

Fed cuts rates by 25bps. Focus turns to the BoE

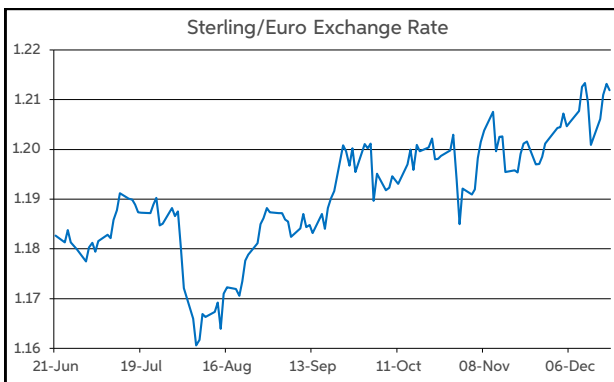
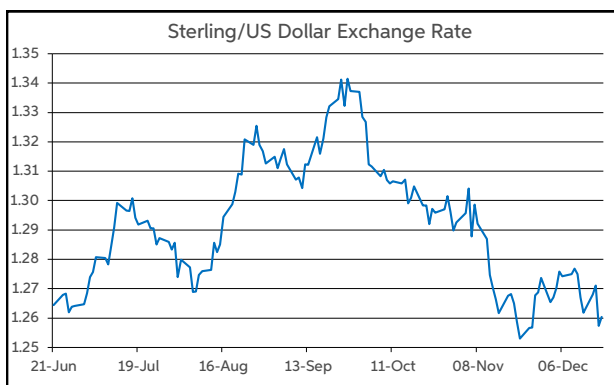
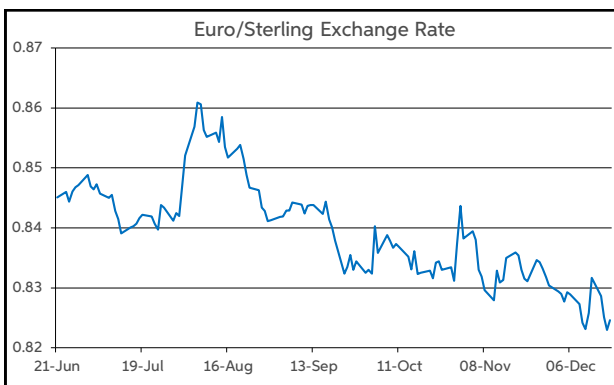
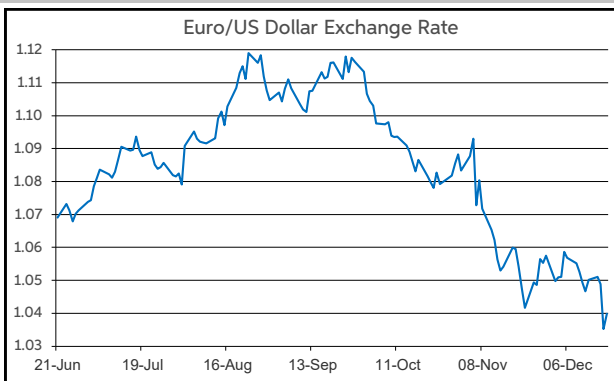
As expected, the Fed cuts rates by 25bps yesterday. The Fed funds target range is now at 4.25-4.50%. Despite cutting rates though, the Fed struck a hawkish tone when assessing the outlook. Notably, the Fed now sees core-PCE inflation at 2.5% by the end of 2025. Furthermore, the median projection is for just two rate cuts next year, compared to four cuts in September. At the press conference, Chair Powell struck a hawkish tone also. Overall, the final FOMC meeting of 2024 set the path for a slower pace of rate cuts from in the US in 2025.

US futures contracts hardened markedly in the aftermath of the Fed meeting outcome. Current pricing is for just 35bps worth of rate cuts next year. Against this backdrop, US Treasury yields rose sharply by 10-15bps along the curve, while equity markets nose-dived, with the S&P down by 2.9% on the day. Meantime, the dollar was firmly in the ascendancy on currency markets.

Before the Fed policy announcement, the euro was under some downward pressure. The single currency lost some ground as the final reading of HICP inflation for November revised both the headline and core rates a touch lower. Elsewhere, the yen was on the defensive overnight, as the BoJ opted to leave rates on hold. As trading gets underway this morning, EUR/USD opens back just below the \$1.04 mark, while GBP/USD is operating down near \$1.26. Meantime, USD/JPY is up at the midpoint of ¥156-157.

Turning to the day ahead, the monetary policy spotlight will turn to the final BoE MPC meeting of 2024. Expectations are that policy will be left on hold. Thus, market participants will be paying close attention to the vote breakdown and the meeting statement for any guidance on the future path of policy.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0398	-0.98	-5.78
EUR/GBP	0.8246	-0.24	-4.87
GBP/USD	1.2604	-0.75	-0.98
GBP/EUR	1.2119	0.24	5.12
USD/JPY	156.47	2.04	10.92
EUR/JPY	162.73	1.04	4.56

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates						
	Money Market			Swap Rates		
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	4.38	4.34	4.33	4.24	4.45	4.34
EUR	3.15	2.78	2.87	2.38	2.23	2.23
GBP	4.75	4.69	4.64	4.49	4.56	4.33

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 19 December 2024
07:29 am



Euro

EUR/GBP	0.8246
EUR/USD	1.0398
EUR/JPY	162.73
EUR/SEK	11.5052
EUR/DKK	7.4608
EUR/NOK	11.775
EUR/CHF	0.9343
EUR/AUD	1.667
EUR/HKD	8.0783
EUR/CAD	1.4997

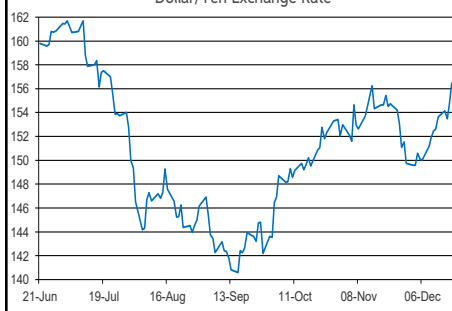
Sterling

GBP/EUR	1.2119
GBP/USD	1.2604
GBP/CAD	1.8179
GBP/NZD	2.2345
GBP/JPY	197.21
GBP/SEK	13.9467
GBP/DKK	9.0426
GBP/NOK	14.265
GBP/CHF	1.1325
GBP/AUD	2.0201

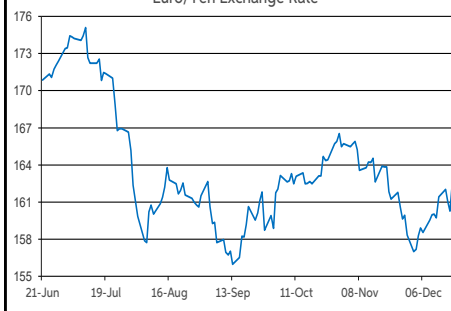
Dollar

USD/JPY	156.47
USD/CAD	1.4427
USD/CHF	0.8984
USD/CNY	7.299
USD/BRL	6.2896
USD/RUB	103.9
USD/INR	85.045
AUD/USD	0.6236
NZD/USD	0.564

Dollar/Yen Exchange Rate

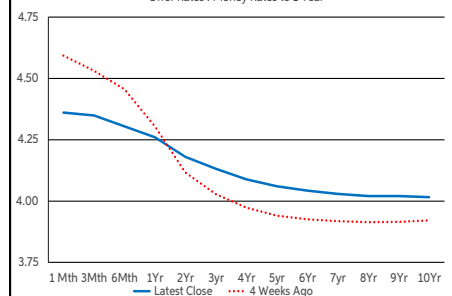


Euro/Yen Exchange Rate



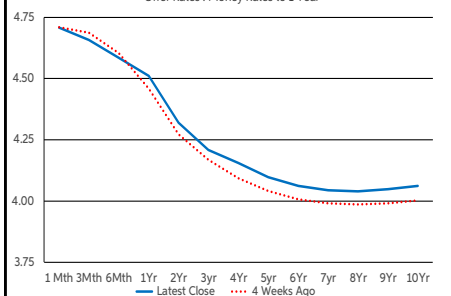
US Swap Curve

Offer Rates : Money Rates to 1 Year



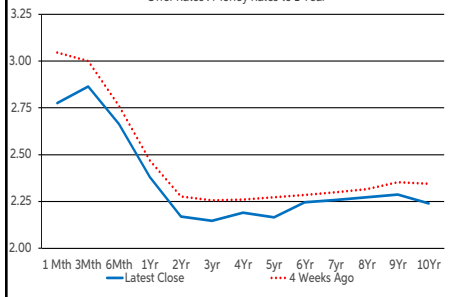
UK Swap Curve

Offer Rates : Money Rates to 1 Year

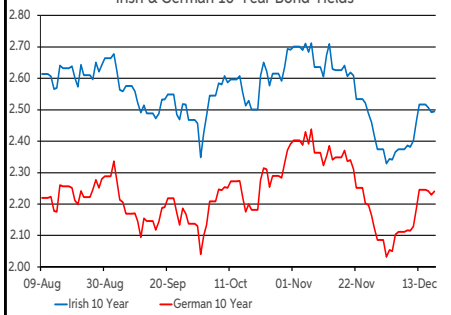


Eurozone Swap Curve

Offer Rates : Money Rates to 1 Year



Irish & German 10-Year Bond Yields



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	4.50	+11	+9	+64
Germany	2.24	+1	-10	+21
UK	4.56	+4	+9	+102
Ireland	2.54	+1	-12	+17
Belgium	2.85	+1	-8	+16
France	3.05	+2	-5	+50
Italy	3.41	+2	-17	-29
Spain	2.94	+2	-11	-5
Portugal	2.73	-1	-8	-6
Greece	3.11	+1	-12	+3
5 Year Swap %				
US	4.33	+14	+14	+53
Eurozone	2.17	+1	-10	-26
UK	4.33	+3	+8	+68
2 Year Swap %				
US	4.43	+12	+7	+10
Eurozone	2.17	-3	-10	-62
UK	4.56	+2	+9	+30
10 Year Government Bond Spreads to Benchmark bps				
Ireland	29	+0	-2	-4
Belgium	61	+0	+2	-6
France	81	+1	+5	+28
Italy	117	+1	-7	-50
Spain	70	+1	-1	-26
Portugal	49	-2	+2	-27
Greece	87	+0	-2	-18

Commodities

	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	73.39	+0.27	+0.80	-4.74
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2587.6	-2.19	-2.36	+25.46

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