

Monetary policy in focus with ECB meeting this week

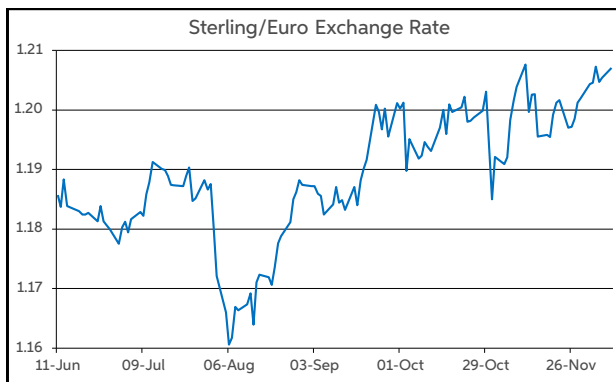
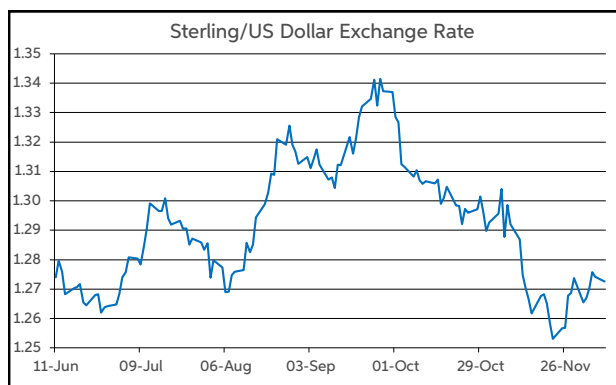
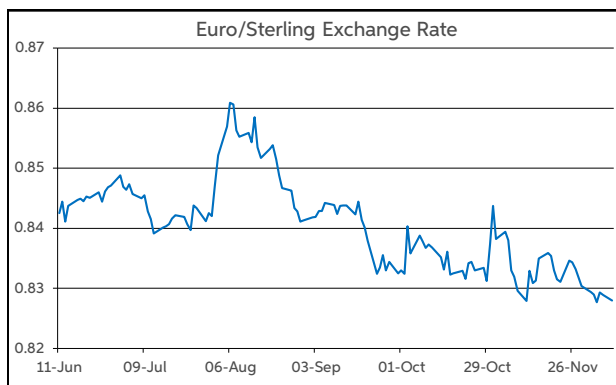
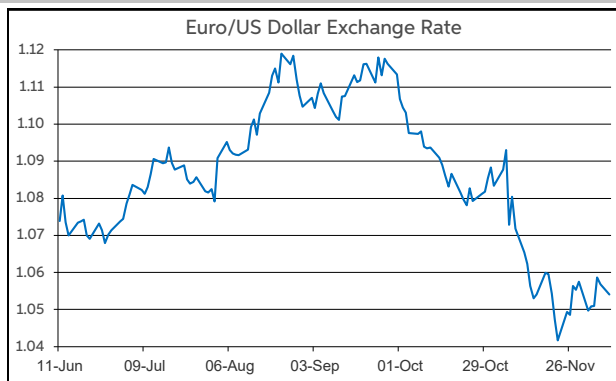
There was a positive tone to risk appetite last week. This was especially the case in Europe, despite the heightened political uncertainty in France. The Euro Stoxx 50 index was 3.6% higher on the week. Meanwhile, on Wall Street, the S&P 500 index registered a more modest weekly gain of 1.0%.

On bond markets, a lot of attention was centred on French yields given the aforementioned political turmoil in the country. Over the course of the week though, there was some narrowing in the spread (to below 80bps) between French and German 10-year yields, in part due to less conflictual comments from some opposition politicians towards the end of the week.

Currency-wise, the euro was under some downward pressure amid developments in France. However, as the week progressed it regained some ground. This coincided with a number of ECB speakers emphasising that rate cuts would be gradual. These comments resulted in a modest firming in Eurozone rate expectations. Futures contracts are now pricing rates settling nearer to 1.75% rather than 1.5%. Overall, the main pairs were within fairly narrow ranges last week. The opening levels at the start of this week are very similar to last Monday. EUR/USD is near the midpoint of \$1.05-1.06, while EUR/GBP remains below 83p.

Looking ahead to this week, the ECB meeting provides some event risk for the euro. A 25bps rate cut is expected. A key focus will be on what guidance, if any, is forthcoming regarding the extent of rate cuts envisaged by the ECB next year. For the dollar, the main highlight will be CPI inflation numbers for November. From a sterling perspective, UK GDP (Oct) is the main release of note.

John Fahey, Senior Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2023 |
| EUR/USD | 1.0541 | -0.27 | -4.49 |
| EUR/GBP | 0.828 | -0.16 | -4.48 |
| GBP/USD | 1.2726 | -0.13 | -0.02 |
| GBP/EUR | 1.2071 | 0.16 | 4.69 |
| USD/JPY | 150.16 | 0.16 | 6.45 |
| EUR/JPY | 158.29 | -0.14 | 1.71 |

* 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 | 4.63 | 4.45 | 4.39 | 4.11 | 4.20 | 3.99 |
| EUR | 3.40 | 3.01 | 2.87 | 2.35 | 2.13 | 2.06 |
| GBP | 4.75 | 4.68 | 4.63 | 4.35 | 4.39 | 4.12 |

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 |
|---------|----------------------------|------------|------------|------------------|---------------------------|-----------------|-----------------------------------|

Opening Levels

Monday 09 December 2024
07:09 am



Euro

| | |
|---------|---------|
| EUR/GBP | 0.828 |
| EUR/USD | 1.0541 |
| EUR/JPY | 158.29 |
| EUR/SEK | 11.5554 |
| EUR/DKK | 7.4575 |
| EUR/NOK | 11.7909 |
| EUR/CHF | 0.9275 |
| EUR/AUD | 1.6506 |
| EUR/HKD | 8.202 |
| EUR/CAD | 1.4937 |

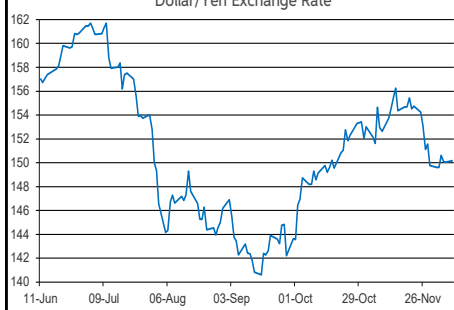
Sterling

| | |
|---------|---------|
| GBP/EUR | 1.2071 |
| GBP/USD | 1.2726 |
| GBP/CAD | 1.8034 |
| GBP/NZD | 2.1902 |
| GBP/JPY | 191.09 |
| GBP/SEK | 13.9315 |
| GBP/DKK | 9.0019 |
| GBP/NOK | 14.2209 |
| GBP/CHF | 1.1192 |
| GBP/AUD | 1.9927 |

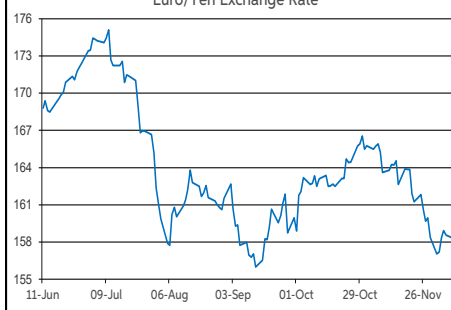
Dollar

| | |
|---------|--------|
| USD/JPY | 150.16 |
| USD/CAD | 1.4171 |
| USD/CHF | 0.8795 |
| USD/CNY | 7.2777 |
| USD/BRL | 6.0894 |
| USD/RUB | 99.5 |
| USD/INR | 84.72 |
| AUD/USD | 0.6383 |
| NZD/USD | 0.5807 |

Dollar/Yen Exchange Rate

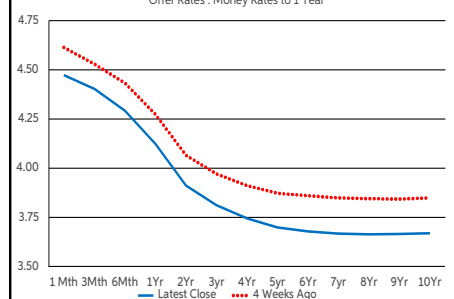


Euro/Yen Exchange Rate



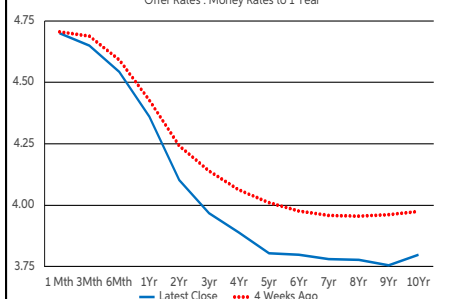
US Swap Curve

Offer Rates : Money Rates to 1 Year



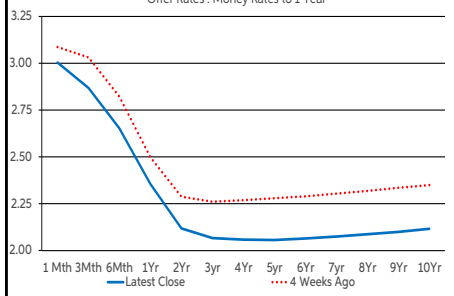
UK Swap Curve

Offer Rates : Money Rates to 1 Year

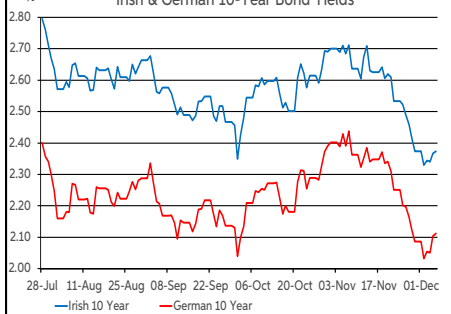


Eurozone Swap Curve

Offer Rates : Money Rates to 1 Year



Irish & German 10-Year Bond Yields



Debt Markets

| | Close | Change bps | | |
|---|-------|------------|---------|--------|
| | | Day | 4 Weeks | End 23 |
| 10 Year Yield % | | | | |
| US | 4.15 | -3 | -16 | +29 |
| Germany | 2.11 | +1 | -25 | +9 |
| UK | 4.28 | -1 | -16 | +74 |
| Ireland | 2.40 | -1 | -27 | +4 |
| Belgium | 2.66 | +0 | -30 | -3 |
| France | 2.88 | -2 | -25 | +32 |
| Italy | 3.19 | -1 | -47 | -51 |
| Spain | 2.76 | -0 | -35 | -23 |
| Portugal | 2.53 | +1 | -35 | -26 |
| Greece | 2.90 | -2 | -39 | -18 |
| 5 Year Swap % | | | | |
| US | 3.97 | -3 | -15 | +18 |
| Eurozone | 2.06 | -1 | -21 | -37 |
| UK | 4.09 | -1 | -18 | +44 |
| 2 Year Swap % | | | | |
| US | 4.16 | -5 | -15 | -17 |
| Eurozone | 2.12 | -1 | -16 | -68 |
| UK | 4.35 | -1 | -12 | +9 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 29 | -1 | -2 | -5 |
| Belgium | 55 | -1 | -5 | -11 |
| France | 76 | -3 | +1 | +23 |
| Italy | 108 | -2 | -22 | -59 |
| Spain | 65 | -1 | -10 | -32 |
| Portugal | 41 | +0 | -10 | -35 |
| Greece | 78 | -3 | -14 | -26 |

Commodities

| | % Change | | | |
|----------------|----------|-------|---------|--------|
| | Close | Day | 4 Weeks | End 23 |
| Brent Oil | 71.12 | -1.35 | -3.72 | -7.68 |
| West Texas Oil | 71.65 | -0.17 | -1.90 | -1.27 |
| Gold \$ | 2632.9 | +0.03 | -1.90 | +27.65 |

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