

Markets now expecting less rate cuts this year

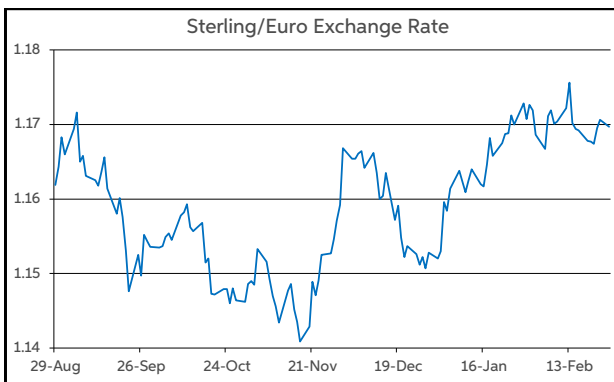
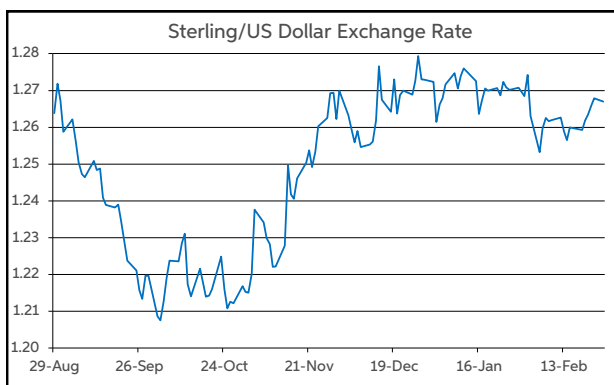
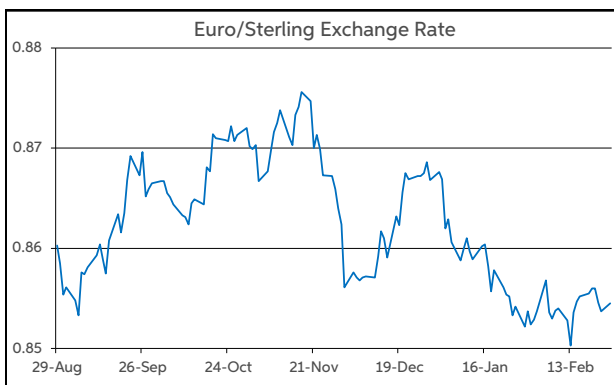
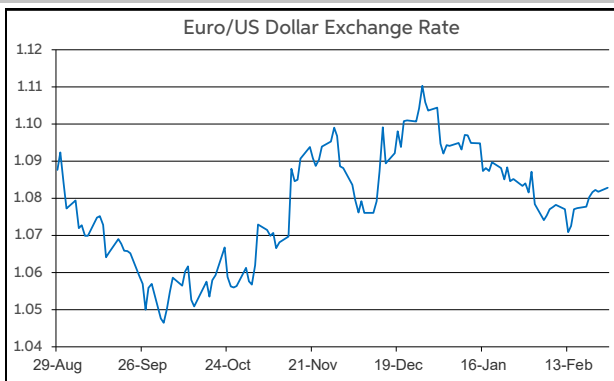
Investor sentiment was holding a positive tone for much of last week. Risk appetite was boosted by corporate earnings newsflow. This saw some of the main US equity indices (incl. S&P 500) register new record closing highs. The Japanese Nikkei 225 index also posted a new high, finally surpassing a level reached 34 years ago.

Meanwhile, there was some firming in market rate expectations. This was against the backdrop of better than expected macro news (PMIs) and some hawkish remarks from central bank officials, which suggest that they are in no rush to cut interest rates. As a result, futures contracts adjusted to a less aggressive pace of rate cuts. In terms of the ECB, while the market continues to expect a 25bps rate cut by June, it is now envisaging around 90bps of rate easing by end year, compared to over 100bps previously. The market is now anticipating the Fed to cut rates by a total of around 85bps during H2'23. For the BoE, the current expectation amongst market participants is for just circa 60bps of rate cuts this year.

From a currency perspective, the action last week remained largely range bound. However, both the euro and sterling did manage to eke out some modest gains versus the dollar. This is evident in EUR/USD starting this week above the \$1.08 threshold and GBP/USD in the upper half of \$1.26-1.27. Elsewhere, EUR/GBP continues to operate within the 85-86p band.

Last week served to highlight the ongoing sensitivity of rate expectations to incoming macro news. This is in the context of central banks no longer providing 'forward guidance' and instead emphasising a data dependent approach to any policy changes. With this in mind, the release this week of key inflation metrics from the Eurozone (Feb) and US (Jan) will warrant attention.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0828	0.06	-1.88
EUR/GBP	0.8545	-0.01	-1.42
GBP/USD	1.267	0.08	-0.46
GBP/EUR	1.1697	0.01	1.44
USD/JPY	150.39	-0.14	6.61
EUR/JPY	162.87	-0.08	4.65

* 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	5.59	5.32	4.82	4.29
EUR	4.50	3.85	3.93	3.68	3.20	2.75
GBP	5.25	5.18	5.19	4.97	4.80	4.27

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

Monday 26 February 2024
07:27 am



Euro

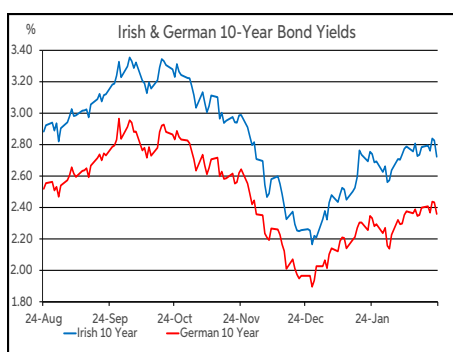
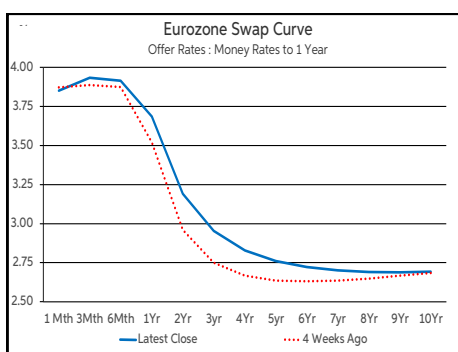
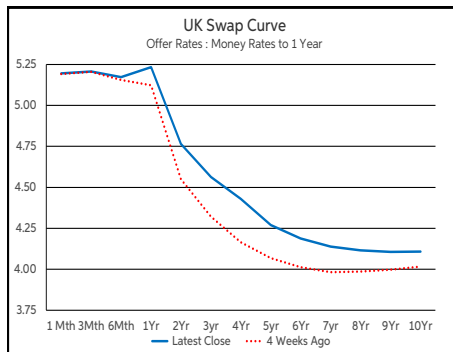
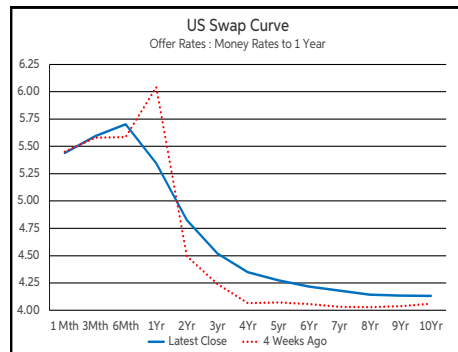
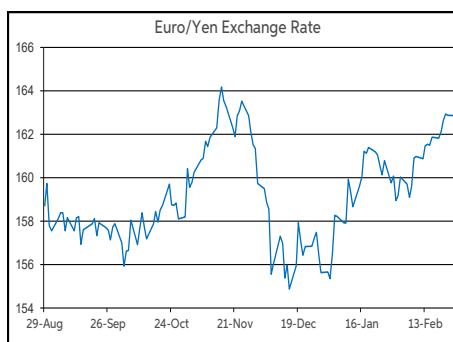
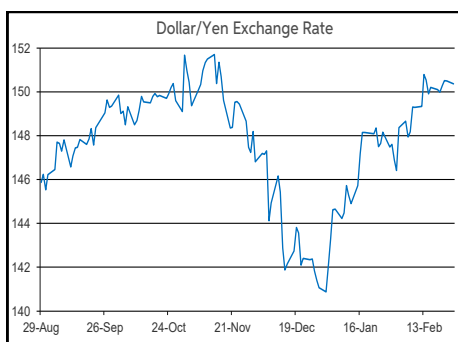
EUR/GBP	0.8545
EUR/USD	1.0828
EUR/JPY	162.87
EUR/SEK	11.163
EUR/DKK	7.4533
EUR/NOK	11.4082
EUR/CHF	0.9534
EUR/AUD	1.6521
EUR/HKD	8.4745
EUR/CAD	1.4629

Sterling

GBP/EUR	1.1697
GBP/USD	1.267
GBP/CAD	1.7117
GBP/NZD	2.0537
GBP/JPY	190.54
GBP/SEK	13.0643
GBP/DKK	8.7196
GBP/NOK	13.341
GBP/CHF	1.1158
GBP/AUD	1.9329

Dollar

USD/JPY	150.39
USD/CAD	1.3508
USD/CHF	0.8804
USD/CNY	7.1978
USD/BRL	4.9938
USD/RUB	92.7775
USD/INR	82.88
AUD/USD	0.6554
NZD/USD	0.6167



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	4.25	-8	+11	+38
Germany	2.36	-7	+6	+33
UK	4.04	-7	+7	+50
Ireland	2.78	-7	+5	+39
Belgium	2.91	-9	+2	+23
France	2.83	-8	+4	+27
Italy	3.81	-11	-2	+11
Spain	3.25	-9	+5	+26
Portugal	3.01	-8	+0	+23
Greece	3.35	-6	+0	+27
5 Year Swap %				
US	4.27	-6	+24	+48
Eurozone	2.76	-6	+14	+33
UK	4.27	-1	+21	+62
2 Year Swap %				
US	4.83	-0	+37	+49
Eurozone	3.19	-5	+24	+40
UK	4.77	-6	+22	+50
10 Year Government Bond Spreads to Benchmark bps				
Ireland	42	+0	-2	+6
Belgium	55	-1	-4	-10
France	46	-1	-2	-7
Italy	145	-3	-8	-23
Spain	89	-2	-2	-7
Portugal	65	-1	-6	-11
Greece	99	+1	-6	-6

Commodities

	Close	% Change		
		Day	4 Weeks	End 23
Brent Oil	81.62	-2.45	-2.31	+5.94
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2035.7	+0.57	+0.86	-1.30

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