

It's beginning to look a lot like rate cuts!

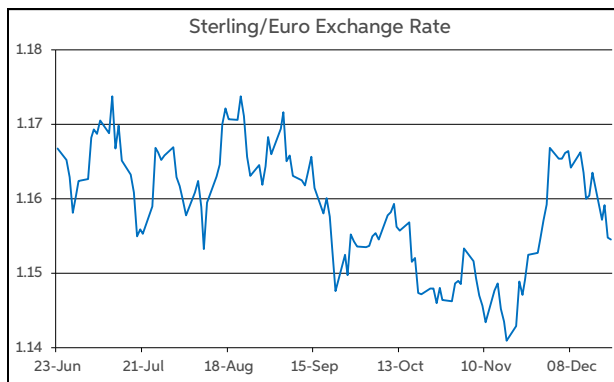
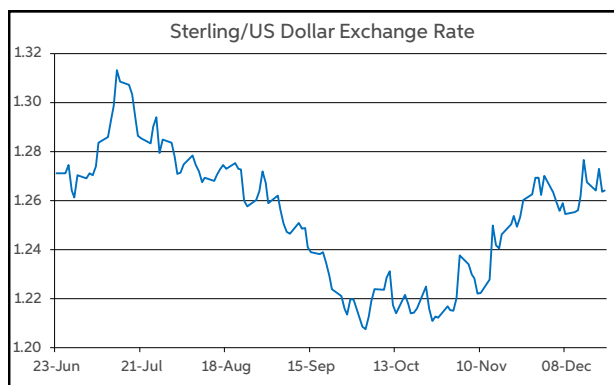
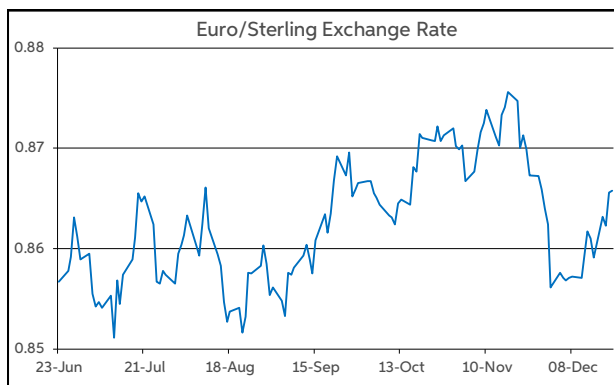
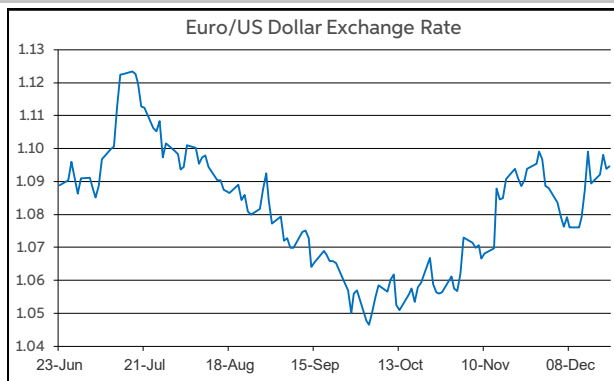
Stock markets were somewhat mixed yesterday, with the Euro Stoxx 50 finishing flat for the day, while the S&P 500 shed 1.5%. In contrast, the FTSE 100 gained 1%, after both headline and core UK inflation for November printed well below expectations. The headline CPI rate fell from 4.6% to 3.9%, while the core rate declined from 5.7% to 5.1%. This saw UK markets move to price in a greater magnitude of cuts in rates for 2024.

Futures contracts show traders now expect the Bank of England to cut rates by 135bps next year, starting in May. The UK market has thus moved more into line with the US and Eurozone, where around 150bps of policy easing is expected in 2024. Against this backdrop, not surprisingly, UK gilt yields fell yesterday. At the same time, sterling was on the defensive, with EUR/GBP moving above 86.5p and cable (GBP/USD) dropping back below \$1.27.

Elsewhere yesterday, there was bigger than anticipated jump in US Consumer Confidence in December. The index rose from 101.0 to 110.7, well above the 104.0 consensus. Existing home sales also unexpectedly rose in November. Both data releases strengthened hopes that the US economy can continue to perform well in 2024. Meantime, Eurozone consumer confidence improved by more than expected in December.

This morning on markets, EUR/USD opens around the midpoint of \$1.09-1.10. GBP/USD is operating in the lower half of the \$1.26-1.27 corridor. Meanwhile EUR/GBP is trading close to 86.5p. Elsewhere, USD/JPY remains between ¥143-144. The main data releases today are in the US, in the form of weekly jobless claims and the Philly Fed Business survey. However, barring any major surprises, the data are unlikely to impact on markets.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0943	-0.19	2.25
EUR/GBP	0.8657	0.46	-2.11
GBP/USD	1.2639	-0.64	4.48
GBP/EUR	1.1548	-0.46	2.16
USD/JPY	143.22	-0.25	9.24
EUR/JPY	156.77	-0.43	11.74

* 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	5.64	5.46	4.46	3.90
EUR	4.50	3.85	3.92	3.51	2.89	2.46
GBP	5.25	5.18	5.21	4.77	4.35	3.72

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 21 December 2023
07:46 am



Euro

EUR/GBP	0.8657
EUR/USD	1.0943
EUR/JPY	156.77
EUR/SEK	11.1215
EUR/DKK	7.4558
EUR/NOK	11.3176
EUR/CHF	0.9437
EUR/AUD	1.6228
EUR/HKD	8.5458
EUR/CAD	1.4614

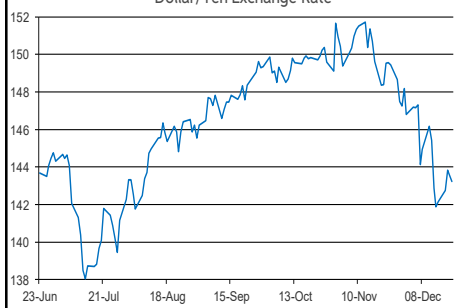
Sterling

GBP/EUR	1.1548
GBP/USD	1.2639
GBP/CAD	1.6878
GBP/NZD	2.0241
GBP/JPY	181.02
GBP/SEK	12.8398
GBP/DKK	8.6096
GBP/NOK	13.0645
GBP/CHF	1.0901
GBP/AUD	1.874

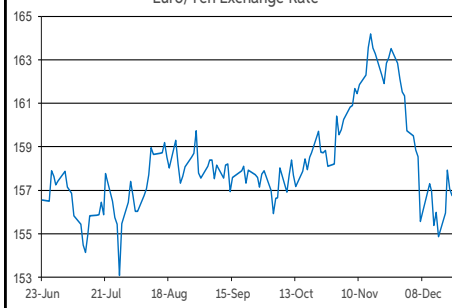
Dollar

USD/JPY	143.22
USD/CAD	1.3351
USD/CHF	0.8623
USD/CNY	7.1452
USD/BRL	4.9141
USD/RUB	91.05
USD/INR	83.2402
AUD/USD	0.6745
NZD/USD	0.6243

Dollar/Yen Exchange Rate

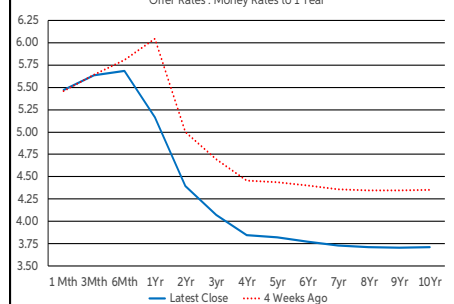


Euro/Yen Exchange Rate



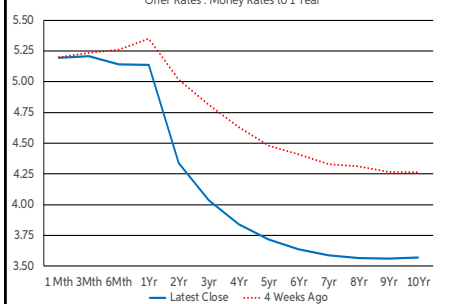
US Swap Curve

Offer Rates : Money Rates to 1 Year



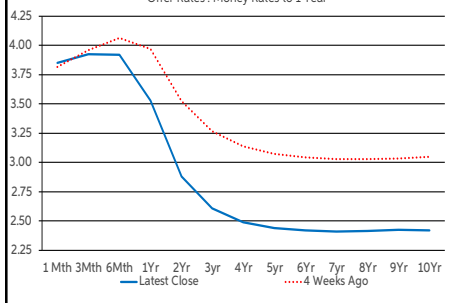
UK Swap Curve

Offer Rates : Money Rates to 1 Year

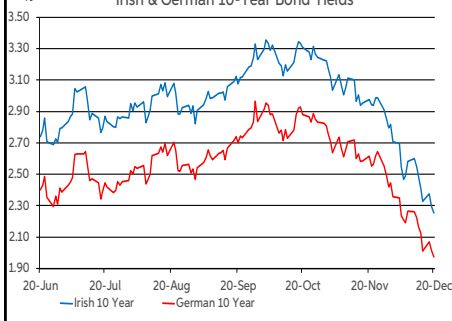


Eurozone Swap Curve

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	3.85	-8	-56	-3
Germany	1.98	-4	-59	-59
UK	3.53	-13	-63	-14
Ireland	2.28	-5	-69	-87
Belgium	2.60	-4	-55	-60
France	2.48	-4	-64	-63
Italy	3.61	-4	-71	-110
Spain	2.92	-4	-63	-74
Portugal	2.68	-4	-54	-92
Greece	3.08	-9	-67	-151

5 Year Swap %				
US	3.82	-9	-58	-17
Eurozone	2.44	-5	-63	-79
UK	3.72	-15	-71	-59

2 Year Swap %				
US	4.40	-11	-57	-28
Eurozone	2.88	-5	-63	-51
UK	4.34	-18	-68	-35

10 Year Government Bond Spreads to Benchmark bps				
Ireland	30	-1	-10	-29
Belgium	63	-0	+3	-1
France	50	-0	-5	-5
Italy	163	+0	-12	-51
Spain	94	-0	-5	-15
Portugal	71	-1	+5	-33
Greece	111	-5	-9	-92

Commodities

	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	79.7	+0.59	-2.76	-7.23
West Texas Oil	69	+0.03	-9.61	-13.92
Gold \$	2029.2	-0.54	+1.98	+11.23

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