

FX sensitivity to central bank/inflation newsflow

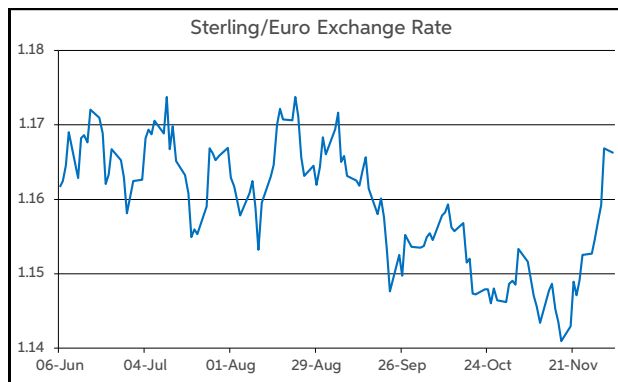
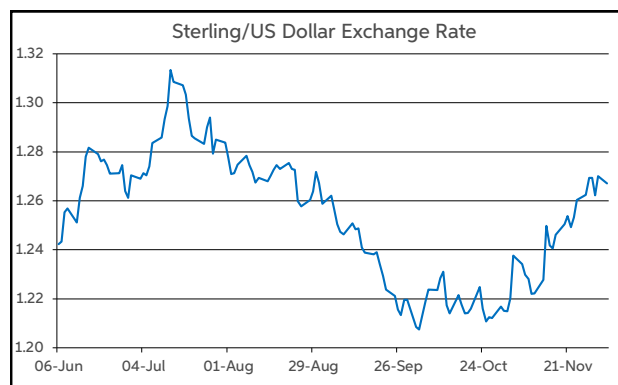
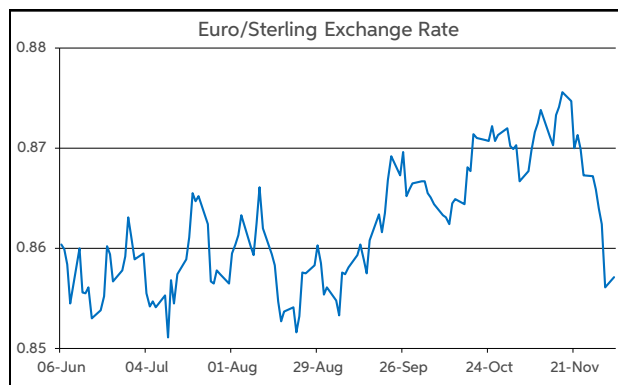
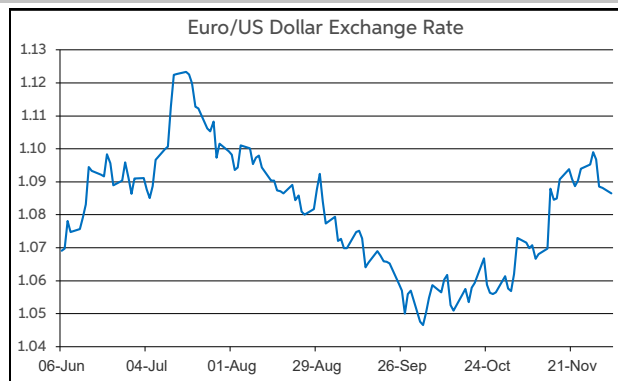
A feature of the action on currency markets last week, was some increased volatility amongst the majors. The first notable move involved the dollar on Tuesday. Comments from the Fed's Waller on possible early rate cuts captivated the markets attention given he is regarded as one of the FOMC's more hawkish members.

This prompted a fall in US Treasury yields and a softening in US rate expectations. The market moved to price in around 120bps of rate cuts next year, compared to the start of the week where pricing was consistent with circa 80bps of cuts. Against this backdrop, the dollar came under pressure. EUR/USD briefly tested the \$1.10 threshold, while GBP/USD moved up into \$1.27 territory.

However, from mid-week onwards, it was the euro that was on the defensive, while the dollar recovered. Better than expected inflation readings in the Eurozone for November prompted some weakening of the single currency. At the same time, a number of Fed speakers espoused a more hawkish tone in contrast to their colleague's comments earlier in the week. Likewise, comments from a couple of BoE speakers were also on the hawkish side. Overall then, EUR/USD ended the week back below \$1.09. Meanwhile, EUR/GBP declined from near 87p to below 86p.

Last week's volatility on interest rate futures and FX markets highlighted the increased sensitivity to central bank/data newsflow as markets turn their attention to when interest rate cuts may start to materialise. From an FX perspective, it was also noticeable that the \$1.10 level remains a key near term barrier for EUR/USD to break above. For the week ahead, the main data focus will be on the US macro diary, with a raft of labour market updates due, including the November payrolls figure.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0864	-0.41	1.51
EUR/GBP	0.8573	-0.63	-3.06
GBP/USD	1.2673	0.25	4.76
GBP/EUR	1.1661	0.63	3.16
USD/JPY	146.7	-0.91	11.89
EUR/JPY	159.41	-1.32	13.62

* 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	5.46	5.64	5.30	4.72	4.20
EUR	4.50	3.87	3.96	3.68	3.17	2.80
GBP	5.25	5.18	5.21	5.09	4.92	4.38

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 04 December 2023
07:14 am



Euro

EUR/GBP	0.8573
EUR/USD	1.0864
EUR/JPY	159.41
EUR/SEK	11.3169
EUR/DKK	7.4564
EUR/NOK	11.6379
EUR/CHF	0.9459
EUR/AUD	1.6337
EUR/HKD	8.49
EUR/CAD	1.4687

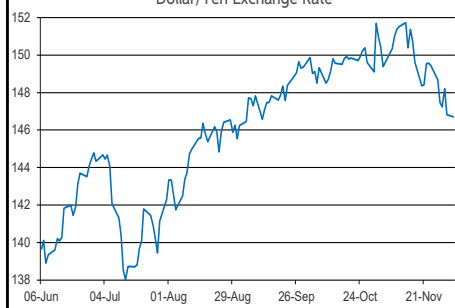
Sterling

GBP/EUR	1.1661
GBP/USD	1.2673
GBP/CAD	1.7132
GBP/NZD	2.0489
GBP/JPY	185.91
GBP/SEK	13.1952
GBP/DKK	8.6952
GBP/NOK	13.567
GBP/CHF	1.1033
GBP/AUD	1.9056

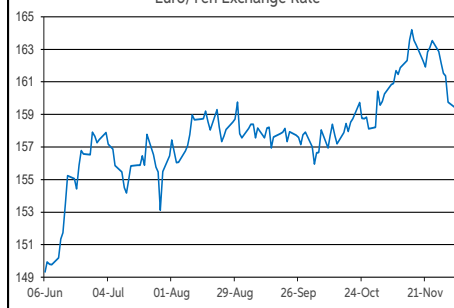
Dollar

USD/JPY	146.7
USD/CAD	1.3516
USD/CHF	0.8707
USD/CNY	7.1384
USD/BRL	4.8801
USD/RUB	90.4
USD/INR	83.325
AUD/USD	0.6649
NZD/USD	0.6183

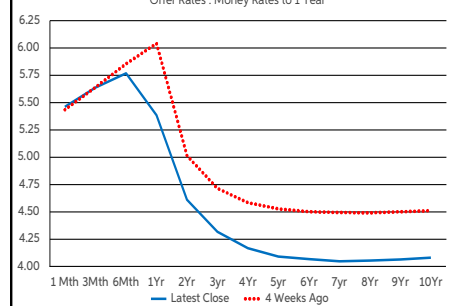
Dollar/Yen Exchange Rate



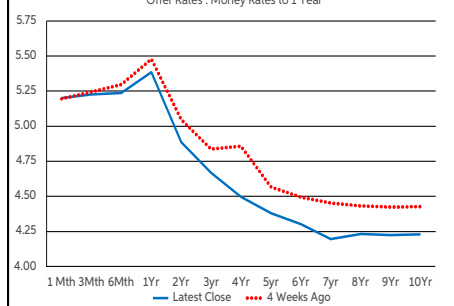
Euro/Yen Exchange Rate



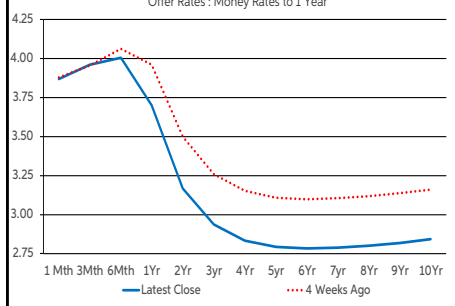
US Swap Curve
Offer Rates : Money Rates to 1 Year



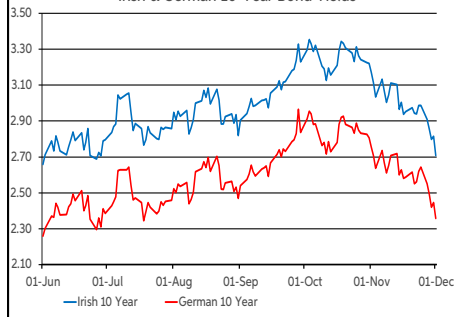
UK Swap Curve
Offer Rates : Money Rates to 1 Year



Eurozone Swap Curve
Offer Rates : Money Rates to 1 Year



Irish & German 10-Year Bond Yields



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	4.21	-12	-37	+33
Germany	2.36	-9	-28	-20
UK	4.14	-3	-14	+47
Ireland	2.74	-11	-35	-41
Belgium	2.97	-10	-30	-23
France	2.93	-10	-30	-18
Italy	4.10	-13	-34	-60
Spain	3.36	-11	-32	-30
Portugal	3.02	-10	-28	-58
Greece	3.65	-6	-32	-95
5 Year Swap %				
US	4.09	-16	-40	+9
Eurozone	2.79	-12	-31	-44
UK	4.38	+1	-18	+8
2 Year Swap %				
US	4.61	-15	-36	-6
Eurozone	3.17	-14	-32	-22
UK	4.89	-7	-16	+20
10 Year Government Bond Spreads to Benchmark bps				
Ireland	38	-2	-7	-21
Belgium	61	-1	-3	-3
France	57	-1	-3	+2
Italy	174	-5	-7	-40
Spain	100	-3	-4	-9
Portugal	66	-1	-1	-37
Greece	129	+3	-4	-74

Commodities

	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	78.88	-4.77	-7.08	-8.18
West Texas Oil	73.7	-2.59	-9.23	-8.06
Gold \$	2070.9	+1.73	+3.95	+13.51

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