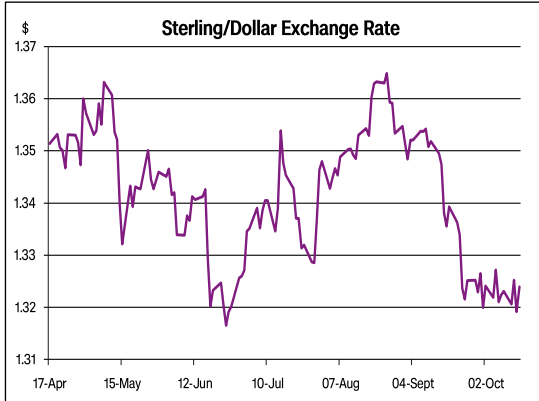
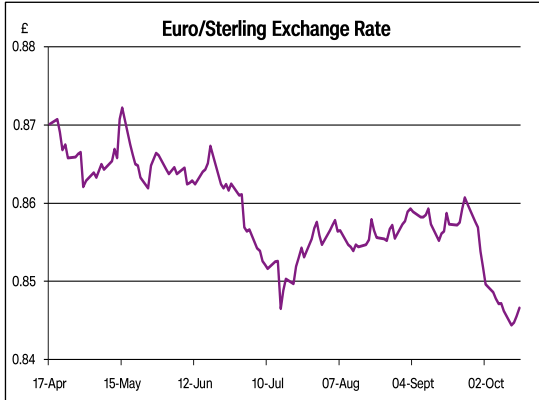
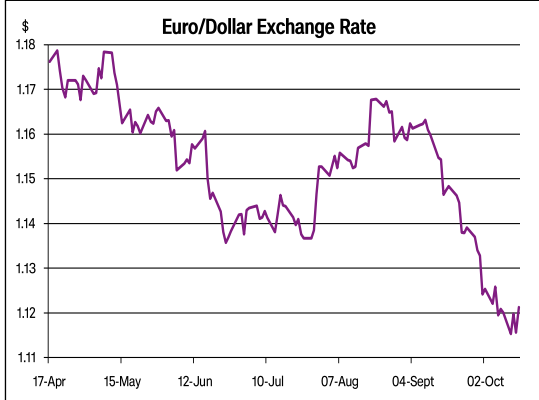
		% Change	
		Day *	End 2025
EUR/USD	1.1211	+0.02	-4.55
EUR/GBP	0.8465	+0.27	-2.87
GBP/USD	1.3241	-0.24	-1.72
GBP/EUR	1.1808	-0.27	2.95
USD/JPY	157.95	-0.12	0.83
EUR/JPY	177.10	-0.09	-3.74

* 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	3.95	4.07	4.47	4.88	4.90
EUR	2.50	2.45	2.63	3.21	3.36	3.47
GBP	3.75	3.80	3.95	4.46	4.93	5.00



Today's Opening Rates

Euro

EUR/GBP	0.8465
EUR/USD	1.1211
EUR/JPY	177.1
EUR/SEK	11.1777
EUR/DKK	7.4746
EUR/NOK	10.6398
EUR/CHF	0.9306
EUR/AUD	1.6116
EUR/HKD	8.7986
EUR/CAD	1.5926

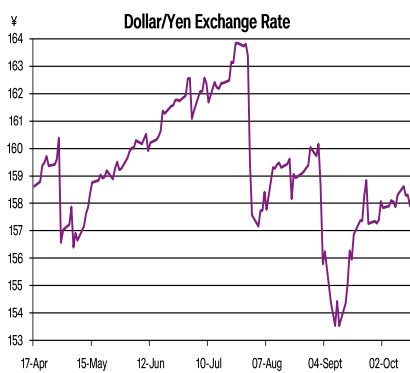
Sterling

GBP/EUR	1.1808
GBP/USD	1.324
GBP/CAD	1.8808
GBP/NZD	2.358
GBP/JPY	209.13
GBP/SEK	13.1985
GBP/DKK	8.8249
GBP/NOK	12.5634
GBP/CHF	1.0988
GBP/AUD	1.9032

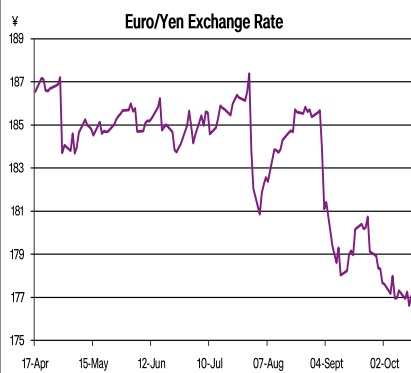
Dollar

USD/JPY	157.95
USD/CAD	1.4208
USD/CHF	0.8299
USD/CNY	6.6921
USD/BRL	5.0477
USD/RUB	83.4175
USD/INR	94.9525
AUD/USD	0.6955
NZD/USD	0.5612

Dollar/Yen Exchange Rate



Euro/Yen Exchange Rate



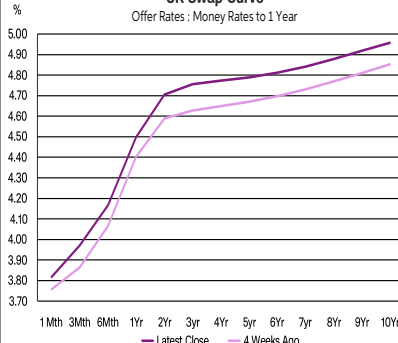
Euro Swap Curve

Offer Rates : Money Rates to 1 Year



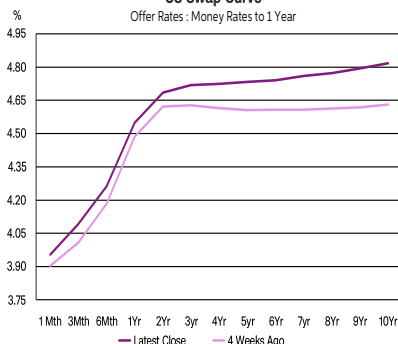
UK Swap Curve

Offer Rates : Money Rates to 1 Year

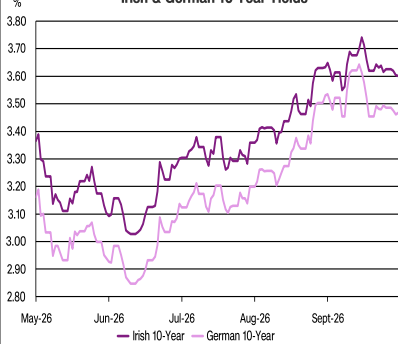


US Swap Curve

Offer Rates : Money Rates to 1 Year



Irish & German 10-Year Yields



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 25
10 Year Yield %				
US	5.19	-3	+19	+104
Germany	3.47	+1	-4	+60
UK	5.43	-2	+13	+96
Ireland	3.60	-0	-2	+57
Belgium	4.33	-0	+20	+98
France	4.87	+2	+41	+131
Italy	4.56	+1	+19	+105
Spain	4.09	+0	+11	+79
Portugal	3.95	+1	+7	+79
Greece	4.40	+4	+12	+92
5 Year Swap %				
US	4.97	-0	+10	+125
Eurozone	3.45	-2	-4	+89
UK	4.99	-3	+11	+110
2 Year Swap %				
US	4.92	+1	+6	+135
Eurozone	3.39	-1	-7	+113
UK	4.92	-3	+11	+119
10 Year Government Bond Spreads to Benchmark bps				
Ireland	13	-1	+2	-3
Belgium	86	-1	-1	+25
France	141	+2	+2	+45
Italy	109	-0	-0	+23
Spain	62	-0	-0	+16
Portugal	49	+1	+12	+19
Greece	93	+3	+16	+16

Commodities

	% Change			
	Close	Day	4 Weeks	End 25
Brent Oil	106.06	+0.35	+0.22	+74.30
West Texas Oil	101.91	+1.04	-1.65	+77.98
Gold \$	4105.1	-1.24	-3.68	-4.84

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