## **Morning Comment**

AIB Treasury Economic Research Unit



Thursday 07 December 2023 07:28 am

## Yields continue to move lower

Risk appetite continued to espouse a mixed tone yesterday. In Europe, the Euro Stoxx 50 gained 0.7% on the day. Meanwhile, on Wall Street last night, the S&P 500 was 0.4% lower at the closing bell. Oil prices also continued to fall, with Brent crude down around 4% to below \$75 per barrel.

Data-wise, there was a sparse schedule yesterday. In Europe, the only release of note was October retail sales. The headline number missed slightly to the downside of expectations. Thus, it suggests a muted performance in consumer spending at the start of Q4. In the US, the ADP employment number also printed below forecasts. However, the ADP has not been a reliable lead indicator for non-farm payrolls, which are due for release on Friday.

The action on bond markets saw yields continue to fall, although not to the same extent as the previous day. The 10-year UK Gilt yield fell by 8bps to go below the 4% level. Meanwhile, the 10-year US Treasury yield fell by 5bps, edging nearer to 4.1%.

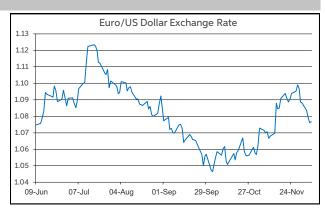
On the currency front, most of the main pairs were confined to narrow ranges yesterday. In overnight action though, the yen gained around 1%. This was on the back of speculation of a BoJ policy pivot, despite Governor Ueda in his semi annual parliamentary report continuing to emphasise the need to retain loose monetary policy. Elsewhere, the dollar is modestly firmer against the euro and sterling over the past 24 hours. EUR/USD has edged further below \$1.08. Meanwhile, EUR/GBP remains sub-86p.

Today's macro calendar is also lacking in top tier releases. The second reading of Q3 Eurozone GDP and US weekly jobless claims are the only data that merit a mention.

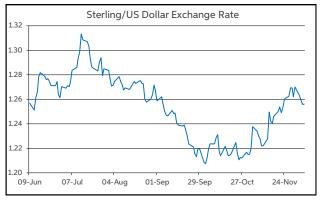
John Fahey, Senior Economist, AIB

| Today's Opening FX Rates         |        |          |          |  |
|----------------------------------|--------|----------|----------|--|
|                                  |        | % Change |          |  |
|                                  |        | Day *    | End 2022 |  |
| EUR/USD                          | 1.0773 | -0.24    | 0.66     |  |
| EUR/GBP                          | 0.8572 | 0.11     | -3.08    |  |
| GBP/USD                          | 1.2564 | -0.36    | 3.86     |  |
| GBP/EUR                          | 1.1659 | -0.10    | 3.17     |  |
| USD/JPY                          | 145.9  | -0.86    | 11.28    |  |
| EUR/JPY                          | 157.18 | -1.12    | 12.03    |  |
| * 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                    | 5.38      | 5.48         | 5.64  | 5.32       | 4.71 | 4.16 |
| EUR                    | 4.50      | 3.87         | 3.96  | 3.65       | 3.09 | 2.71 |
| GBP                    | 5.25      | 5.18         | 5.21  | 5.06       | 4.82 | 4.26 |









All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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## **Opening Levels**



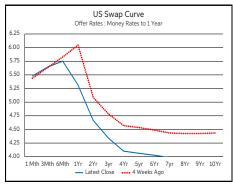
| Euro    |         |
|---------|---------|
| EUR/GBP | 0.8572  |
| EUR/USD | 1.0773  |
| EUR/JPY | 157.18  |
| EUR/SEK | 11.2764 |
| EUR/DKK | 7.456   |
| EUR/NOK | 11.8023 |
| EUR/CHF | 0.9422  |
| EUR/AUD | 1.6429  |
| EUR/HKD | 8.4164  |
| EUR/CAD | 1.4641  |

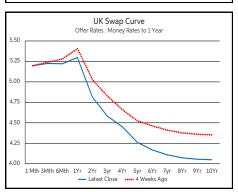
| Sterling |         |  |  |
|----------|---------|--|--|
| GBP/EUR  | 1.1659  |  |  |
| GBP/USD  | 1.2564  |  |  |
| GBP/CAD  | 1.7075  |  |  |
| GBP/NZD  | 2.0469  |  |  |
| GBP/JPY  | 183.3   |  |  |
| GBP/SEK  | 13.1503 |  |  |
| GBP/DKK  | 8.6946  |  |  |
| GBP/NOK  | 13.7663 |  |  |
| GBP/CHF  | 1.0987  |  |  |
| GBP/AUD  | 1.9161  |  |  |

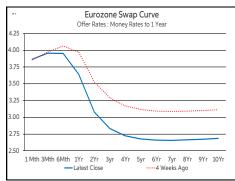
| Dollar  |        |
|---------|--------|
| USD/JPY | 145.9  |
| USD/CAD | 1.3591 |
| USD/CHF | 0.8744 |
| USD/CNY | 7.1585 |
| USD/BRL | 4.9021 |
| USD/RUB | 92.6   |
| USD/INR | 83.334 |
|         |        |
| AUD/USD | 0.6557 |
| NZD/USD | 0.6137 |

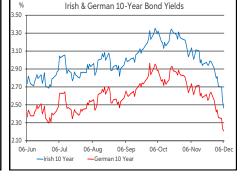












|                   | Debt           | Markets    |            |        |  |
|-------------------|----------------|------------|------------|--------|--|
|                   |                | Change bps |            |        |  |
|                   | Close          | Day        | 4 Weeks    | End 22 |  |
| 10 Year Yield %   |                |            |            |        |  |
| US                | 4.11           | -5         | -38        | +23    |  |
| Germany           | 2.21           | -2         | -40        | -35    |  |
| UK                | 3.95           | -8         | -30        | +28    |  |
| Ireland           | 2.50           | -7         | -56        | -65    |  |
| Belgium           | 2.78           | -6         | -47        | -42    |  |
| France            | 2.75           | -5         | -46        | -37    |  |
| Italy             | 3.95           | -4         | -53        | -75    |  |
| Spain             | 3.21           | -5         | -46        | -45    |  |
| Portugal          | 2.88           | -5         | -48        | -73    |  |
| Greece            | 3.38           | -5         | -52        | -121   |  |
| 5 Year Swap %     |                |            |            |        |  |
| US                | 4.06           | -5         | -43        | +6     |  |
| Eurozone          | 2.68           | -2         | -43        | -55    |  |
| UK                | 4.26           | -5         | -21        | -4     |  |
| <br>2 Year Swap % |                |            |            |        |  |
| US                | 4.66           | +2         | -38        | -1     |  |
| Eurozone          | 3.08           | +1         | -44        | -31    |  |
| UK                | 4.81           | -2         | -21        | +13    |  |
| 10 Year Governi   | ment Bond Spre | ads to Ben | chmark bps |        |  |
| Ireland           | 28             | -5         | -15        | -30    |  |
| Belgium           | 57             | -3         | -7         | -7     |  |
| France            | 53             | -3         | -6         | -2     |  |
| Italy             | 174            | -2         | -13        | -40    |  |
| Spain             | 99             | -2         | -6         | -10    |  |
| Portugal          | 66             | -3         | -8         | -38    |  |
| Greece            | 117            | -3         | -12        | -86    |  |

| Commodities    |        |          |         |        |  |
|----------------|--------|----------|---------|--------|--|
|                |        | % Change |         |        |  |
|                | Close  | Day      | 4 Weeks | End 22 |  |
| Brent Oil      | 74.3   | -3.76    | -6.59   | -13.51 |  |
| West Texas Oil | 68.98  | -4.13    | -9.06   | -13.95 |  |
| Gold \$        | 2024.9 | +0.27    | +3.85   | +10.99 |  |

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