

Focus on US CPI this week

Risk appetite was relatively soft throughout the first week of 2024. Equity markets on both sides of the Atlantic moved lower, with the Euro Stoxx 50 and the S&P 500 declining by over 1%. Meantime, bond yields rose across the board. US Treasury and German Bund yields climbed by 11-20bps, while UK Gilt yields moved up by 21-28bps along the curve.

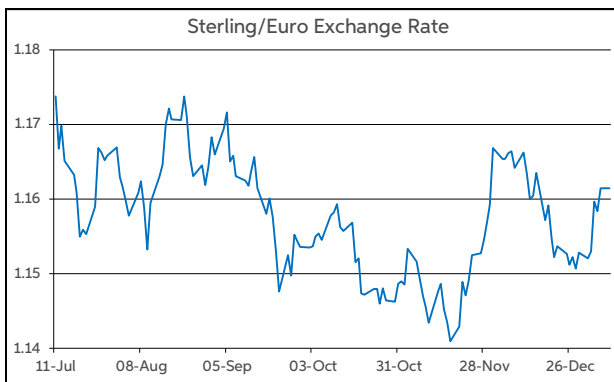
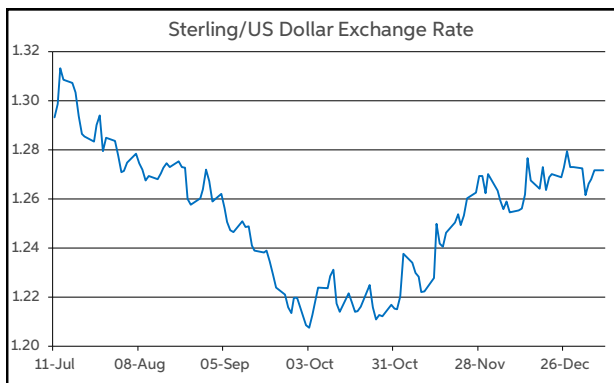
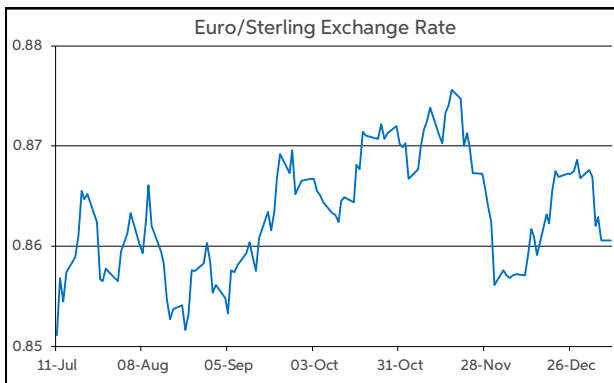
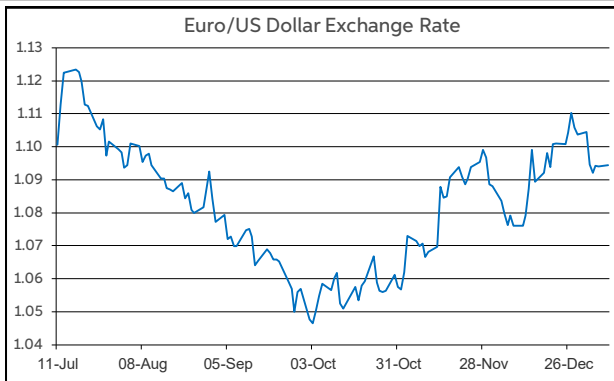
The rise in yields coincided with a hardening in futures contracts, on the back of some firm US labour market data and an increase in Eurozone inflation. US payrolls rose by more than anticipated, and average earnings growth accelerated to +4.1% y/y from +3.9%. At the same time, Eurozone HICP inflation rose to 2.9% in December. Market rate expectations for end 2024 firmed by circa 10-20bps, with a lower magnitude of rate cuts now priced in by year end.

On the currency front, the main FX pairs were quite range bound, bar the yen, which declined by 1-2% on the week. At the same time, the euro lost ground against the dollar and sterling. The greenback benefitted from a reversal of some weakness over the festive period and the risk averse backdrop. Sterling was supported by the larger rise in UK yields vis-à-vis elsewhere.

In level terms, EUR/USD opens at the midpoint of \$1.09-1.10. EUR/GBP is operating down near the 86p handle. Meantime, GBP/USD is in the lower half of \$1.27-1.28. EUR/JPY is between ¥157-158.

This week, the main release will be US CPI inflation for December. A marginal increase in headline CPI, and a slight decline in the core rate are expected. In the UK, the November reading of monthly GDP will feature. Today, the main Eurozone releases this week, retail sales, unemployment (both Nov) and Sentix (Jan) are due.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0948	0.12	-0.80
EUR/GBP	0.8607	-0.23	-0.70
GBP/USD	1.2715	0.32	-0.11
GBP/EUR	1.1613	0.23	0.71
USD/JPY	144.18	-0.36	2.21
EUR/JPY	157.84	-0.28	1.42

* 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	5.45	5.59	5.12	4.52	4.01
EUR	4.50	3.88	3.94	3.53	2.94	2.58
GBP	5.25	5.18	5.19	4.84	4.50	3.94

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 08 January 2024
07:03 am



Euro

EUR/GBP	0.8607
EUR/USD	1.0946
EUR/JPY	157.83
EUR/SEK	11.2378
EUR/DKK	7.4586
EUR/NOK	11.2956
EUR/CHF	0.9312
EUR/AUD	1.6316
EUR/HKD	8.548
EUR/CAD	1.4628

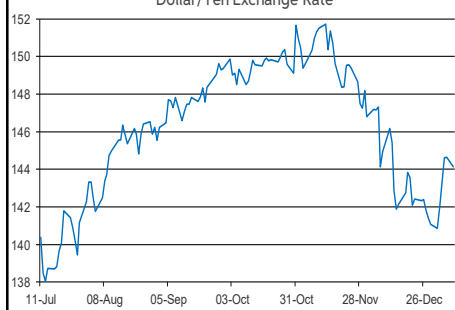
Sterling

GBP/EUR	1.1612
GBP/USD	1.2715
GBP/CAD	1.6992
GBP/NZD	2.0357
GBP/JPY	183.32
GBP/SEK	13.0552
GBP/DKK	8.6619
GBP/NOK	13.1142
GBP/CHF	1.0817
GBP/AUD	1.8952

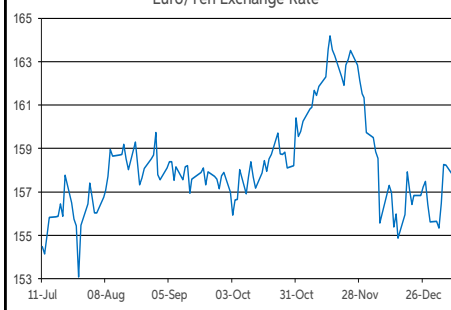
Dollar

USD/JPY	144.18
USD/CAD	1.3362
USD/CHF	0.8506
USD/CNY	7.1584
USD/BRL	4.8743
USD/RUB	91.03
USD/INR	83.065
AUD/USD	0.6708
NZD/USD	0.6244

Dollar/Yen Exchange Rate

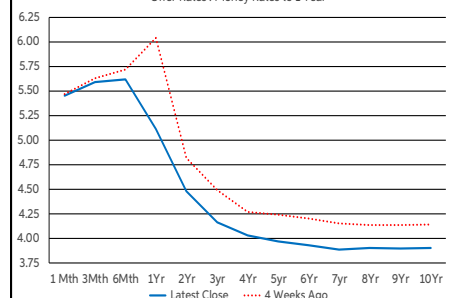


Euro/Yen Exchange Rate



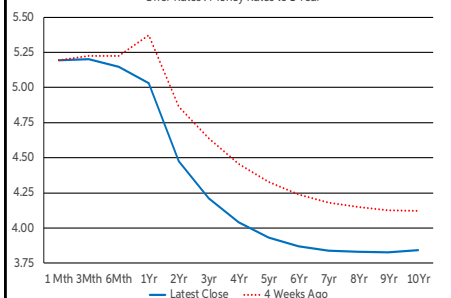
US Swap Curve

Offer Rates : Money Rates to 1 Year



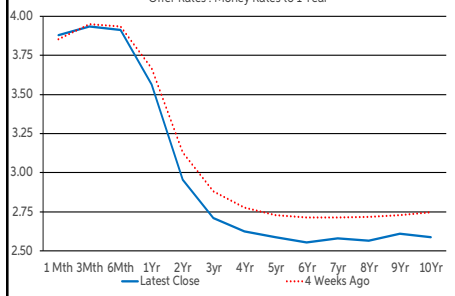
UK Swap Curve

Offer Rates : Money Rates to 1 Year

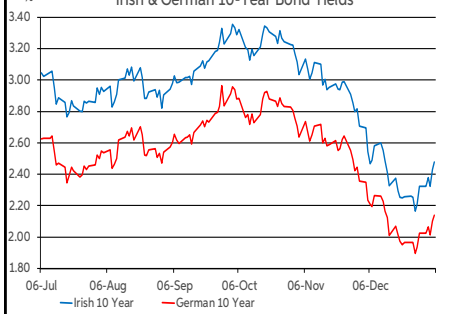


Eurozone Swap Curve

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	4.05	+5	-18	+19
Germany	2.14	+4	-13	+12
UK	3.79	+6	-26	+25
Ireland	2.50	+4	-11	+12
Belgium	2.79	+3	-8	+11
France	2.68	+3	-15	+12
Italy	3.83	+3	-24	+13
Spain	3.13	+3	-17	+14
Portugal	2.92	+4	-14	+13
Greece	3.35	+8	-10	+28
5 Year Swap %				
US	3.97	+4	-24	+18
Eurozone	2.59	+7	-13	+16
UK	3.93	+10	-39	+28
2 Year Swap %				
US	4.48	-1	-30	+15
Eurozone	2.95	+6	-16	+16
UK	4.47	+7	-38	+21
10 Year Government Bond Spreads to Benchmark bps				
Ireland	36	+1	+1	+0
Belgium	65	-1	+5	-0
France	54	-1	-2	+1
Italy	169	-1	-11	+2
Spain	99	-1	-4	+3
Portugal	77	+0	-1	+1
Greece	121	+4	+3	+16

Commodities

	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	78.76	+1.51	+3.85	+2.23
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2045.5	+0.11	+2.10	-0.83

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