

ECB & BoE expected to hike rates by 50bps

The subdued mood on markets persisted yesterday throughout the European session, ahead of the US Fed policy decision after the close. The Euro Stoxx 50 inched 0.2% higher. Meantime, the euro ground steadily higher, gaining circa 0.5% against the dollar and sterling. However, there was no obvious catalyst for the move.

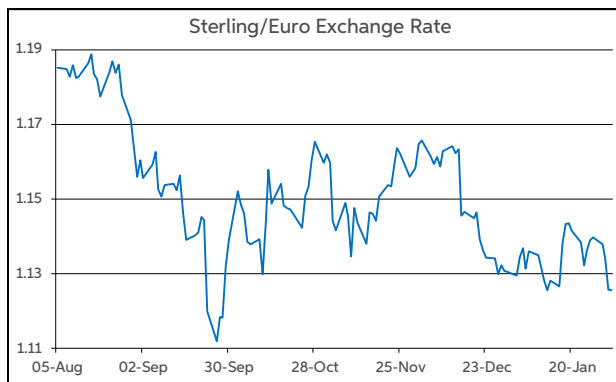
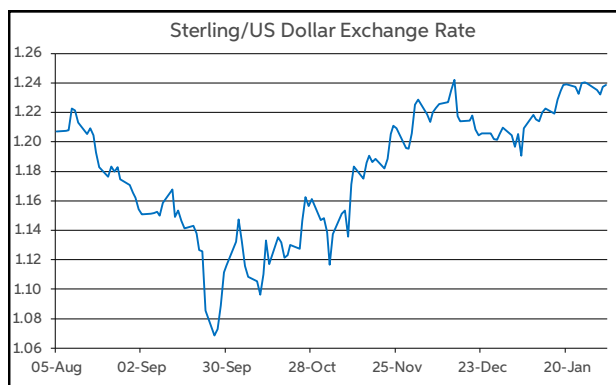
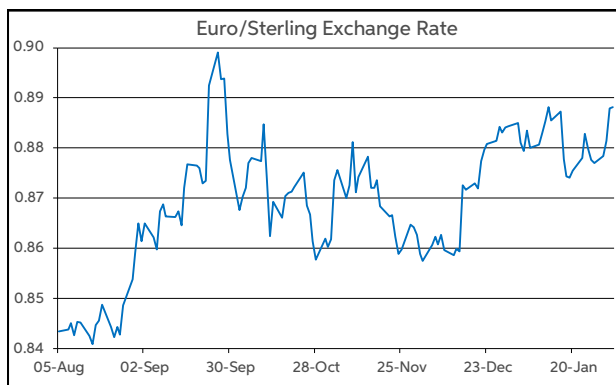
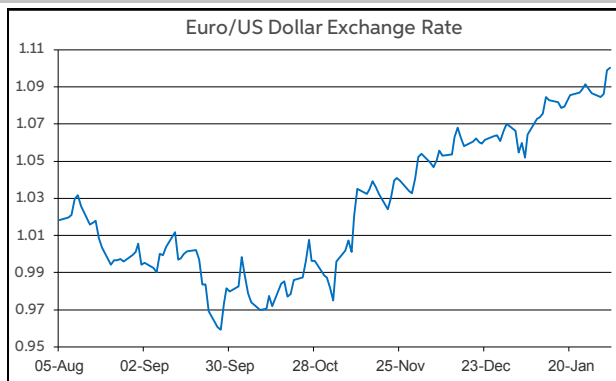
Data-wise, Eurozone headline HICP inflation declined by more than expected, to 8.5% in January, from 9.2% (9% f'cast). The ex-food & energy rate though, accelerated to 7% (vs. 6.9% f'cast), suggesting underlying price pressures are intensifying.

Overnight, the Fed hiked interest rates by 25bps, as anticipated. At the press conference, Chair Powell reiterated that "ongoing" rate hikes will be needed. However, market expectations were unmoved, with futures contracts continuing to price in just one more rate hike, and circa 50bps of rate cuts by year end. The S&P 500 moved higher during the press conference and finished the day up 1%, while the dollar recorded further losses, as Powell's comments were deemed less hawkish than his December remarks.

As trading gets underway this morning, EUR/USD opens up at the \$1.10 threshold, having started yesterday below \$1.09. EUR/GBP is operating in the upper half of 88-89p. Cable (GBP/USD) is changing hands above the midpoint of \$1.23-1.24.

Ahead today, both the ECB and the BoE are expected to raise interest rates by 50bps. ECB President Lagarde, and BoE Governor Bailey can expect to face questions on the future path of rate hikes at their respective press conferences. The latest BoE Monetary Policy Report will garner close attention also. The meetings pose event risk for the euro and sterling.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.1001	1.20	2.79
EUR/GBP	0.888	0.61	0.41
GBP/USD	1.2386	0.59	2.39
GBP/EUR	1.1255	-0.61	-0.41
USD/JPY	128.61	-1.28	-1.91
EUR/JPY	141.5	-0.10	0.86

* 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	4.375	4.57	4.81	4.97	4.36	3.54
EUR	2.50	2.18	2.51	3.37	3.27	2.88
GBP	3.50	3.88	4.12	4.52	4.24	3.84

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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Opening Levels

Thursday 02 February 2023
07:28 am



Euro

EUR/GBP	0.888
EUR/USD	1.1001
EUR/JPY	141.51
EUR/SEK	11.3435
EUR/DKK	7.4392
EUR/NOK	10.8769
EUR/CHF	0.9986
EUR/AUD	1.5402
EUR/HKD	8.6288
EUR/CAD	1.4612

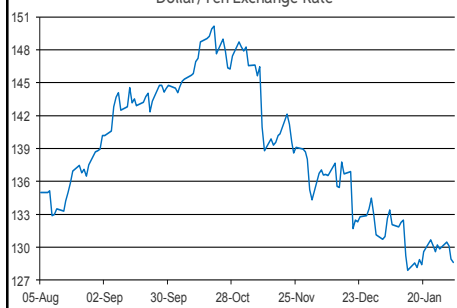
Sterling

GBP/EUR	1.1254
GBP/USD	1.2387
GBP/CAD	1.6452
GBP/NZD	1.8972
GBP/JPY	159.31
GBP/SEK	12.767
GBP/DKK	8.3739
GBP/NOK	12.2455
GBP/CHF	1.1242
GBP/AUD	1.7339

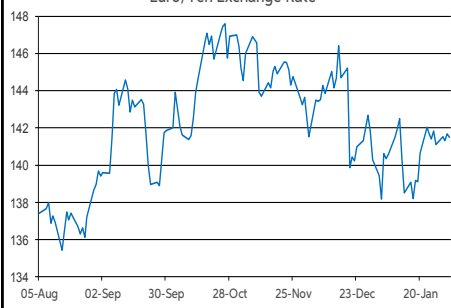
Dollar

USD/JPY	128.61
USD/CAD	1.328
USD/CHF	0.9076
USD/CNY	6.7175
USD/BRL	5.0547
USD/RUB	70
USD/INR	81.9
AUD/USD	0.7143
NZD/USD	0.6525

Dollar/Yen Exchange Rate

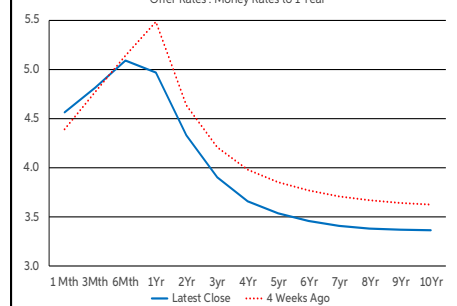


Euro/Yen Exchange Rate



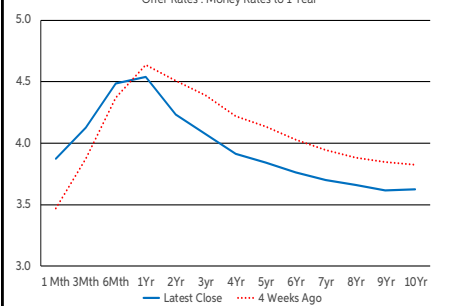
US Swap Curve

Offer Rates : Money Rates to 1 Year



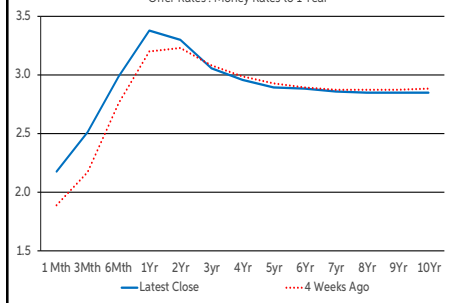
UK Swap Curve

Offer Rates : Money Rates to 1 Year

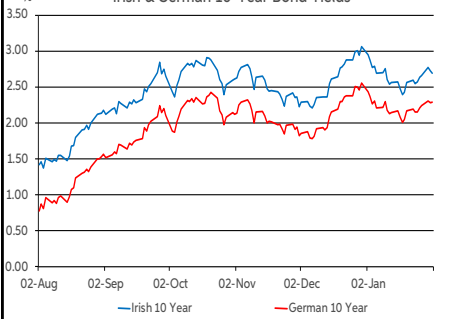


Eurozone Swap Curve

Offer Rates : Money Rates to 1 Year



Irish & German 10-Year Bond Yields



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.42	-9	-27	-46
Germany	2.30	+2	+3	-27
UK	3.31	-3	-19	-36
Ireland	2.72	-3	-7	-42
Belgium	2.95	+1	+10	-25
France	2.76	+1	-1	-35
Italy	4.29	+2	+3	-41
Spain	3.34	+2	+4	-32
Portugal	3.23	+2	-6	-37
Greece	4.31	-1	-20	-28
5 Year Swap %				
US	3.54	-10	-28	-46
Eurozone	2.89	-4	-2	-34
UK	3.84	-0	-29	-46
2 Year Swap %				
US	4.33	-10	-27	-35
Eurozone	3.30	+1	+8	-9
UK	4.23	-4	-27	-45
10 Year Government Bond Spreads to Benchmark bps				
Ireland	43	-5	-10	-16
Belgium	65	-1	+7	+2
France	46	-1	-4	-9
Italy	200	+0	+0	-15
Spain	105	+0	+1	-5
Portugal	93	+1	-8	-11
Greece	201	-3	-23	-2

Commodities

	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	82.84	-1.95	+6.42	-3.57
West Texas Oil	76.34	-3.31	+4.83	-4.77
Gold \$	1950.4	+1.17	+5.20	+6.91

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