

ECB cuts rates by 25bps as expected

As expected, the ECB cut its key interest rates by 25bps yesterday. The Deposit rate is now at 3%. At the press conference, President Lagarde offered little in the way of guidance on the interest rate outlook. However, the meeting statement dropped the reference to keeping policy “sufficiently restrictive”, indicating a more dovish bias on the Governing Council.

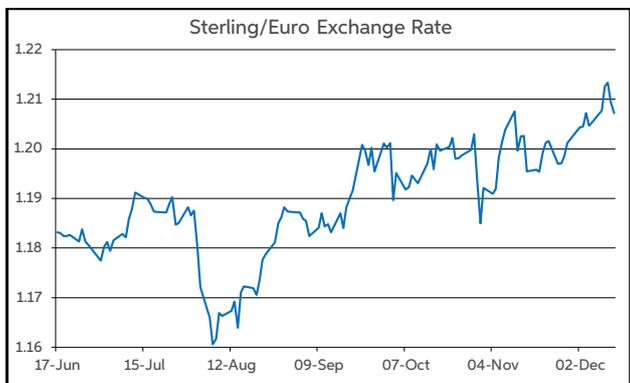
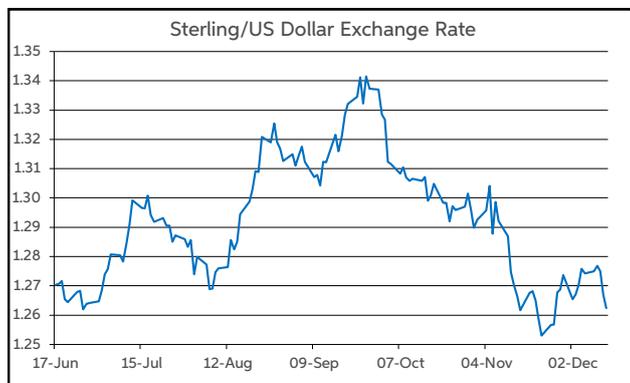
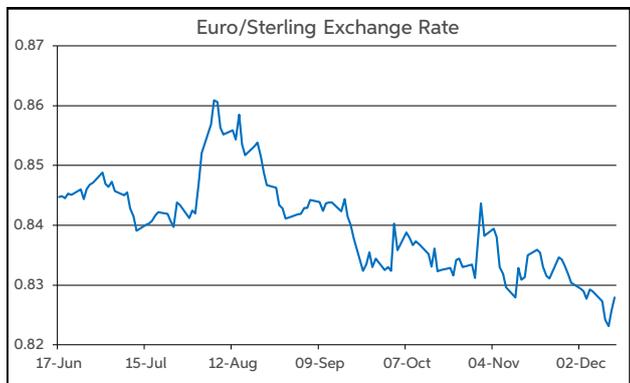
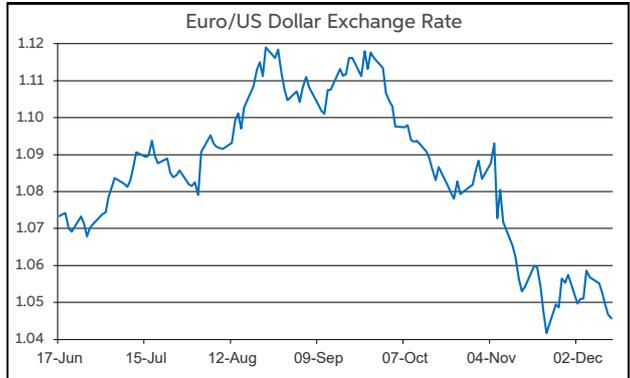
Overall, the initial market reaction to the ECB meeting outcome was limited. Futures contract and the euro were little changed in the immediate aftermath of the announcement. However, futures hardened slightly late in the European session. Current pricing indicates that the market now expects circa 115bps worth of rate cuts in 2025, compared to 125bps previously.

Elsewhere, there was a cautious tone to investor sentiment. The Euro Stoxx 50 edged 0.1% higher, while the S&P 500 shed 0.5%. On bond markets, yields moved higher across the board, with US Treasury, German Bund and UK Gilt yields up by 4-8bps.

Currency-wise, the dollar was in the ascendancy yesterday. As trading gets underway this morning, the stronger dollar is evidenced by EUR/USD opening back near the midpoint of \$1.04-1.05. GBP/USD is operating back in the lower half of \$1.26-1.27. Meanwhile, EUR/GBP is in the top half of the 82-83p range.

Already this morning, the monthly reading of UK GDP for October has printed below the consensus. GDP contracted by 0.1% in the month versus expectations for a 0.1% rise. Sterling has been under some downward pressure following the release. Later today, Eurozone industrial production (Oct) is the only release of note.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0457	-0.47	-5.25
EUR/GBP	0.8279	0.62	-4.49
GBP/USD	1.2624	-1.08	-0.82
GBP/EUR	1.2071	-0.62	4.70
USD/JPY	152.86	0.26	8.37
EUR/JPY	159.85	-0.23	2.71

* 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	4.38	4.34	4.15	4.29	4.14
EUR	3.15	2.89	2.89	2.35	2.16	2.14
GBP	4.75	4.69	4.63	4.35	4.34	4.11

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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Euro

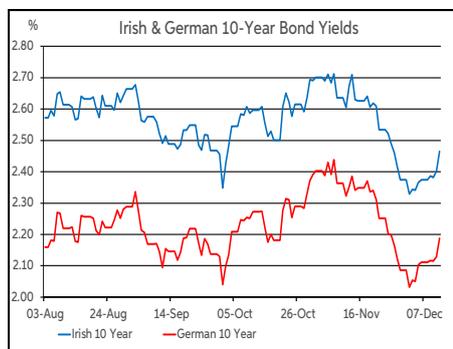
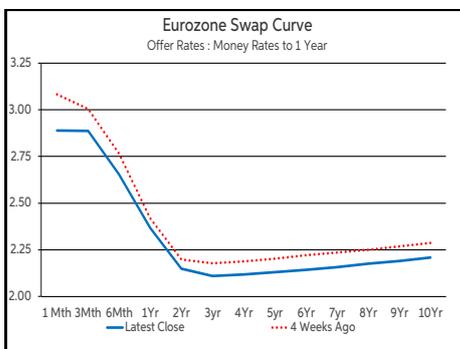
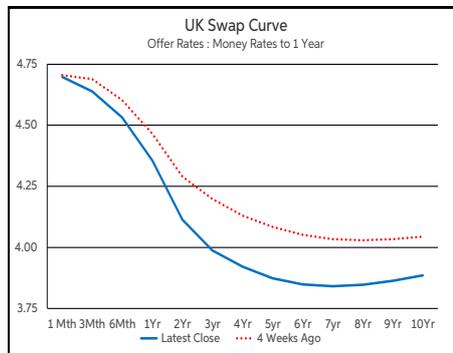
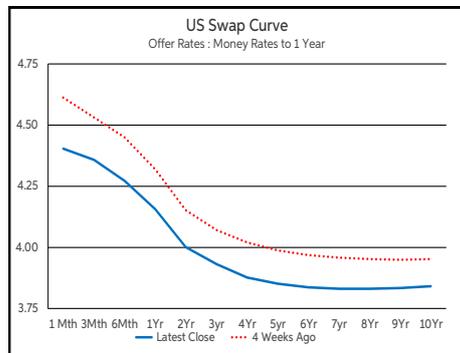
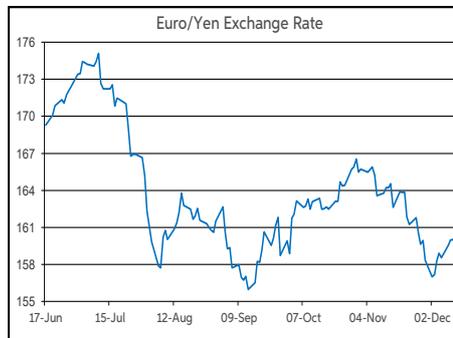
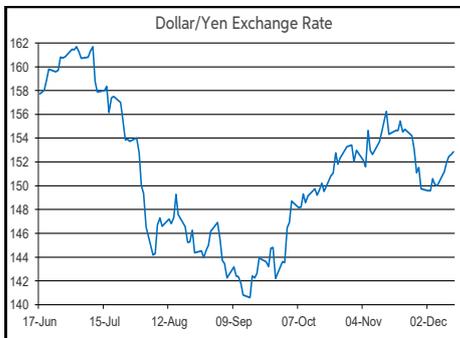
EUR/GBP	0.8279
EUR/USD	1.0457
EUR/JPY	159.85
EUR/SEK	11.5273
EUR/DKK	7.4583
EUR/NOK	11.6836
EUR/CHF	0.934
EUR/AUD	1.642
EUR/HKD	8.1266
EUR/CAD	1.4877

Sterling

GBP/EUR	1.2071
GBP/USD	1.2624
GBP/CAD	1.7963
GBP/NZD	2.1895
GBP/JPY	192.97
GBP/SEK	13.9151
GBP/DKK	9.0034
GBP/NOK	14.1078
GBP/CHF	1.1278
GBP/AUD	1.9824

Dollar

USD/JPY	152.86
USD/CAD	1.4228
USD/CHF	0.8932
USD/CNY	7.2786
USD/BRL	5.9971
USD/RUB	103.4
USD/INR	84.805
AUD/USD	0.6365
NZD/USD	0.5763



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	4.32	+5	-10	+46
Germany	2.19	+6	-15	+16
UK	4.37	+4	-12	+83
5 Year Swap %				
Ireland	2.50	+8	-17	+13
Belgium	2.77	+7	-19	+8
France	2.98	+8	-11	+42
Italy	3.34	+14	-21	-36
Spain	2.85	+8	-20	-14
Portugal	2.63	+8	-17	-16
Greece	3.00	+10	-21	-7
2 Year Swap %				
US	4.11	+6	-12	+32
Eurozone	2.13	+7	-6	-30
UK	4.11	+3	-18	+46
10 Year Government Bond Spreads to Benchmark bps				
Ireland	31	+2	-1	-3
Belgium	58	+1	-3	-9
France	79	+3	+5	+26
Italy	115	+8	-6	-52
Spain	66	+3	-5	-31
Portugal	44	+3	-2	-32
Greece	81	+4	-6	-24

Commodities				
	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	73.41	-0.15	+1.17	-4.71
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2681.3	-1.35	+4.49	+30.00

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