

UK CPI and earnings growth in focus this week

Despite the release of slightly stronger than anticipated US CPI inflation data last week, there was a marked softening in US market rate expectations, of around 30bps. The softening in rates was compounded on Friday, by weaker than expected US producer price inflation. Futures contracts pricing now suggests that the Fed will cut rates by circa 165bps this year, starting in March. Meantime, UK and Eurozone futures contracts softened by 5bps last week.

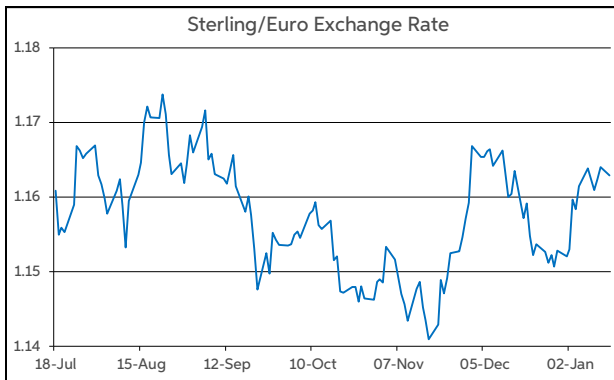
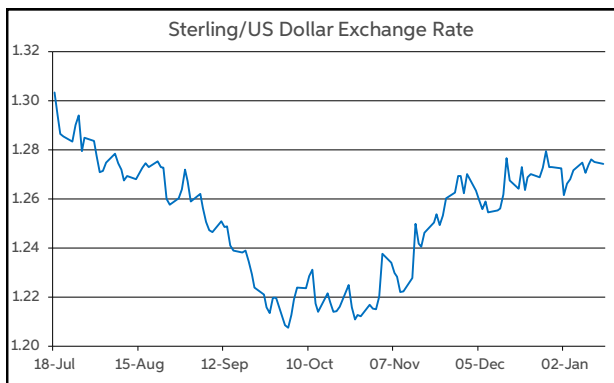
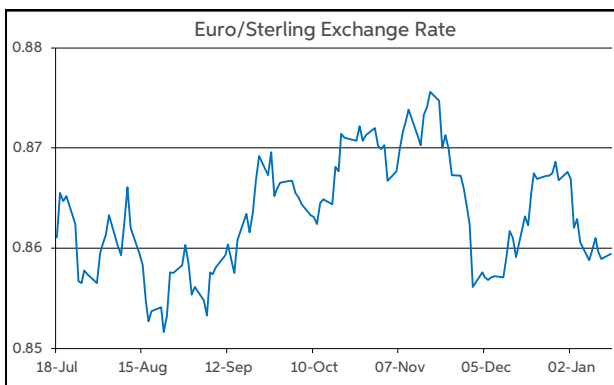
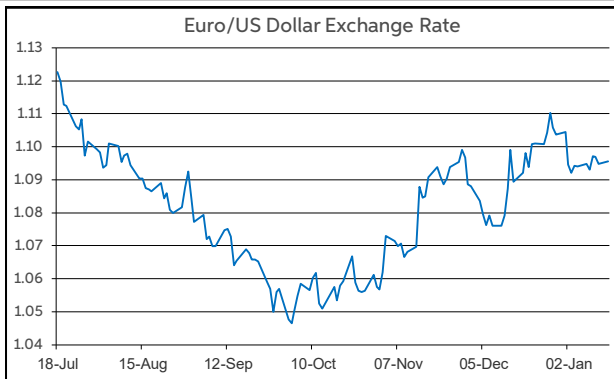
Amid the softening in market rate expectations, short-dated bond yields moved lower across the board. 2-year UK Gilt and German Bund yields declined by 5bps, with the 2-year US Treasury yield falling by over 20bps. Meantime, equity markets moved higher on both sides of the Atlantic. The S&P 500 gained 1.8% on the week, while the Euro Stoxx 50 rose by 0.4%. Elsewhere, oil prices rose by 1.0%, amid ongoing tensions in the Middle East. Brent crude is above \$78 per barrel.

Currency-wise, the main FX pairs were confined to tight trading ranges. Overall, the dollar was marginally weaker. At the same time, sterling was modestly firmer. In the second half of the week, the yen recovered somewhat, having initially been under pressure.

In level terms, EUR/USD opens today close to the halfway mark of \$1.09-1.10. EUR/GBP is operating just below 86p. Meanwhile, GBP/USD is changing hands near the midpoint of \$1.27-1.28.

This week, the main focus of a busy UK macro calendar will be average earnings growth (Nov) and CPI inflation (Dec). Both metrics are projected to ease further. In the US, retail sales and industrial production data (both Dec) are due. The highlight of a sparse Eurozone schedule will be the December ECB meeting minutes.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0954	-0.18	-0.74
EUR/GBP	0.8595	0.02	-0.84
GBP/USD	1.2743	-0.23	0.11
GBP/EUR	1.1629	-0.02	0.85
USD/JPY	145.43	0.13	3.10
EUR/JPY	159.32	-0.05	2.37

* 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	5.58	4.93	4.29	3.84
EUR	4.50	3.89	3.93	3.50	2.90	2.57
GBP	5.25	5.19	5.19	4.75	4.38	3.86

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 15 January 2024
07:50 am



Euro

EUR/GBP	0.8595
EUR/USD	1.0954
EUR/JPY	159.32
EUR/SEK	11.266
EUR/DKK	7.4576
EUR/NOK	11.2992
EUR/CHF	0.9354
EUR/AUD	1.642
EUR/HKD	8.5653
EUR/CAD	1.4688

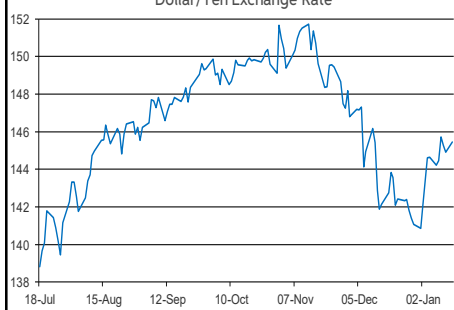
Sterling

GBP/EUR	1.1629
GBP/USD	1.2743
GBP/CAD	1.7086
GBP/NZD	2.0519
GBP/JPY	185.32
GBP/SEK	13.1083
GBP/DKK	8.6729
GBP/NOK	13.141
GBP/CHF	1.0881
GBP/AUD	1.9105

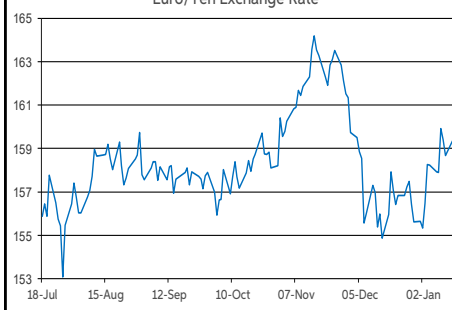
Dollar

USD/JPY	145.43
USD/CAD	1.3407
USD/CHF	0.8538
USD/CNY	7.1735
USD/BRL	4.856
USD/RUB	87.82
USD/INR	82.853
AUD/USD	0.6669
NZD/USD	0.6208

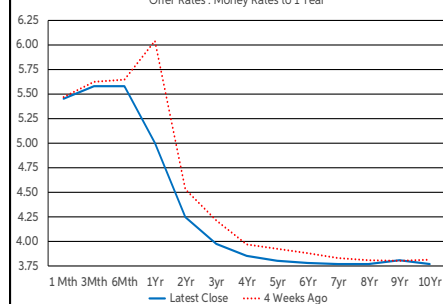
Dollar/Yen Exchange Rate



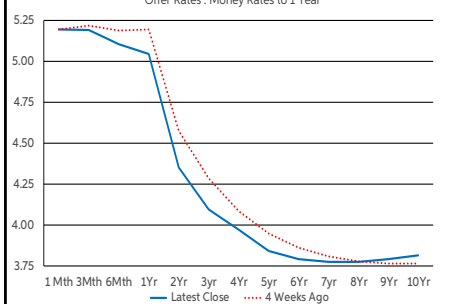
Euro/Yen Exchange Rate



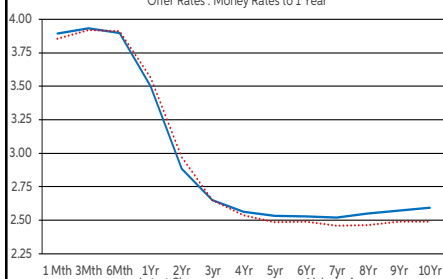
US Swap Curve
Offer Rates : Money Rates to 1 Year



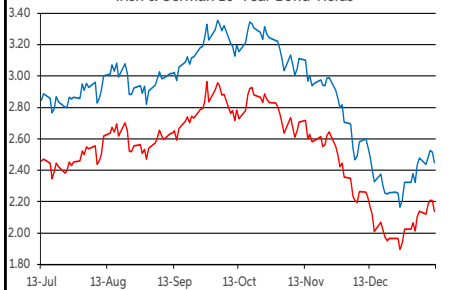
UK Swap Curve
Offer Rates : Money Rates to 1 Year



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	3.94	-4	+2	+7
Germany	2.14	-6	+13	+12
UK	3.80	-5	+11	+26
Ireland	2.47	-6	+13	+9
Belgium	2.78	-7	+11	+10
France	2.68	-6	+13	+12
Italy	3.73	-9	+1	+3
Spain	3.09	-7	+9	+10
Portugal	2.88	-8	+11	+9
Greece	3.25	-6	+5	+17
5 Year Swap %				
US	3.80	-5	-8	+1
Eurozone	2.53	-7	+6	+11
UK	3.84	-10	-10	+19
2 Year Swap %				
US	4.25	-8	-24	-9
Eurozone	2.88	-4	-8	+9
UK	4.35	-11	-22	+9
10 Year Government Bond Spreads to Benchmark bps				
Ireland	33	+0	-0	-3
Belgium	64	-0	-2	-2
France	54	-0	-0	+1
Italy	159	-2	-13	-8
Spain	95	-1	-4	-1
Portugal	73	-1	-2	-3
Greece	110	+1	-8	+5

Commodities

	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	78.29	+1.14	+2.27	+1.62
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2048.7	+1.02	+1.51	-0.67

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