

EUR/USD below \$1.08 post-Fed. BoE in focus today

In the lead up to yesterday's Fed monetary policy announcement, US market rate expectations softened. This followed the release of the Employment Cost Index, which showed wage growth slowed to 0.9% q/q in Q4, its lowest reading since Q2 2021. Meanwhile, Eurozone futures contracts also softened, amid a sharp fall in German and French headline HICP inflation in January.

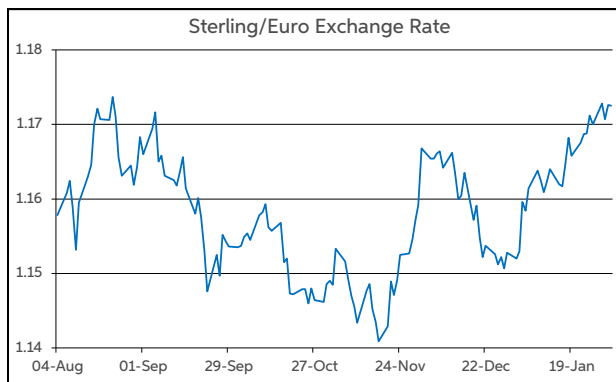
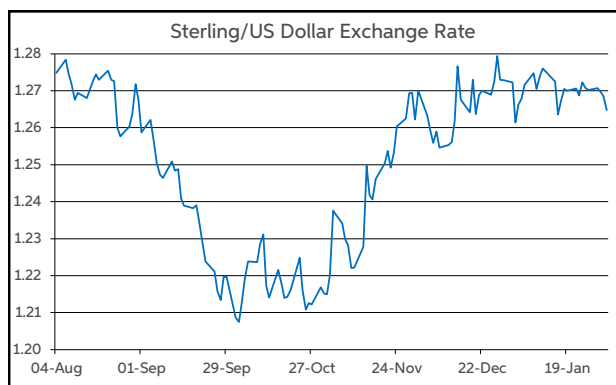
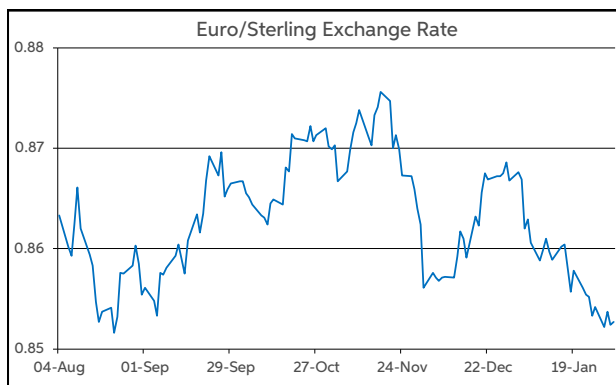
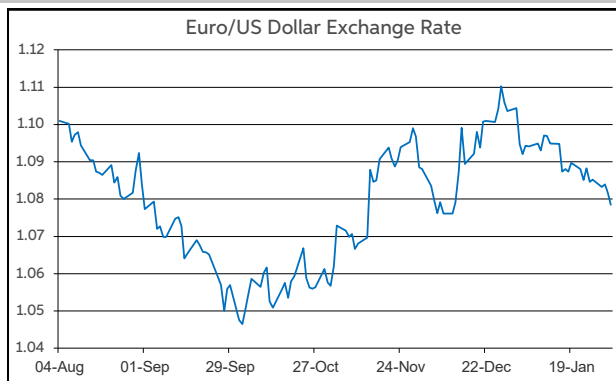
Overnight the Fed left interest rates on hold as expected. However, at the press conference, Chair Powell pushed back against expectations of a rate cut in Q1, although he did admit it will be "appropriate to dial back" the restrictive stance of monetary policy this year. Investors reduced expectations that the Fed will cut rates in March in response. A total of 140bps of rate cuts are priced in by year end, compared to circa 150bps before the press conference.

Against this backdrop, the dollar was on the defensive during the European session. However, the greenback regained the ascendancy overnight. Meantime, the yen was on the front foot, as the January meeting minutes noted the BoJ discussed the possibility of a near-term exit from negative interest rates.

In level terms, the firmer dollar tone sees EUR/USD open this morning back below \$1.08. GBP/USD is down at the midpoint of \$1.26-1.27. Elsewhere, EUR/JPY is back in the ¥158-159 range.

Today, the monetary policy spotlight will shift to the BoE. However, the central bank is widely anticipated to leave policy unchanged. Indeed, the main focus will be centred on the updated Monetary Policy Report and the accompanying press conference. In the Eurozone, flash reading of HICP inflation (January) and the unemployment rate (December) will feature.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0784	-0.31	-2.28
EUR/GBP	0.8527	-0.07	-1.63
GBP/USD	1.2647	-0.23	-0.64
GBP/EUR	1.1723	0.07	1.65
USD/JPY	146.89	-0.56	4.13
EUR/JPY	158.43	-0.88	1.80

* 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	5.44	5.58	5.02	4.38	3.91
EUR	4.50	3.85	3.90	3.45	2.90	2.55
GBP	5.25	5.18	5.20	4.82	4.47	3.93

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 01 February 2024
07:33 am



Euro

EUR/GBP	0.8527
EUR/USD	1.0784
EUR/JPY	158.43
EUR/SEK	11.2449
EUR/DKK	7.4546
EUR/NOK	11.3848
EUR/CHF	0.9318
EUR/AUD	1.6506
EUR/HKD	8.4326
EUR/CAD	1.4513

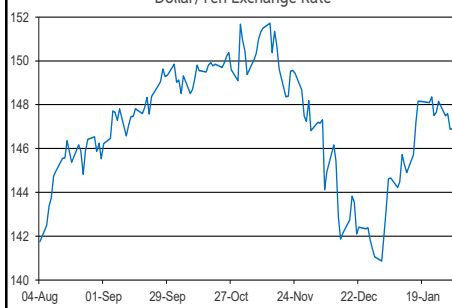
Sterling

GBP/EUR	1.1723
GBP/USD	1.2647
GBP/CAD	1.7021
GBP/NZD	2.072
GBP/JPY	185.77
GBP/SEK	13.1916
GBP/DKK	8.7406
GBP/NOK	13.3523
GBP/CHF	1.0927
GBP/AUD	1.9361

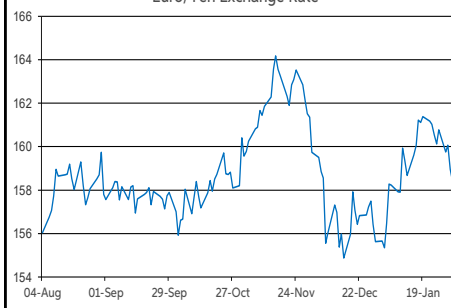
Dollar

USD/JPY	146.89
USD/CAD	1.3456
USD/CHF	0.8638
USD/CNY	7.1832
USD/BRL	4.9526
USD/RUB	90.0825
USD/INR	82.966
AUD/USD	0.653
NZD/USD	0.6103

Dollar/Yen Exchange Rate

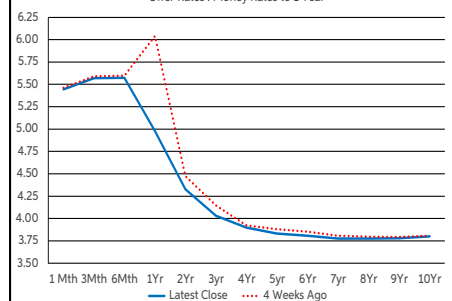


Euro/Yen Exchange Rate



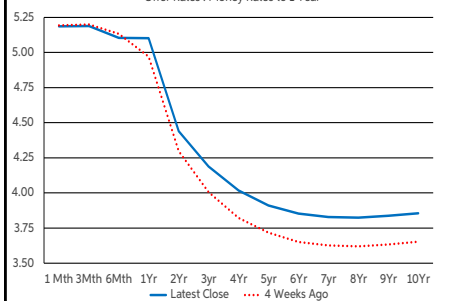
US Swap Curve

Offer Rates : Money Rates to 1 Year



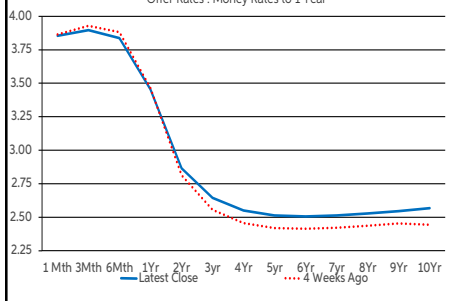
UK Swap Curve

Offer Rates : Money Rates to 1 Year

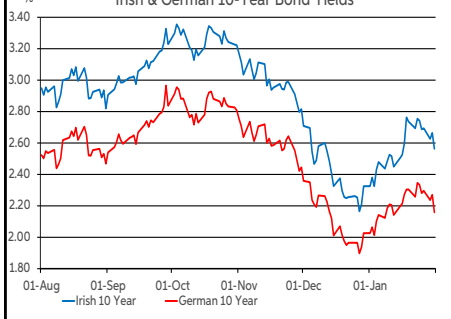


Eurozone Swap Curve

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	3.92	-12	-0	+5
Germany	2.16	-11	+14	+13
UK	3.80	-10	+16	+26
Ireland	2.60	-9	+24	+22
Belgium	2.76	-10	+9	+8
France	2.66	-10	+10	+10
Italy	3.73	-8	+3	+3
Spain	3.09	-9	+9	+10
Portugal	2.88	-9	+9	+9
Greece	3.24	-3	+7	+16
5 Year Swap %				
US	3.83	-15	-1	+4
Eurozone	2.51	-9	+10	+8
UK	3.91	-6	+24	+26
2 Year Swap %				
US	4.33	-15	-11	-1
Eurozone	2.86	-6	+6	+7
UK	4.44	-10	+15	+18
10 Year Government Bond Spreads to Benchmark bps				
Ireland	44	+2	+9	+9
Belgium	60	+1	-5	-5
France	50	+1	-4	-3
Italy	157	+4	-12	-11
Spain	93	+2	-5	-4
Portugal	72	+2	-6	-4
Greece	108	+8	-8	+3

Commodities

	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	81.71	-1.40	+4.42	+6.06
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2037.2	+0.05	-0.18	-1.23

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