

## ECB/BoE hold the line (to little avail)

Trading conditions were somewhat volatile yesterday, as markets continued to digest the Fed meeting outcome from Wednesday. Overall, the Fed meeting sparked a dovish reaction on markets, and raised speculation of a less hawkish stance from the BoE and the ECB. However, both the BoE and ECB held the line against market pricing for significant rate cuts next year, albeit to little avail.

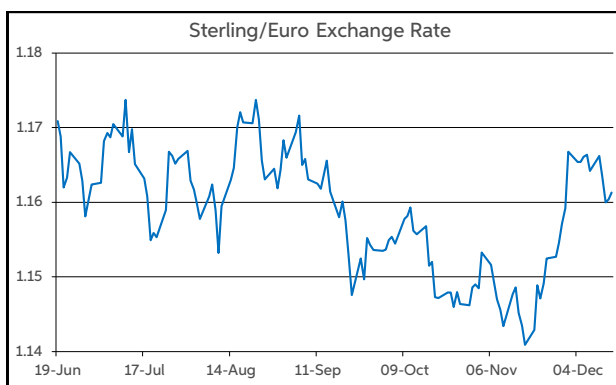
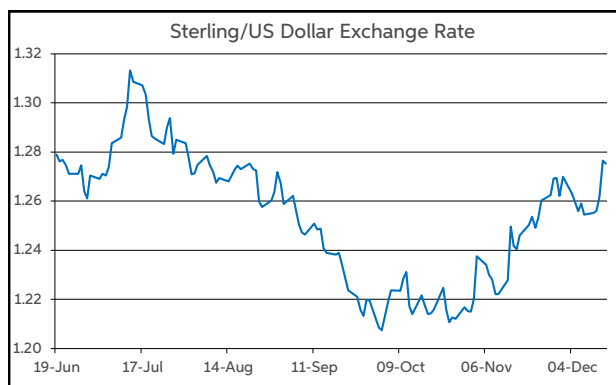
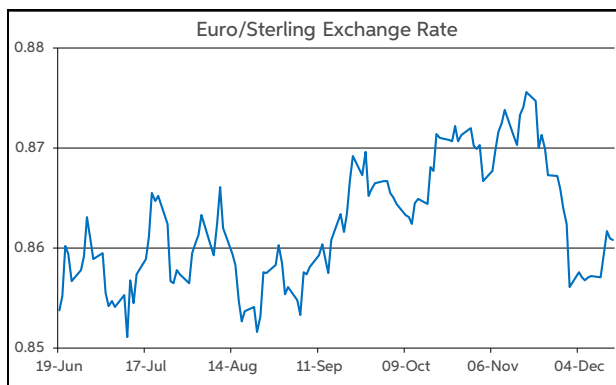
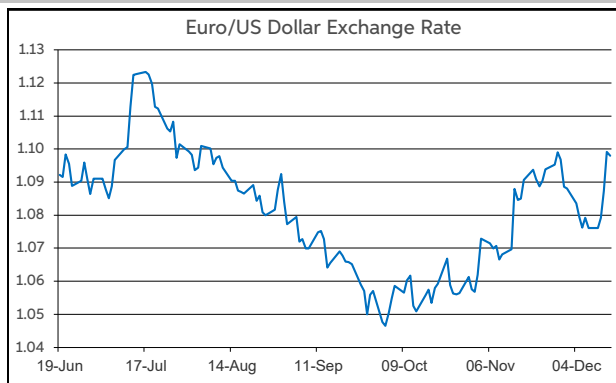
The BoE left Bank rate at 5.25%, as expected. The vote breakdown of the MPC remained split 6-3, with the three dissenters in favour of raising rates by 25bps. Furthermore, the BoE maintains a tightening bias, emphasising that rates will remain restrictive for a sufficiently long period of time to bring inflation down to 2%.

Similarly, the ECB left rates on hold, and announced that PEPP reinvestments will be lowered in H2 2024, before stopping at year end. Meanwhile, the ECB lowered its growth and inflation forecasts for the 2023-24 period. However, at the press conference, President Lagarde reiterated that rates will need to be kept sufficiently restrictive for as long as necessary to restore price stability. She also noted that rate cuts were not discussed at this meeting.

Before the central bank meetings yesterday, markets were pricing in 150bps and 115bps of rate cuts in the Eurozone and UK next year. Despite the hawkish soundings from the ECB and BoE, market expectations are little changed. The contrast in messaging from the Fed and the ECB/BoE, has put the dollar on the defensive though.

In level terms, the weaker tone to the dollar sees EUR/USD open just below \$1.10. GBP/USD is operating up at the midpoint of \$1.27-1.28. Looking ahead, the main releases of note today will be the December reading of the flash PMIs in the Eurozone, UK and US.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0982	0.84	2.62
EUR/GBP	0.8606	-0.16	-2.69
GBP/USD	1.2757	0.97	5.46
GBP/EUR	1.1612	0.16	2.77
USD/JPY	142.09	0.48	8.37
EUR/JPY	156.07	1.31	11.24

\* 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	5.19	4.55	3.96
EUR	4.50	3.83	3.93	3.60	3.05	2.63
GBP	5.25	5.18	5.20	4.93	4.61	4.03

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

Friday 15 December 2023  
06:48 am



## Euro

EUR/GBP	0.8607
EUR/USD	1.0982
EUR/JPY	156.05
EUR/SEK	11.2762
EUR/DKK	7.4557
EUR/NOK	11.5464
EUR/CHF	0.9527
EUR/AUD	1.6399
EUR/HKD	8.5742
EUR/CAD	1.4713

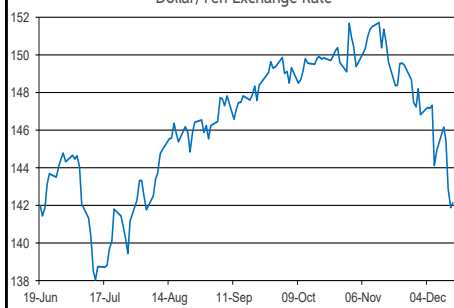
## Sterling

GBP/EUR	1.1612
GBP/USD	1.2757
GBP/CAD	1.709
GBP/NZD	2.0586
GBP/JPY	181.26
GBP/SEK	13.0975
GBP/DKK	8.6587
GBP/NOK	13.4108
GBP/CHF	1.1068
GBP/AUD	1.9047

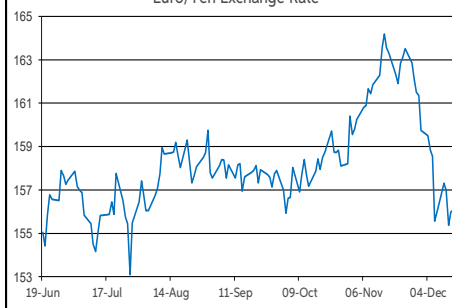
## Dollar

USD/JPY	142.09
USD/CAD	1.3393
USD/CHF	0.8674
USD/CNY	7.1106
USD/BRL	4.9155
USD/RUB	89.7825
USD/INR	83.213
AUD/USD	0.6697
NZD/USD	0.6197

Dollar/Yen Exchange Rate

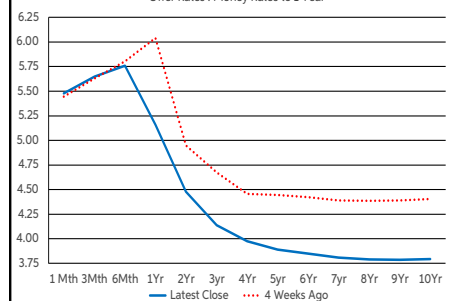


Euro/Yen Exchange Rate



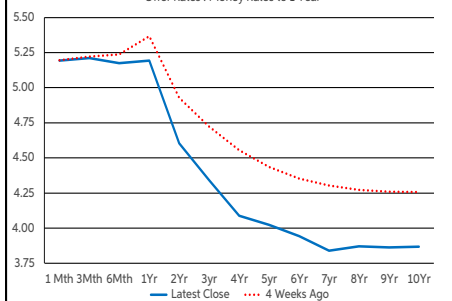
US Swap Curve

Offer Rates : Money Rates to 1 Year



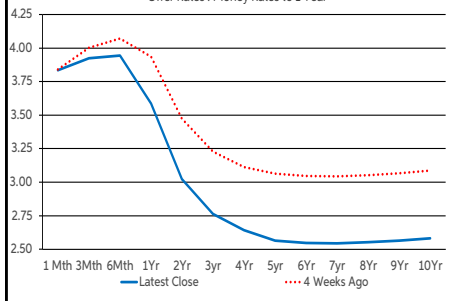
UK Swap Curve

Offer Rates : Money Rates to 1 Year

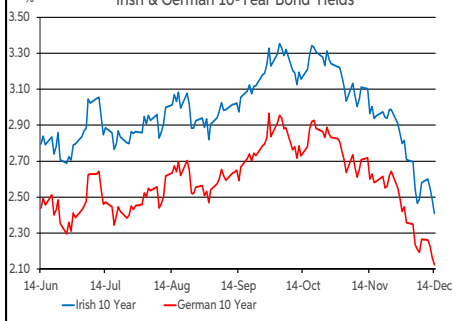


Eurozone Swap Curve

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	3.92	-10	-52	+4
Germany	2.13	-4	-46	-44
UK	3.78	-5	-37	+11
Ireland	2.45	-6	-53	-70
Belgium	2.76	-7	-43	-44
France	2.64	-7	-51	-47
Italy	3.79	-15	-56	-92
Spain	3.08	-10	-51	-58
Portugal	2.87	-8	-38	-74
Greece	3.33	-9	-52	-126
5 Year Swap %				
US	3.89	-7	-52	-11
Eurozone	2.57	-9	-49	-67
UK	4.02	-7	-41	-28
2 Year Swap %				
US	4.48	-3	-43	-20
Eurozone	3.02	+2	-44	-36
UK	4.60	-6	-32	-8
10 Year Government Bond Spreads to Benchmark bps				
Ireland	32	-2	-7	-26
Belgium	64	-3	+3	-0
France	51	-3	-5	-4
Italy	166	-11	-10	-48
Spain	95	-6	-5	-14
Portugal	74	-4	+8	-30
Greece	121	-5	-6	-82

## Commodities

	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	76.61	+3.16	-1.05	-10.83
West Texas Oil	69	+0.03	-9.61	-13.92
Gold \$	2035.5	+0.45	+2.76	+11.57

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, p.l.c. and Allied Irish Bank (GB). In Northern Ireland it is distributed by Allied Irish Bank (NI). In the United States of America it is distributed by Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and AIB (NI) are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.