

US CPI shoots arrow through May rate cut expectations

Yesterday, US CPI inflation data printed above the consensus, sparking a marked reaction on markets. The headline rate slowed to 3.1% (vs. 2.9% f'cast) in January, from 3.4%. Meanwhile, core inflation remained unchanged at 3.9% (vs. 3.7% f'cast). At the same time, the core-services ex-shelter rate, a key measure of underlying inflation followed closely by the Fed, rose to 4.3%, from 3.7%.

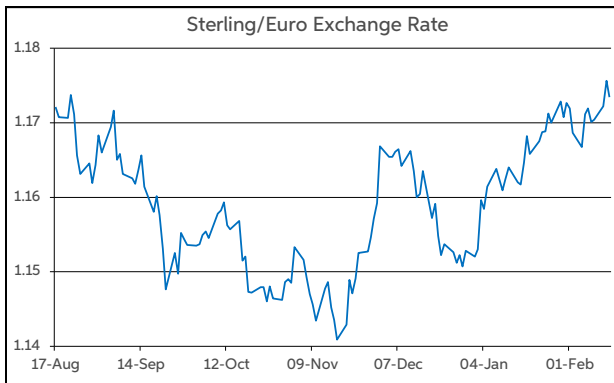
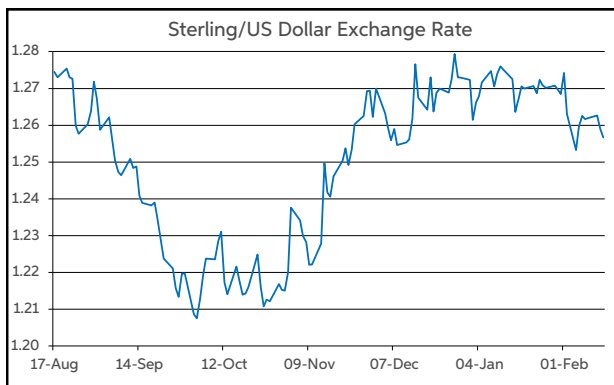
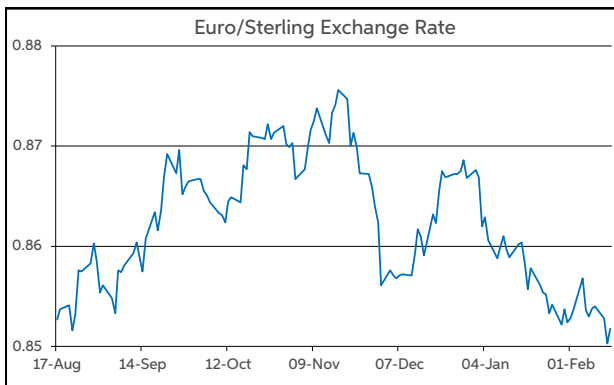
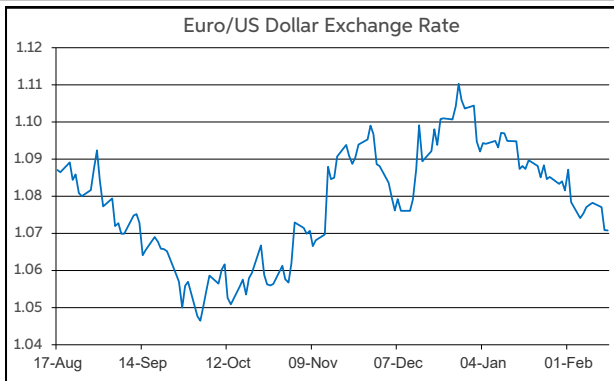
Following the release, US futures contracts hardened markedly. Markets have pushed expectations of a first US rate cut out to June from May. Furthermore, a total of 95bps worth of rate cuts are now fully priced by year end, compared to 110bps beforehand. The firming in US rates spilled over to the UK and Eurozone also. Markets are now pricing in around 70bps of rate cuts in the UK, and circa 110bps of rate cuts in the Eurozone by year end.

Against this backdrop, equity markets moved lower on both sides of the Atlantic. The Euro Stoxx 50 fell by 1.2%, while the S&P 500 shed 1.4%. On bond markets, US Treasury yields rose by 9-18bps along the curve, led higher by the front-end. UK Gilt and German Bund yields climbed 4-10bps higher as well.

Currency-wise, the dollar was in the ascendancy. Elsewhere, the euro and yen were on the defensive. Indeed, EUR/USD and EUR/GBP registered fresh YTD lows of \$1.07 and 85p. As trading gets underway this morning, the euro remains very close to these levels. Meantime, USD/JPY is near the midpoint of ¥150-151.

Already this morning, UK CPI headline inflation for January has printed at 4%. The core rate remained at 5.1%. Both measures were marginally below the consensus. The market reaction has been muted. The second reading of Eurozone Q4 GDP is due later today.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0709	-0.52	-2.96
EUR/GBP	0.8518	-0.18	-1.73
GBP/USD	1.2569	-0.35	-1.26
GBP/EUR	1.1736	0.18	1.76
USD/JPY	150.41	0.58	6.63
EUR/JPY	161.09	0.05	3.51

* 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	5.43	5.57	5.27	4.77	4.31
EUR	4.50	3.88	3.91	3.64	3.15	2.78
GBP	5.25	5.18	5.19	5.06	4.86	4.34

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

Wednesday 14 February 2024
07:28 am



Euro

EUR/GBP	0.8518
EUR/USD	1.0709
EUR/JPY	161.09
EUR/SEK	11.3106
EUR/DKK	7.4555
EUR/NOK	11.4002
EUR/CHF	0.9492
EUR/AUD	1.6541
EUR/HKD	8.3723
EUR/CAD	1.4517

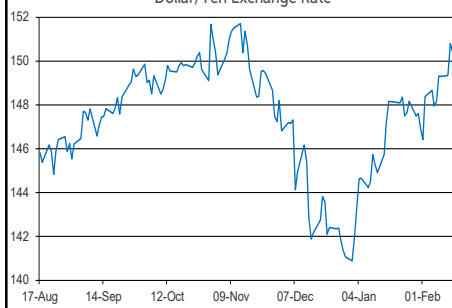
Sterling

GBP/EUR	1.1736
GBP/USD	1.2569
GBP/CAD	1.7039
GBP/NZD	2.0672
GBP/JPY	189.05
GBP/SEK	13.273
GBP/DKK	8.7488
GBP/NOK	13.379
GBP/CHF	1.1139
GBP/AUD	1.9414

Dollar

USD/JPY	150.41
USD/CAD	1.3555
USD/CHF	0.8862
USD/CNY	7.1929
USD/BRL	4.9536
USD/RUB	91.335
USD/INR	83.0704
AUD/USD	0.6473
NZD/USD	0.6079

Dollar/Yen Exchange Rate

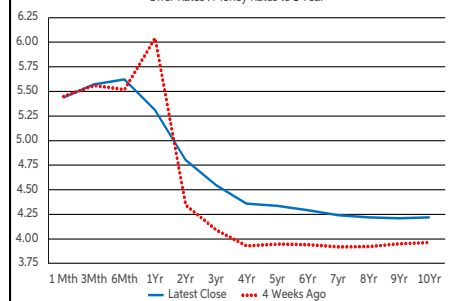


Euro/Yen Exchange Rate



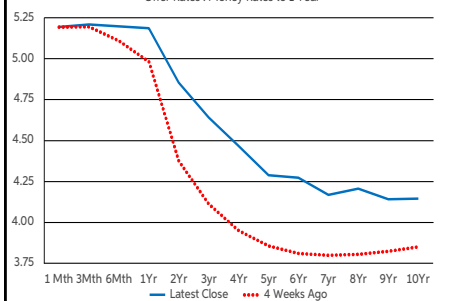
US Swap Curve

Offer Rates : Money Rates to 1 Year



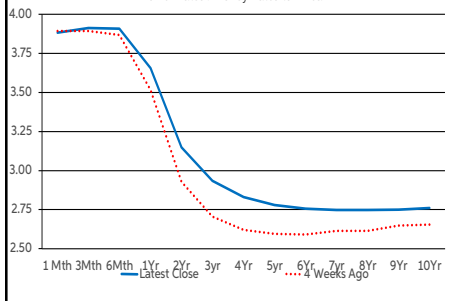
UK Swap Curve

Offer Rates : Money Rates to 1 Year

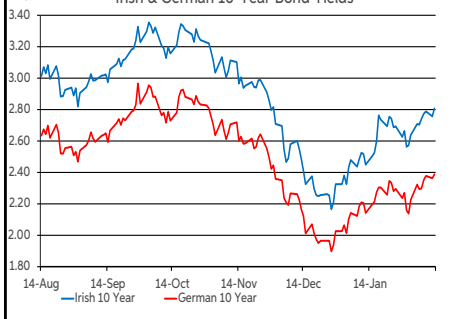


Eurozone Swap Curve

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	4.33	+15	+27	+46
Germany	2.39	+3	+18	+36
UK	4.15	+10	+35	+62
Ireland	2.85	+3	+28	+46
Belgium	2.99	+2	+14	+31
France	2.89	+3	+14	+33
Italy	3.94	+3	+11	+24
Spain	3.34	+2	+17	+35
Portugal	3.10	+2	+15	+31
Greece	3.42	+1	+13	+35
5 Year Swap %				
US	4.33	+21	+43	+54
Eurozone	2.78	+5	+20	+35
UK	4.29	+7	+43	+63
2 Year Swap %				
US	4.80	+20	+50	+46
Eurozone	3.15	+6	+23	+36
UK	4.85	+16	+48	+59
10 Year Government Bond Spreads to Benchmark bps				
Ireland	46	+1	+10	+10
Belgium	60	-0	-4	-5
France	50	+0	-4	-3
Italy	155	+1	-6	-12
Spain	95	-1	-1	-2
Portugal	71	-1	-3	-5
Greece	103	-1	-5	-2

Commodities

	Close	% Change		
		Day	4 Weeks	End 23
Brent Oil	82.77	+0.94	+5.72	+7.44
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	1992.1	-1.37	-1.75	-3.42

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