

Fed policy decision due today

Trading conditions remained relatively subdued on financial markets yesterday. There was a mixed tone to investor sentiment, with the Euro Stoxx 50 edging 0.1% lower, while the S&P 500 rallied late on to register a 0.5% gain. Meantime, oil prices fell sharply, with Brent crude declining by 5% to below \$73 per barrel.

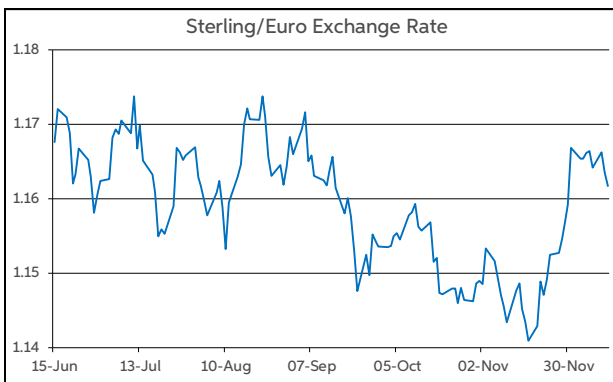
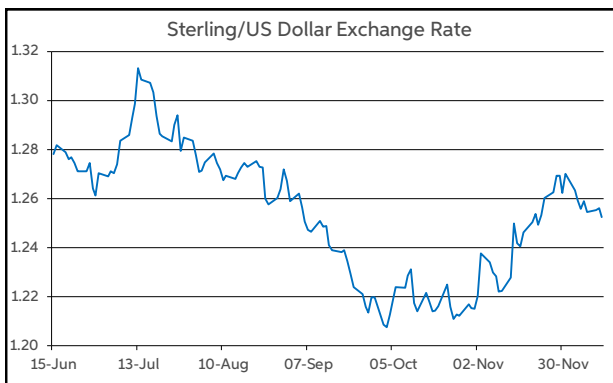
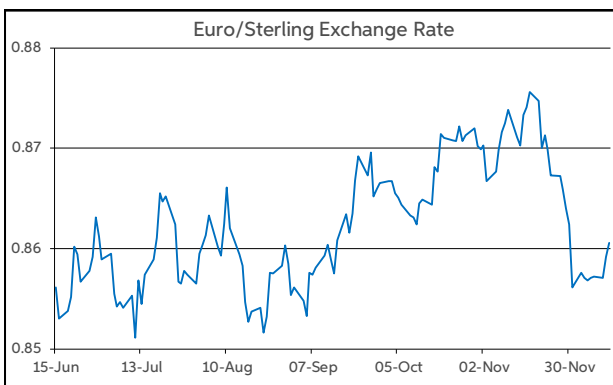
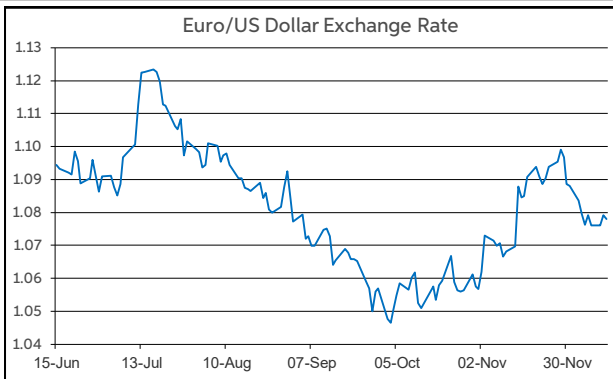
On bond markets, UK Gilt yields fell by 8-11bps along the curve, amid a softening in UK rate expectations. Futures contracts are now pricing in around 90bps worth of rate cuts next year, compared to circa 75bps previously. Rates softened, as labour market data showed wage inflation slowed by more than expected in October.

Currency-wise, the main FX pairs remained range bound yesterday. Of the limited moves to note, the dollar was on the defensive in the initial aftermath of the release of US CPI inflation for November. The headline CPI rate eased to 3.1% and the core rate stayed at 4%, as anticipated. However, the dollar recouped its losses before the close. Meantime, sterling has been on the back-foot in early trading this morning, following the release of GDP for October.

UK GDP contracted by 0.3% in October, well below the consensus for output to stagnate. This has seen EUR/GBP move up above the 86p mark. Similarly, GBP/USD has moved down to the lower half of the \$1.25-1.26 range. Elsewhere, EUR/USD remains in the top half of the \$1.07-1.08 trading band.

Later today, the US Fed policy announcement, due after the European close will be in focus. The Fed is expected to leave rates unchanged, but remarks from Chair Powell at the post meeting press conference, and the updated macro forecasts, including the interest rate dotplot, will garner significant attention.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0781	0.12	0.74
EUR/GBP	0.8605	0.49	-2.70
GBP/USD	1.2525	-0.40	3.54
GBP/EUR	1.1616	-0.49	2.78
USD/JPY	145.92	0.38	11.30
EUR/JPY	157.33	0.50	12.14

* 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	5.47	5.64	5.38	4.81	4.23
EUR	4.50	3.86	3.96	3.68	3.15	2.71
GBP	5.25	5.18	5.21	5.04	4.78	4.25

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

Wednesday 13 December 2023
07:26 am



Euro

EUR/GBP	0.8605
EUR/USD	1.0781
EUR/JPY	157.33
EUR/SEK	11.2783
EUR/DKK	7.4571
EUR/NOK	11.842
EUR/CHF	0.9443
EUR/AUD	1.6465
EUR/HKD	8.4245
EUR/CAD	1.4662

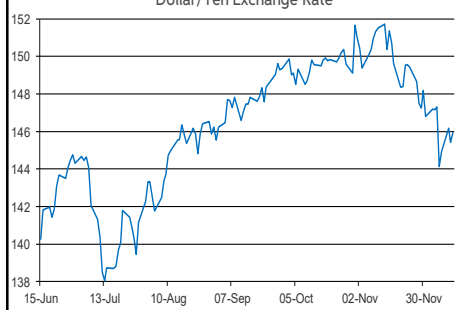
Sterling

GBP/EUR	1.1616
GBP/USD	1.2525
GBP/CAD	1.7033
GBP/NZD	2.0562
GBP/JPY	182.76
GBP/SEK	13.101
GBP/DKK	8.6609
GBP/NOK	13.7551
GBP/CHF	1.097
GBP/AUD	1.9127

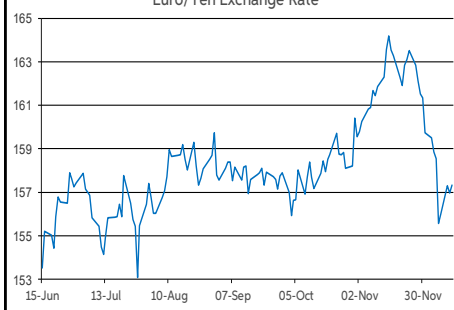
Dollar

USD/JPY	145.92
USD/CAD	1.3595
USD/CHF	0.8757
USD/CNY	7.1851
USD/BRL	4.9658
USD/RUB	89.9425
USD/INR	83.3925
AUD/USD	0.6547
NZD/USD	0.6089

Dollar/Yen Exchange Rate

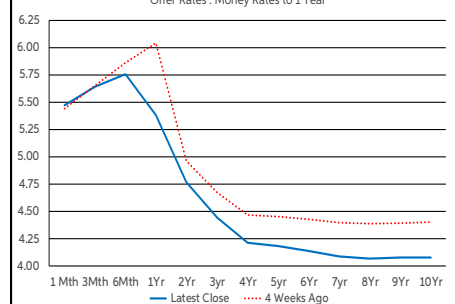


Euro/Yen Exchange Rate



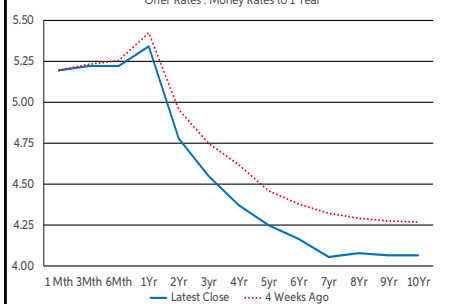
US Swap Curve

Offer Rates : Money Rates to 1 Year



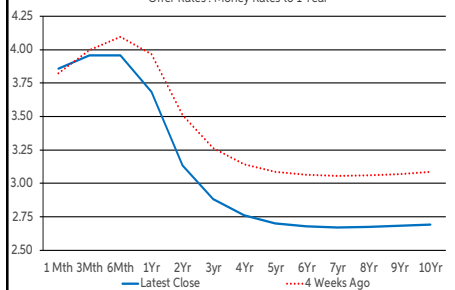
UK Swap Curve

Offer Rates : Money Rates to 1 Year

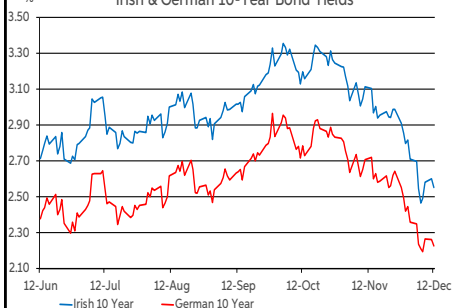


Eurozone Swap Curve

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	-3	-24	+33
Germany	2.23	-3	-37	-33
UK	3.97	-11	-19	+30
Ireland	2.57	-5	-42	-58
Belgium	2.89	+3	-30	-31
France	2.77	-5	-38	-34
Italy	4.01	-6	-41	-70
Spain	3.24	-6	-39	-42
Portugal	3.02	-4	-28	-58
Greece	3.48	+2	-44	-112
5 Year Swap %				
US	4.19	-2	-23	+19
Eurozone	2.70	-3	-38	-53
UK	4.25	-6	-21	-5
2 Year Swap %				
US	4.77	+0	-15	+9
Eurozone	3.14	-0	-36	-25
UK	4.78	-11	-17	+10
10 Year Government Bond Spreads to Benchmark bps				
Ireland	34	-2	-5	-24
Belgium	66	+6	+8	+2
France	54	-2	-1	-1
Italy	178	-3	-3	-37
Spain	101	-3	-2	-8
Portugal	79	-1	+9	-25
Greece	125	+5	-6	-78

Commodities

	Close	% Change		
		Day	4 Weeks	End 22
Brent Oil	73.24	-3.67	-11.19	-14.75
West Texas Oil	69	+0.03	-9.61	-13.92
Gold \$	1979.4	-0.09	+0.85	+8.50

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