

US CPI inflation data due today

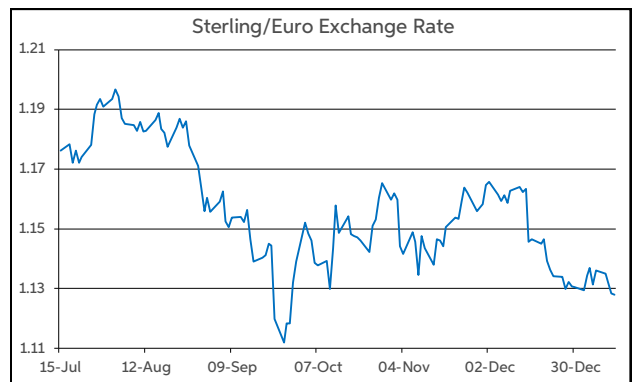
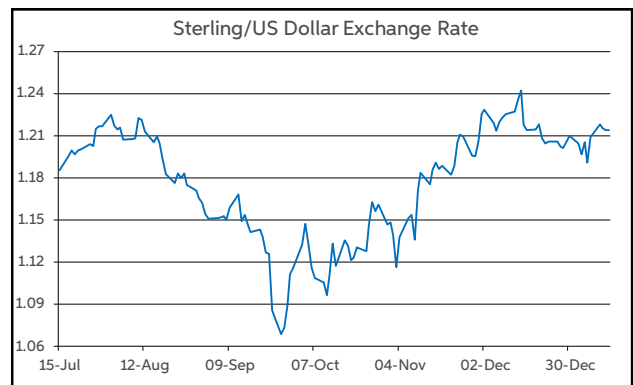
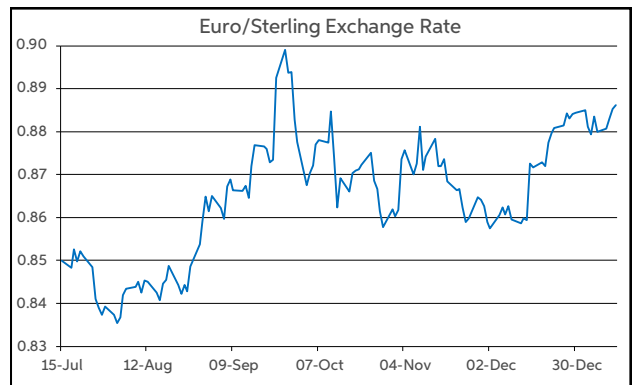
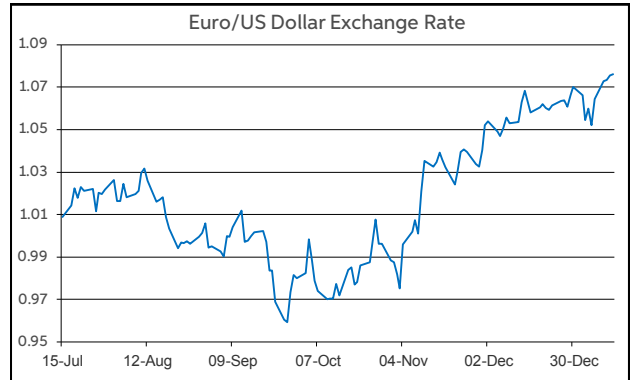
There was a positive mood on markets yesterday. The Euro Stoxx 50 continued to perform strongly, rising by 1%. The index is now up by 8% so far in 2023. On Wall Street, the S&P 500 finished up 1.3% on the day. Meanwhile, on bond markets, 10-year German Bund and UK Gilt yields, declined by 12bps and 15bps, respectively. 10-year US Treasury yields fell by 7bps.

On the currency front, the main pairs remained confined to relatively narrow trading ranges yesterday. Of the limited moves to register, sterling was holding a somewhat softer tone. The fall in sterling coincided with the sharper decline in UK Gilt yields versus elsewhere, and a modest softening in UK rate hike expectations. The market is now pricing in a peak in Bank rate below 4.5% this year. EUR/GBP rose to a high of 88.8p, while GBP/USD fell to a low of \$1.21 yesterday. Elsewhere, the yen was holding a firmer tone overnight.

In level terms, the softer tone to sterling is evidenced in EUR/GBP opening this morning above the midpoint of the 88-89p range. GBP/USD is operating back in the lower half of the \$1.21-1.22 corridor. Meanwhile, EUR/USD continues to straddle the halfway mark of \$1.07-1.08. USD/JPY is trading back below the ¥132 mark.

Today, the main release of note will be US CPI inflation for December. Headline CPI has fallen sharply in the US in recent months, and this trend is expected to continue in December. The forecast is for headline CPI to ease to 6.5% from 7.1%. Meantime, the core rate, which has operated in a 6-6.5% range throughout 2022, is projected to soften from 6.0% to 5.7%. The release poses some event risk for the dollar. This could see the EUR/USD pair test the \$1.08 handle if inflation prints below the consensus.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0761	0.14	0.55
EUR/GBP	0.8861	0.35	0.19
GBP/USD	1.2143	-0.20	0.38
GBP/EUR	1.1279	-0.35	-0.19
USD/JPY	131.67	-0.45	0.43
EUR/JPY	141.72	-0.29	1.01

* 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	4.43	4.81	5.07	4.50	3.69
EUR	2.50	1.94	2.28	3.24	3.23	2.87
GBP	3.50	3.58	3.96	4.53	4.39	3.94

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

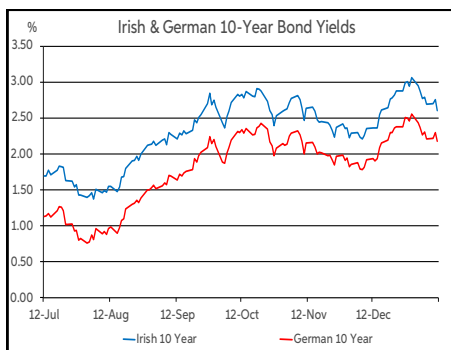
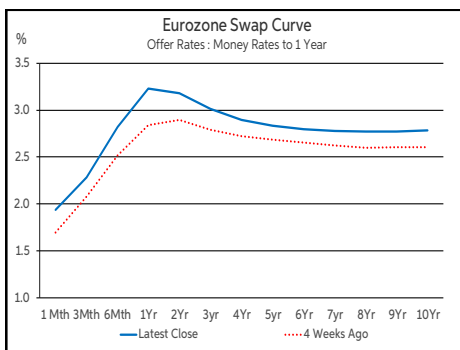
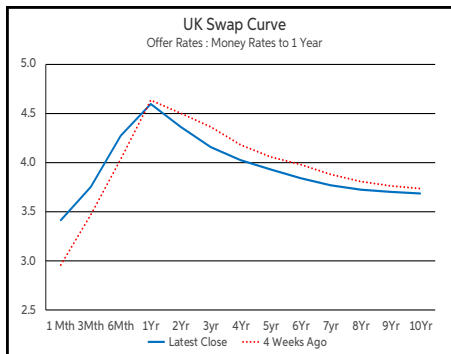
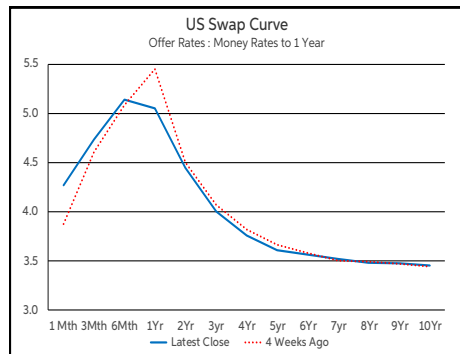
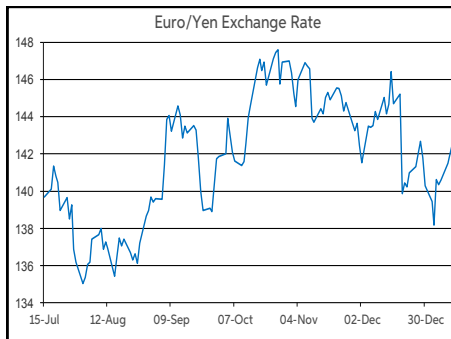
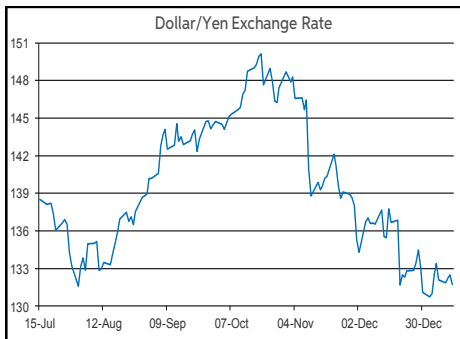
CONTACTS		
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Opening Levels

Thursday 12 January 2023
07:36 am



Euro		Sterling		Dollar	
EUR/GBP	0.886	GBP/EUR	1.128	USD/JPY	131.67
EUR/USD	1.0763	GBP/USD	1.2143	USD/CAD	1.3439
EUR/JPY	141.73	GBP/CAD	1.6319	USD/CHF	0.9328
EUR/SEK	11.2675	GBP/NZD	1.9118	USD/CNY	6.7627
EUR/DKK	7.4375	GBP/JPY	159.89	USD/BRL	5.16
EUR/NOK	10.7632	GBP/SEK	12.7147	USD/RUB	67.9
EUR/CHF	1.004	GBP/DKK	8.3888	USD/INR	81.693
EUR/AUD	1.5604	GBP/NOK	12.143	AUD/USD	0.6894
EUR/HKD	8.4066	GBP/CHF	1.1331	NZD/USD	0.6349
EUR/CAD	1.4464	GBP/AUD	1.7609		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.54	-7	+6	-34
Germany	2.18	-12	+25	-38
UK	3.41	-15	+10	-26
5 Year Swap %				
US	3.61	-8	-1	-38
Eurozone	2.83	-12	+16	-40
UK	3.93	-18	-11	-37
2 Year Swap %				
US	4.45	-3	-1	-23
Eurozone	3.18	-8	+29	-20
UK	4.37	-12	-13	-32
10 Year Government Bond Spreads to Benchmark bps				
Ireland	45	-3	-1	-13
Belgium	57	-1	+0	-6
France	49	-1	+0	-6
Italy	186	-6	-6	-28
Spain	102	-1	-1	-8
Portugal	94	-2	-1	-9
Greece	201	-7	-9	-2

Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	82.67	+3.21	-0.04	-3.77
West Texas Oil	77.46	+3.13	+0.41	-3.37
Gold \$	1876.4	-0.05	+3.82	+2.85

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