

Euro on the defensive so far in 2024

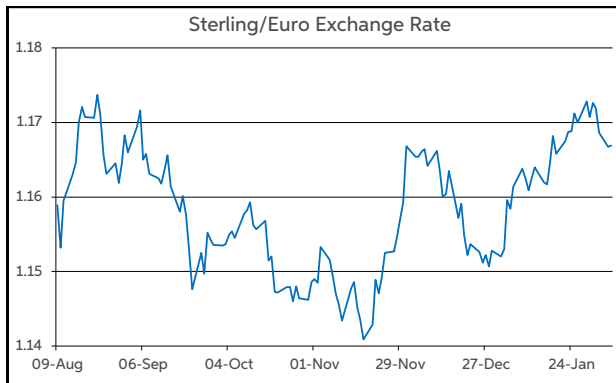
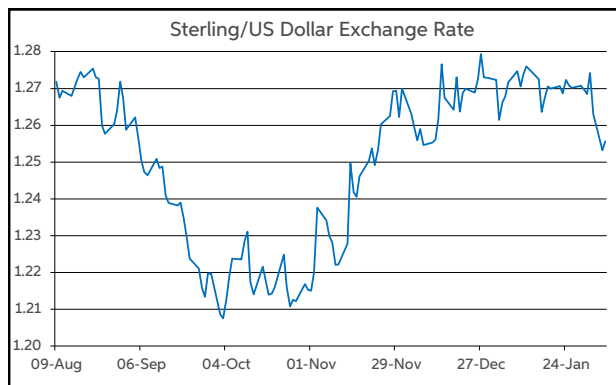
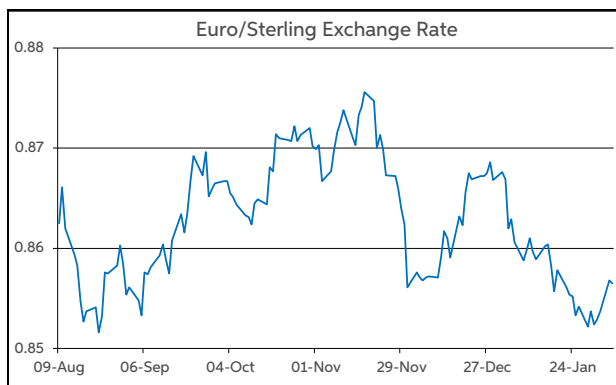
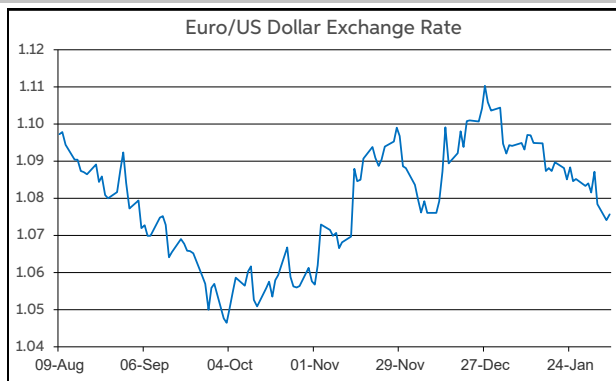
Looking back on the currency market action over the first few weeks of 2024, the euro has generally been on the defensive against the dollar and sterling. Eurozone economic data has remained relatively soft, which has created an unhelpful backdrop for the euro. At the same time, US data has remained an outperformer versus expectations, including last Friday's much stronger than forecast payroll data. The US macro newsflow has been a source of on-going support to the dollar. Meanwhile, from a sterling viewpoint, the market is anticipating a less aggressive pace of rate hikes from the BoE compared to the ECB.

All of the above is reflected in EUR/USD trading below the \$1.08 threshold compared to where it started the year above \$1.10. EUR/GBP has been unable to hold its January opening position above 86p and instead is trading within 85-86p. Elsewhere, GBP/USD has over recent days fallen below the \$1.26 level, as the strong US data put downward pressure on the pair.

Monetary policy has been a key driver of FX markets over the past 3 years. The focus now is on the timing and extent of rate cuts from the main central banks. The ECB, Fed and BoE all emphasised in their recent meetings the important role that incoming macro data will play in informing their decision about when to cut rates.

In this context, the remainder of this week's macro diary might not provide much new insight with a sparse data schedule. Eurozone retail sales (Dec), German industrial production (Dec) and US weekly jobless claims are the few releases of any note. Therefore, the FX majors may not encounter much directional impact from macro data over the coming days. However, remarks from a number of central bank officials may influence markets.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0757	-0.21	-2.53
EUR/GBP	0.8565	0.21	-1.19
GBP/USD	1.2556	-0.41	-1.36
GBP/EUR	1.167	-0.21	1.20
USD/JPY	148.44	0.08	5.23
EUR/JPY	159.7	-0.14	2.62

* 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	5.15	4.59	4.12
EUR	4.50	3.86	3.90	3.59	3.03	2.67
GBP	5.25	5.18	5.19	4.95	4.68	4.16

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

Tuesday 06 February 2024
07:24 am



Euro

EUR/GBP	0.8565
EUR/USD	1.0756
EUR/JPY	159.7
EUR/SEK	11.368
EUR/DKK	7.4586
EUR/NOK	11.4576
EUR/CHF	0.9353
EUR/AUD	1.6511
EUR/HKD	8.4153
EUR/CAD	1.4532

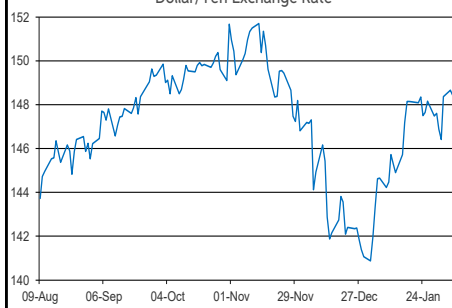
Sterling

GBP/EUR	1.167
GBP/USD	1.2557
GBP/CAD	1.6962
GBP/NZD	2.0671
GBP/JPY	186.4
GBP/SEK	13.2669
GBP/DKK	8.704
GBP/NOK	13.368
GBP/CHF	1.0915
GBP/AUD	1.9275

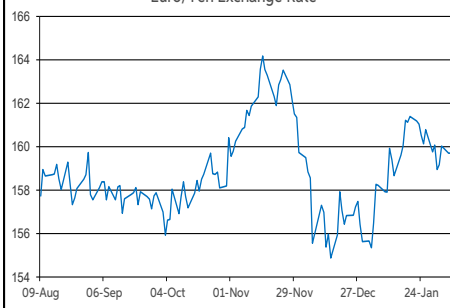
Dollar

USD/JPY	148.44
USD/CAD	1.3508
USD/CHF	0.8692
USD/CNY	7.1892
USD/BRL	4.9854
USD/RUB	90.455
USD/INR	83.045
AUD/USD	0.6513
NZD/USD	0.6072

Dollar/Yen Exchange Rate

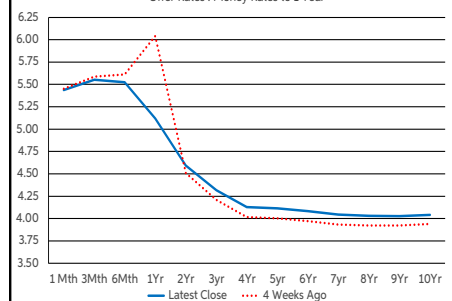


Euro/Yen Exchange Rate



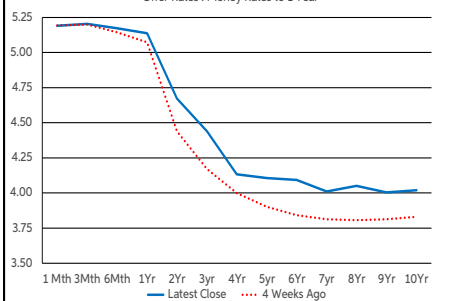
US Swap Curve

Offer Rates : Money Rates to 1 Year



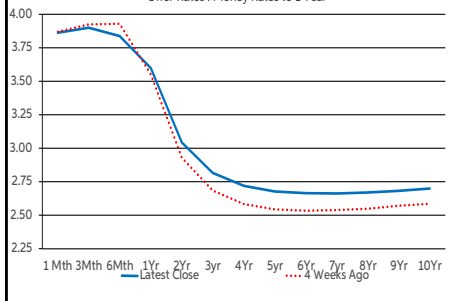
UK Swap Curve

Offer Rates : Money Rates to 1 Year

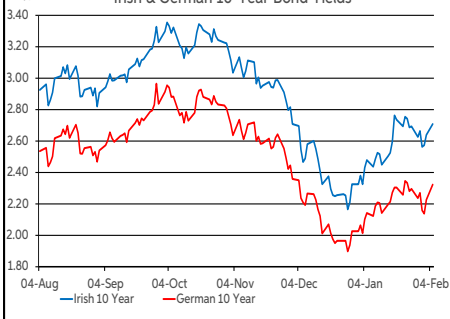


Eurozone Swap Curve

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	4.16	+14	+14	+30
Germany	2.32	+9	+20	+30
UK	3.92	+17	+15	+38
Ireland	2.76	+7	+31	+38
Belgium	2.92	+8	+15	+24
France	2.82	+8	+16	+26
Italy	3.89	+7	+8	+19
Spain	3.24	+7	+12	+25
Portugal	3.03	+8	+14	+24
Greece	3.39	+11	+6	+31
5 Year Swap %				
US	4.11	+12	+15	+32
Eurozone	2.68	+7	+14	+25
UK	4.11	+11	+21	+46
2 Year Swap %				
US	4.59	+11	+12	+26
Eurozone	3.04	+6	+13	+25
UK	4.67	+10	+24	+41
10 Year Government Bond Spreads to Benchmark bps				
Ireland	44	-2	+11	+8
Belgium	60	-1	-5	-5
France	50	-2	-4	-3
Italy	157	-2	-13	-11
Spain	91	-3	-8	-5
Portugal	70	-2	-6	-5
Greece	106	+1	-14	+2

Commodities

	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	77.99	+0.85	+2.46	+1.23
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2024.7	-0.68	-0.16	-1.84

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