

## Eurozone inflation data & US payrolls due Friday

Currency-wise, the dollar remained on the defensive over the festive period, as markets continued to price in an aggressive path of rate cuts in the US this year. This saw EUR/USD trade up to \$1.114, its highest level since last July. Meanwhile, GBP/USD rose to a peak of \$1.283.

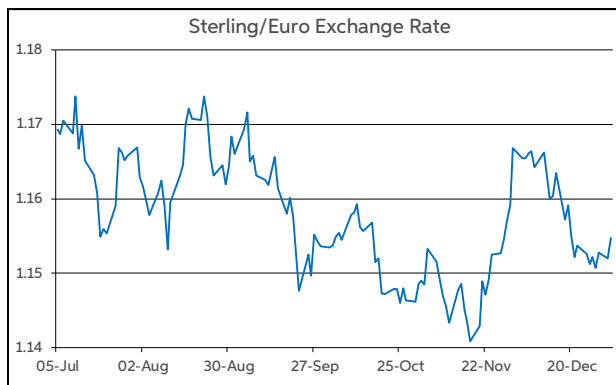
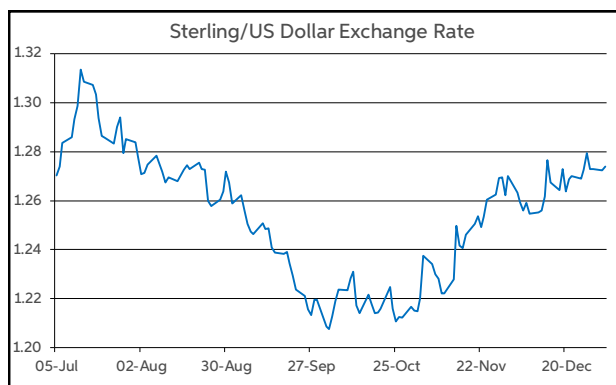
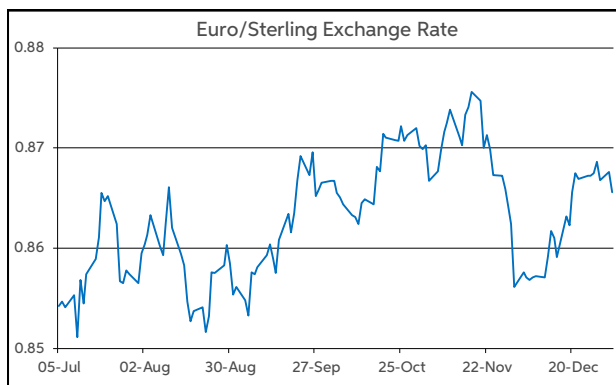
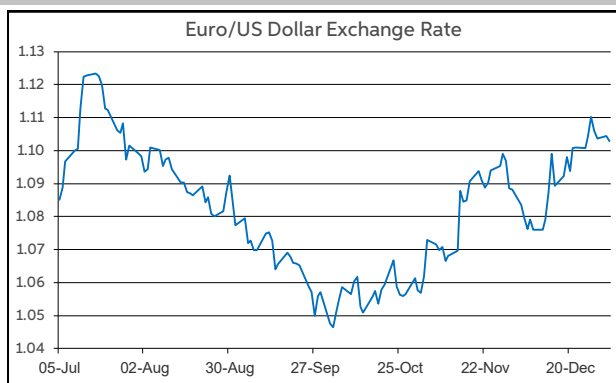
However, the greenback recouped some of its losses in the final trading day of 2023. This is reflected in EUR/USD opening today back in the lower half of \$1.10-1.11. GBP/USD is operating down between \$1.27-1.28. Elsewhere, EUR/GBP is in the 86-87p range.

Looking back over 2023 from a currency view point, one thing that stood out was the narrow ranges for the main FX pairs during the year. EUR/USD traded between \$1.045-1.127, while all the action in EUR/GBP was contained between 85-89.5p. A key reason for this was that the majority of the key central banks were in sync on policy. The ECB, Fed and BoE all hiked rates throughout H1, before putting policy on hold as H2 progressed. However, the BoJ, kept rates in negative territory, much to the detriment of the yen.

Markets think that the ECB, Fed and BoE will stay in sync in 2024, with substantial rate cuts priced in across the board. The BoJ is expected to remain an outlier though, with an exit from negative interest rates widely expected. If the BoJ does indeed hike rates, and cuts emerge elsewhere, the yen is likely to benefit.

Inflation data will be key in determining if, and by how much rates will be cut. As a result, the flash reading of Eurozone HICP for December will garner close attention this week. The headline rate is projected to rise to 3.0% from 2.4%. In the US, the labour market report for December is due. Payrolls are forecast to rise by 163k.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.1034	-0.02	-0.02
EUR/GBP	0.866	-0.09	-0.09
GBP/USD	1.274	0.73	0.09
GBP/EUR	1.1542	0.09	0.09
USD/JPY	141.42	-1.07	0.26
EUR/JPY	156.07	-0.33	0.28

\* 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	5.59	5.03	4.41	3.87
EUR	4.50	3.85	3.91	3.45	2.80	2.48
GBP	5.25	5.18	5.19	4.71	4.30	3.66

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 02 January 2024  
07:09 am



## Euro

EUR/GBP	0.8661
EUR/USD	1.1036
EUR/JPY	156.12
EUR/SEK	11.1368
EUR/DKK	7.454
EUR/NOK	11.2213
EUR/CHF	0.9318
EUR/AUD	1.6165
EUR/HKD	8.6237
EUR/CAD	1.4609

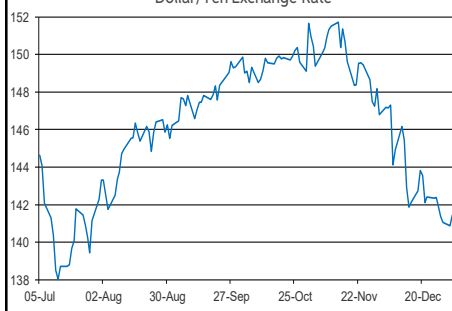
## Sterling

GBP/EUR	1.1538
GBP/USD	1.2738
GBP/CAD	1.6864
GBP/NZD	2.0182
GBP/JPY	180.15
GBP/SEK	12.8509
GBP/DKK	8.6023
GBP/NOK	12.957
GBP/CHF	1.0758
GBP/AUD	1.8657

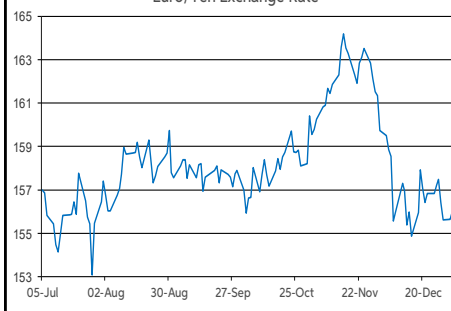
## Dollar

USD/JPY	141.43
USD/CAD	1.3237
USD/CHF	0.8443
USD/CNY	7.1288
USD/BRL	4.8526
USD/RUB	89.532
USD/INR	83.328
AUD/USD	0.6827
NZD/USD	0.6309

Dollar/Yen Exchange Rate

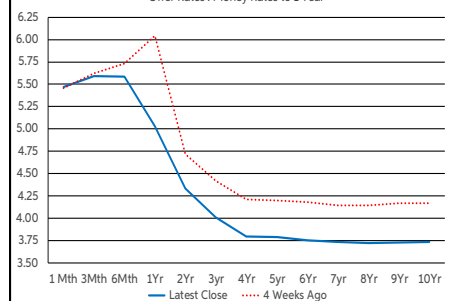


Euro/Yen Exchange Rate



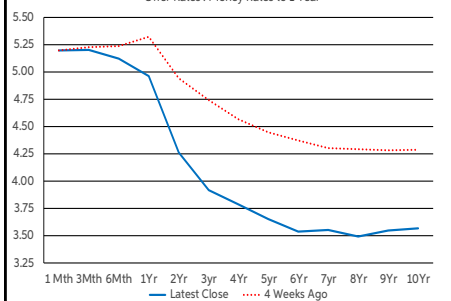
US Swap Curve

Offer Rates : Money Rates to 1 Year



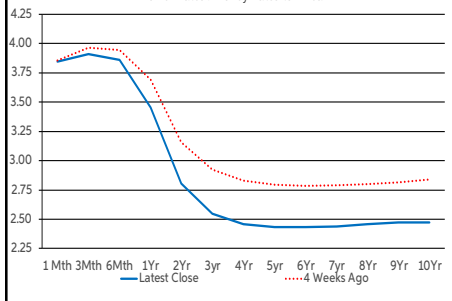
UK Swap Curve

Offer Rates : Money Rates to 1 Year

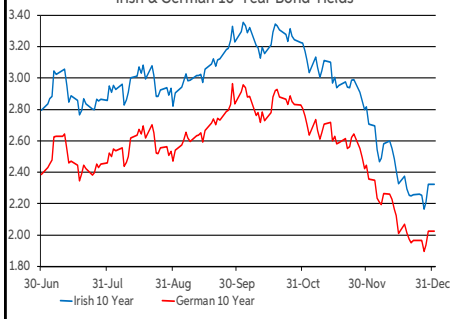


Eurozone Swap Curve

Offer Rates : Money Rates to 1 Year



Irish & German 10-Year Bond Yields



## Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 23
<b>10 Year Yield %</b>				
US	3.87	+2	-39	+0
Germany	2.03	+9	-32	+0
UK	3.54	+4	-66	+0
Ireland	2.38	+17	-33	+0
Belgium	2.68	+8	-31	+0
France	2.56	+8	-37	+0
Italy	3.70	+10	-42	+0
Spain	2.99	+9	-37	+0
Portugal	2.79	+10	-25	+0
Greece	3.08	+3	-46	+0
<b>5 Year Swap %</b>				
US	3.79	+0	-37	+0
Eurozone	2.43	+1	-35	+1
UK	3.65	+0	-79	+0
<b>2 Year Swap %</b>				
US	4.33	+0	-34	+0
Eurozone	2.81	+1	-34	+1
UK	4.26	-0	-68	-0
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	36	+9	-1	+0
Belgium	65	-0	+1	+0
France	53	-0	-4	+0
Italy	167	+1	-10	+0
Spain	96	+0	-5	+0
Portugal	76	+1	+8	+0
Greece	105	-5	-14	+0

## Commodities

	Close	% Change		
		Day	4 Weeks	End 23
Brent Oil	77.04	-1.72	-1.27	+0.00
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2062.6	-0.11	+1.62	+0.00

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