

Monetary policy spotlight turns to ECB/BoE

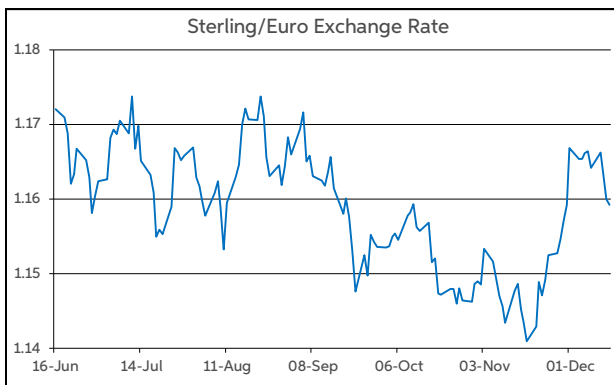
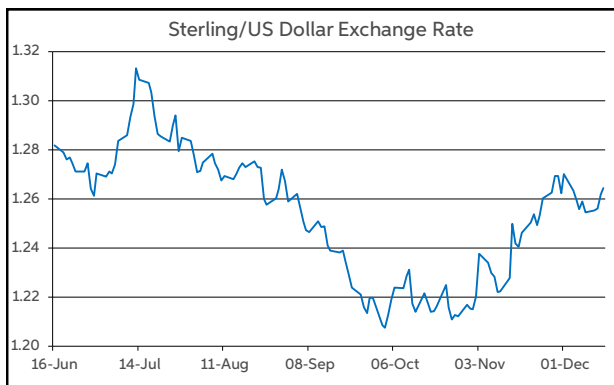
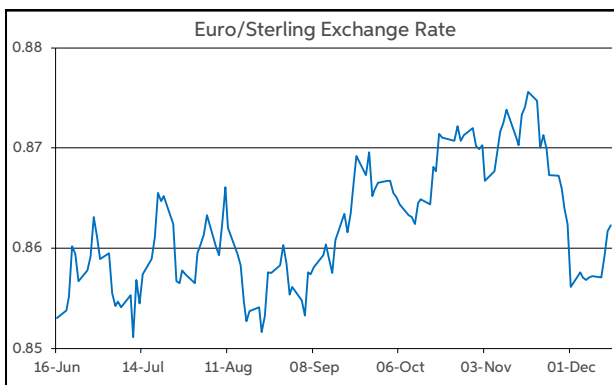
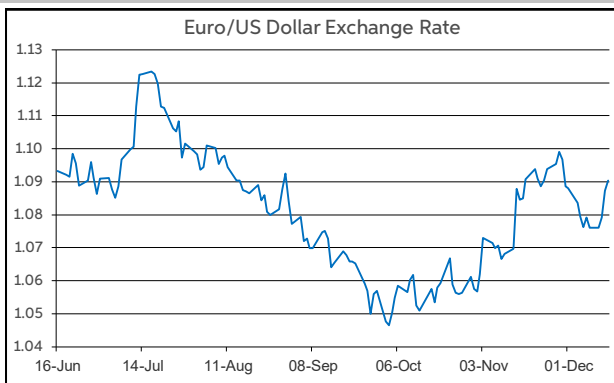
Investors kept their powder dry yesterday, ahead of the Fed policy announcement due after the close in Europe. Against this backdrop the Euro Stoxx 50 edged 0.1% lower. Meantime, futures contracts softened, particularly in the UK, following weak GDP data for October. This saw sterling weaken somewhat.

Overnight, the Fed left monetary policy on hold, as expected. At the press conference, Chair Powell acknowledged that further rate hikes are unlikely, and signalled that discussions on the possibility of cutting rates are coming onto the horizon. Furthermore, the updated interest rate dotplot shows the median projection is for rates to be lowered by 75bps next year, to 4.50-4.75%, down from 5.00-5.25% previously. This led to a marked softening in US futures contracts. Markets are now pricing in 150bps of US rate cuts next year, compared to circa 115bps before the policy announcement.

Elsewhere on markets, 10-year US Treasury yields fell by 20bps, and the S&P 500 rose by 1.4%. Currency-wise, the dollar was on the defensive overnight, amid the significant softening in US rates. This is evidenced by EUR/USD opening this morning up at the \$1.09 threshold. GBP/USD is operating near the midpoint of the \$1.26-1.27 range. Meantime, USD/JPY is down near the halfway mark of ¥141-142. EUR/GBP is just above the 86p handle.

Today, the monetary policy spotlight turns to the ECB and the BoE. Both central banks are expected to hold rates at their current levels. However, the updated ECB macro forecasts and the post-meeting press conference with President Lagarde will be of keen interest. From a BoE perspective, the MPC vote breakdown and meeting statement will be in focus. Markets are currently pricing in rate cuts next year worth 120bps in the UK, and 150bps in the Eurozone.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.09	1.04	1.85
EUR/GBP	0.8621	0.36	-2.52
GBP/USD	1.2642	0.69	4.51
GBP/EUR	1.1593	-0.36	2.59
USD/JPY	141.53	-2.78	7.95
EUR/JPY	154.28	-1.76	9.96

* 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	5.48	5.65	5.09	4.46	3.90
EUR	4.50	3.86	3.93	3.54	2.95	2.52
GBP	5.25	5.19	5.22	4.98	4.67	4.10

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

Thursday 14 December 2023
07:03 am



Euro

EUR/GBP	0.8621
EUR/USD	1.09
EUR/JPY	154.28
EUR/SEK	11.1875
EUR/DKK	7.4553
EUR/NOK	11.7012
EUR/CHF	0.9474
EUR/AUD	1.6218
EUR/HKD	8.5132
EUR/CAD	1.4692

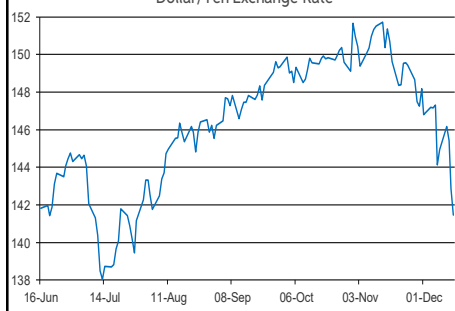
Sterling

GBP/EUR	1.1593
GBP/USD	1.2642
GBP/CAD	1.7038
GBP/NZD	2.0274
GBP/JPY	178.92
GBP/SEK	12.9712
GBP/DKK	8.6444
GBP/NOK	13.5707
GBP/CHF	1.0988
GBP/AUD	1.8808

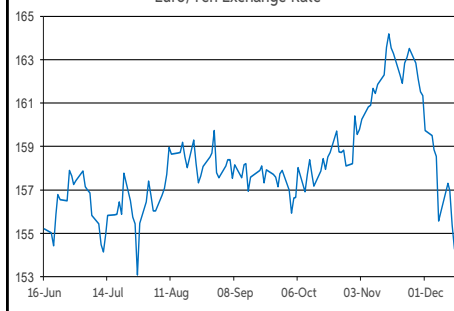
Dollar

USD/JPY	141.53
USD/CAD	1.3477
USD/CHF	0.869
USD/CNY	7.1357
USD/BRL	4.9197
USD/RUB	89.425
USD/INR	83.323
AUD/USD	0.6721
NZD/USD	0.6233

Dollar/Yen Exchange Rate

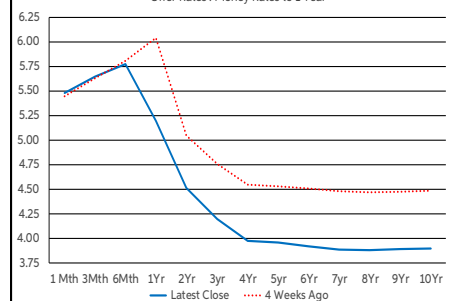


Euro/Yen Exchange Rate



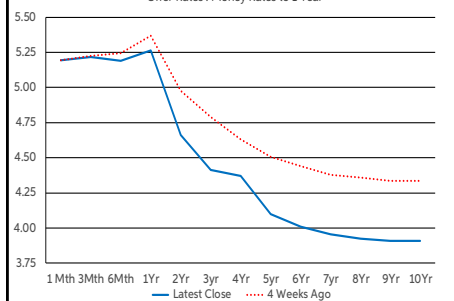
US Swap Curve

Offer Rates : Money Rates to 1 Year



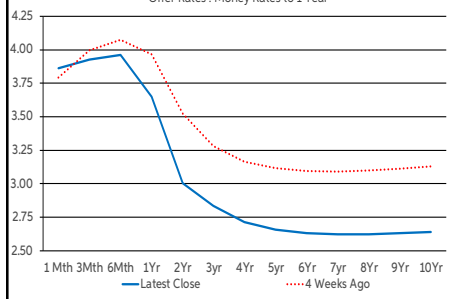
UK Swap Curve

Offer Rates : Money Rates to 1 Year

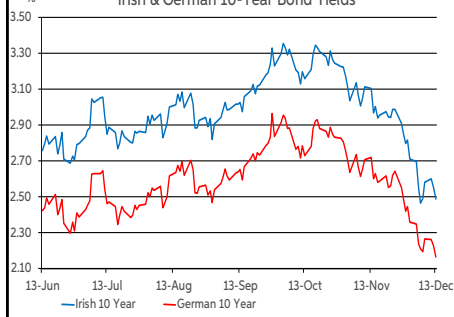


Eurozone Swap Curve

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	4.02	-19	-51	+15
Germany	2.17	-6	-46	-40
UK	3.83	-14	-40	+16
Ireland	2.51	-7	-52	-64
Belgium	2.84	-6	-41	-37
France	2.71	-6	-50	-40
Italy	3.94	-6	-51	-76
Spain	3.18	-6	-49	-48
Portugal	2.94	-7	-38	-66
Greece	3.43	-5	-45	-117
5 Year Swap %				
US	3.96	-22	-53	-4
Eurozone	2.66	-5	-45	-57
UK	4.10	-15	-36	-21
2 Year Swap %				
US	4.51	-25	-50	-16
Eurozone	3.00	-13	-51	-38
UK	4.66	-12	-31	-2
10 Year Government Bond Spreads to Benchmark bps				
Ireland	34	-0	-6	-25
Belgium	67	+1	+5	+3
France	55	+0	-3	-0
Italy	177	-0	-5	-37
Spain	101	-0	-3	-9
Portugal	78	-1	+9	-26
Greece	126	+1	+1	-77

Commodities

	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	74.26	+1.39	-8.52	-13.56
West Texas Oil	69	+0.03	-9.61	-13.92
Gold \$	2026.4	+2.37	+3.44	+11.07

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