

Market looks to Fed meeting for rate cut timeline

There was somewhat of a mixed tone to investor sentiment yesterday. In Europe, the Euro Stoxx 50 gained 0.5%. However, after outperforming the previous day, the S&P 500 was flat at the close on Wall Street last night. On bond markets, yields edged higher, reversing some of their falls from Monday.

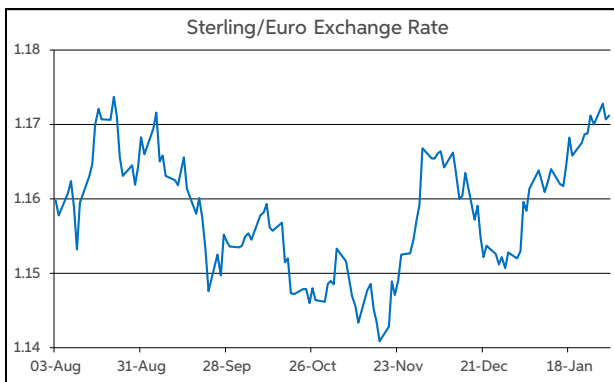
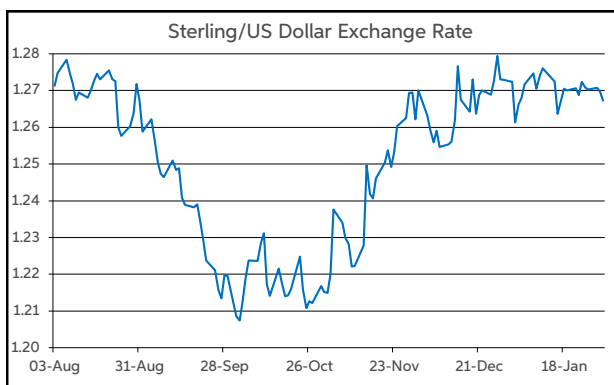
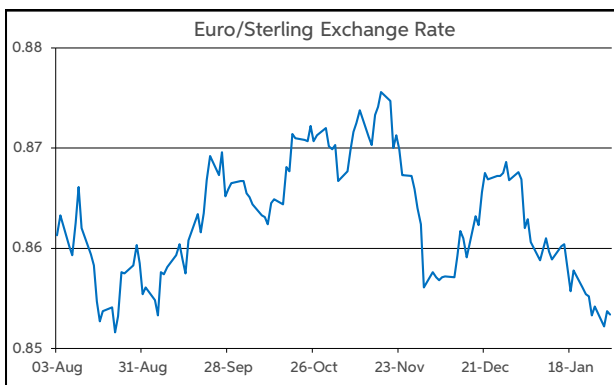
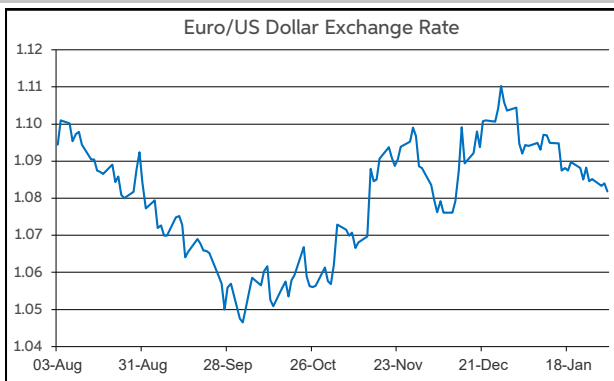
Data-wise, the main highlights of yesterday's calendar were the raft of Q4 GDP readings from the Eurozone, with Spanish, Italian, French, German and the currency bloc aggregate all being released. Overall, the GDP numbers showed that the Eurozone economy was stagnant in Q4 amid a contraction in Germany, stagnation in France and modest growth in Spain and Italy.

Meanwhile, the timelier EC sentiment indices for January indicate that the Eurozone economy started the year lacking in momentum. Elsewhere on the data front, US consumer confidence for January improved broadly in line with expectations.

On the currency front, there was no noticeable reaction to the macro updates. The main pairs remained confined to narrow ranges. As trading gets underway this morning, EUR/USD continues to trade in the lower half of \$1.08-1.09. Meantime, EUR/GBP is changing hands just below the midpoint of 85-86p.

Attention today will be centred on the conclusion (after European close) of the US Fed policy setting meeting for January. The consensus is for no change to rates. Therefore, the focus will be on the meeting statement and Fed Chair Powell's press conference for signals around when to expect a first rate cut. At the moment, futures contracts suggest the market is envisaging this to occur in May and rates are seen being around 130bps lower by year end.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0818	-0.03	-1.98
EUR/GBP	0.8534	0.21	-1.55
GBP/USD	1.2674	-0.24	-0.43
GBP/EUR	1.1711	-0.21	1.57
USD/JPY	147.76	0.26	4.75
EUR/JPY	159.9	0.24	2.74

* 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	5.57	5.07	4.47	4.00
EUR	4.50	3.85	3.91	3.48	2.92	2.58
GBP	5.25	5.18	5.19	4.86	4.55	4.02

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 31 January 2024
07:16 am



Euro

EUR/GBP	0.8534
EUR/USD	1.0818
EUR/JPY	159.9
EUR/SEK	11.2727
EUR/DKK	7.4536
EUR/NOK	11.3231
EUR/CHF	0.9344
EUR/AUD	1.6489
EUR/HKD	8.4586
EUR/CAD	1.4518

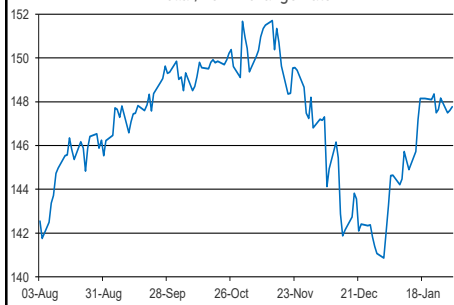
Sterling

GBP/EUR	1.1711
GBP/USD	1.2674
GBP/CAD	1.7008
GBP/NZD	2.0731
GBP/JPY	187.27
GBP/SEK	13.2095
GBP/DKK	8.7305
GBP/NOK	13.2711
GBP/CHF	1.0947
GBP/AUD	1.9316

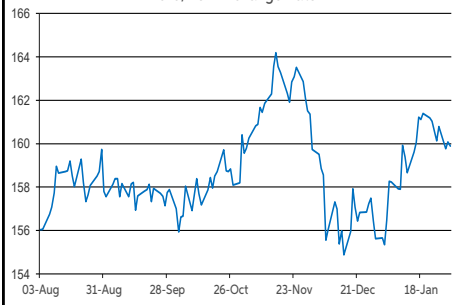
Dollar

USD/JPY	147.76
USD/CAD	1.3419
USD/CHF	0.8634
USD/CNY	7.1821
USD/BRL	4.9496
USD/RUB	89.7425
USD/INR	83.04
AUD/USD	0.6559
NZD/USD	0.6111

Dollar/Yen Exchange Rate

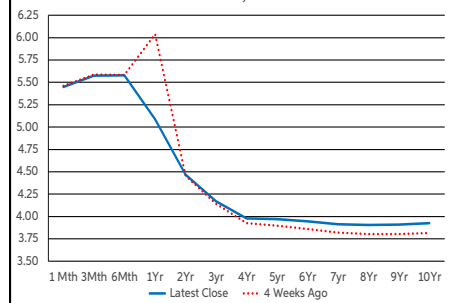


Euro/Yen Exchange Rate



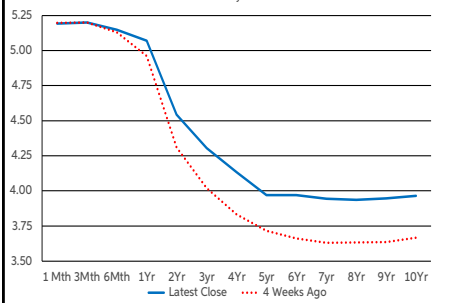
US Swap Curve

Offer Rates : Money Rates to 1 Year



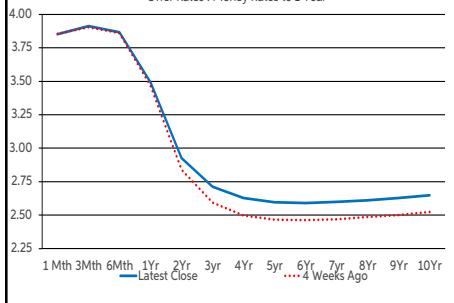
UK Swap Curve

Offer Rates : Money Rates to 1 Year

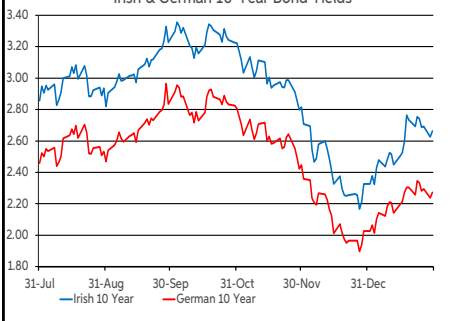


Eurozone Swap Curve

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	4.04	-4	+10	+17
Germany	2.27	+3	+21	+25
UK	3.90	+2	+26	+36
Ireland	2.70	+4	+30	+31
Belgium	2.86	+4	+15	+18
France	2.76	+4	+17	+20
Italy	3.80	+6	+8	+11
Spain	3.18	+5	+15	+19
Portugal	2.97	+3	+15	+18
Greece	3.27	+3	+15	+19
5 Year Swap %				
US	3.97	-2	+12	+18
Eurozone	2.60	+4	+14	+17
UK	3.97	-1	+31	+32
2 Year Swap %				
US	4.47	+3	+5	+13
Eurozone	2.93	+3	+10	+13
UK	4.54	+6	+24	+28
10 Year Government Bond Spreads to Benchmark bps				
Ireland	43	+0	+9	+7
Belgium	59	+1	-6	-6
France	49	+1	-4	-4
Italy	153	+3	-12	-14
Spain	91	+1	-6	-6
Portugal	69	-1	-5	-7
Greece	100	-1	-6	-5

Commodities

	Close	% Change		
		Day	4 Weeks	End 23
Brent Oil	82.87	+0.57	+9.20	+7.57
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2036.1	+0.21	-1.11	-1.28

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