

Central bank messaging moves out of sync

A key theme on markets last week was a divergence in messaging from the Fed, BoE and ECB. The Fed sounded somewhat dovish, and did not push back against market expectations for significant rate cuts in 2024. In contrast, both the BoE and ECB indicated that rates will need to be kept at current levels for a period of time. Despite this, futures contracts softened across the board. Markets are now pricing in rate cuts worth around 150bps in the US and the Eurozone, and 115bps in the UK next year.

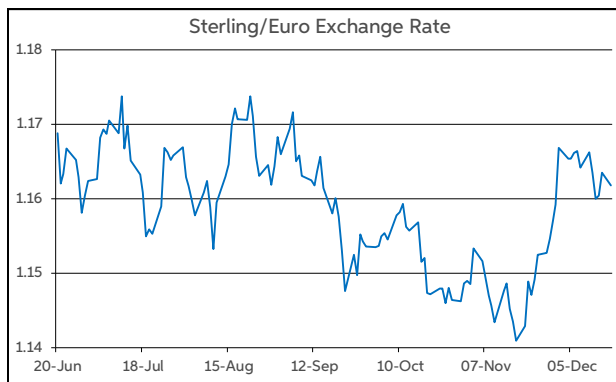
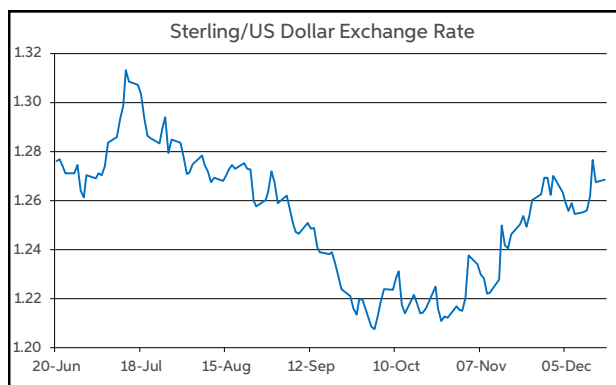
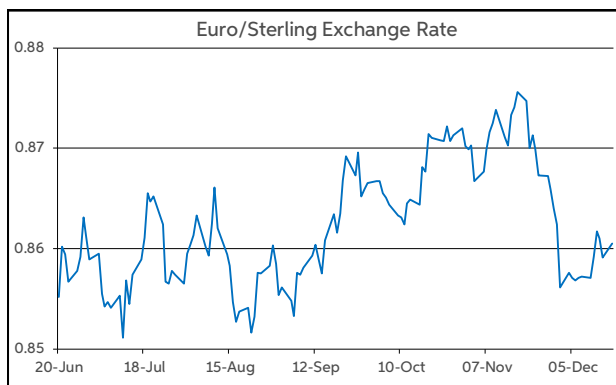
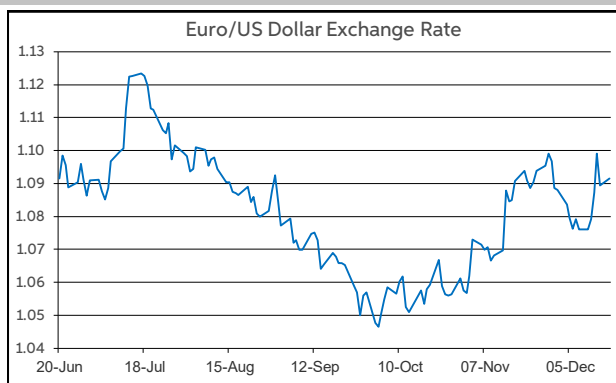
Meantime, a slew of tier one data releases also impacted investor sentiment last week. Notably, US CPI inflation eased further in November. In the UK, average earnings growth slowed and GDP contracted in November. In terms of more timely data, the flash PMIs for December indicated that activity increased in the UK and US, but contracted in the Eurozone.

Against this backdrop, trading conditions were volatile throughout the week. Overall though, the softening in rate expectations led to a positive mood on markets. The S&P 500 rose by 2.5%, while sovereign bond yields fell by 15-35bps on both sides of the Atlantic. On the currency front, the dollar shed over 1%, and the yen rose by circa 1% on the week.

In level terms, EUR/USD opens this morning up above the \$1.09 mark. GBP/USD is in the top half \$1.26-1.27. Elsewhere, EUR/GBP is at the 86p handle. USD/JPY is operating down near ¥142.

This week, a busy macro calendar includes inflation data from the US and UK for November. In the Eurozone a number of sentiment indicators for December are due. Meanwhile, the BoJ is set to leave policy on hold, despite recent speculation of a possible rate hike.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0916	-0.60	2.00
EUR/GBP	0.8601	-0.07	-2.75
GBP/USD	1.2687	-0.56	4.88
GBP/EUR	1.1621	0.07	2.83
USD/JPY	142.24	0.26	8.49
EUR/JPY	155.27	-0.37	10.67

* 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	5.63	5.15	4.54	3.93
EUR	4.50	3.85	3.92	3.55	2.96	2.52
GBP	5.25	5.18	5.21	4.93	4.61	3.95

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

Monday 18 December 2023
07:02 am



Euro

EUR/GBP	0.8601
EUR/USD	1.0916
EUR/JPY	155.27
EUR/SEK	11.1942
EUR/DKK	7.4546
EUR/NOK	11.407
EUR/CHF	0.9486
EUR/AUD	1.6236
EUR/HKD	8.5144
EUR/CAD	1.4603

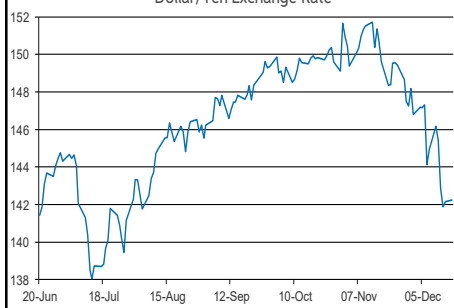
Sterling

GBP/EUR	1.1621
GBP/USD	1.2687
GBP/CAD	1.6974
GBP/NZD	2.0331
GBP/JPY	180.46
GBP/SEK	13.0085
GBP/DKK	8.6628
GBP/NOK	13.2583
GBP/CHF	1.1025
GBP/AUD	1.8874

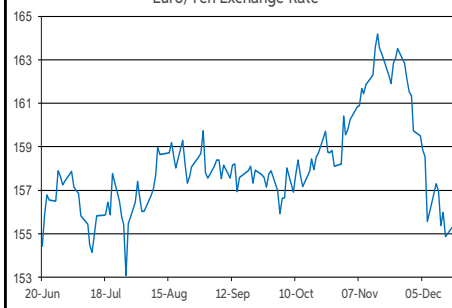
Dollar

USD/JPY	142.24
USD/CAD	1.3378
USD/CHF	0.8689
USD/CNY	7.1282
USD/BRL	4.9406
USD/RUB	90.6455
USD/INR	83
AUD/USD	0.6722
NZD/USD	0.624

Dollar/Yen Exchange Rate

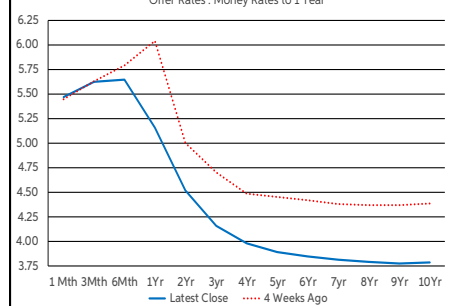


Euro/Yen Exchange Rate



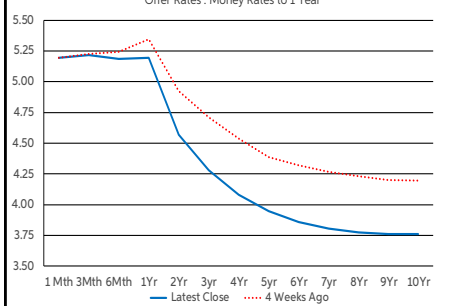
US Swap Curve

Offer Rates : Money Rates to 1 Year



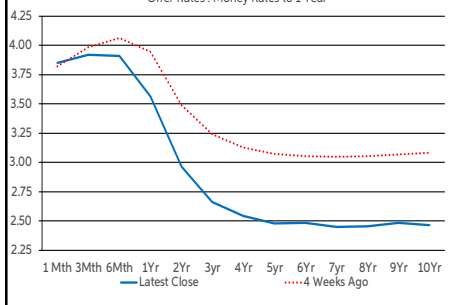
UK Swap Curve

Offer Rates : Money Rates to 1 Year

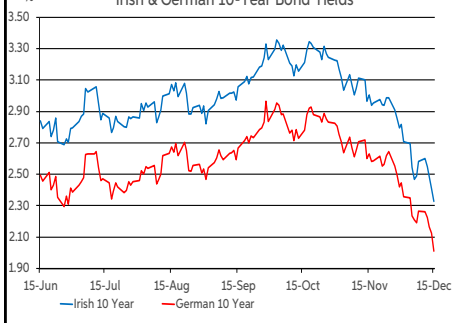


Eurozone Swap Curve

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	3.91	-1	-52	+4
Germany	2.01	-11	-58	-55
UK	3.69	-9	-41	+2
Ireland	2.35	-10	-64	-80
Belgium	2.67	-9	-53	-53
France	2.55	-9	-61	-56
Italy	3.73	-6	-64	-98
Spain	3.00	-8	-60	-66
Portugal	2.77	-10	-48	-83
Greece	3.20	-13	-64	-139

5 Year Swap %				
US	3.89	+2	-52	-10
Eurozone	2.48	-8	-58	-75
UK	3.95	-8	-39	-36

2 Year Swap %				
US	4.52	+6	-44	-16
Eurozone	2.96	-6	-52	-42
UK	4.57	-4	-35	-11

10 Year Government Bond Spreads to Benchmark bps				
Ireland	34	+1	-7	-25
Belgium	66	+2	+5	+2
France	54	+2	-3	-1
Italy	171	+5	-6	-43
Spain	99	+3	-2	-11
Portugal	75	+1	+10	-28
Greece	119	-2	-6	-84

Commodities

	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	76.55	-0.08	-5.04	-10.90
West Texas Oil	69	+0.03	-9.61	-13.92
Gold \$	2018.2	-0.85	+1.93	+10.62

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