

Fed lowers its interest rate projections

In a move that was widely anticipated, the US Fed hiked interest rates by 25bp yesterday. This brings the fed funds rate up to a target range of 2.25-2.5%. More importantly, the FOMC lowered its interest rate projections. The Committee is now guiding that they will raise interest rate two times in 2019 (previously 3) and once in 2020. However, markets remain sceptical that the Fed will deliver upon its projected rate increases. Futures contracts are not even pricing in one rate hike next year.

Meantime, the central bank revised down slightly its growth and inflation forecasts. The meeting statement also acknowledged the risks to growth from financial market volatility and a weaker global outlook. Overall, the tone of the meeting was more dovish with Fed Chair Powell emphasizing that the likely future path for rates is data dependent. In terms of the impact on markets, the dollar strengthened briefly following the meeting. Meanwhile, the S&P 500 declined by 1.5% on concerns that the Fed may tighten policy further. The yield on US 10-year Treasuries fell by 6bps. Elsewhere, the BoJ left policy unaltered as expected.

In level terms, the main pairs open this morning broadly unchanged from 24 hours previous, although EUR/USD has regained the \$1.14 handle. Cable (GBP/USD) is changing hands in the \$1.26-1.27 band, while EUR/GBP is trading near the 90p mark.

Ahead today, the focus will be on the UK. Retail sales figures for November are due but will likely be overshadowed by the December BoE meeting. No changes to policy are expected, with the MPC seen on hold until after the Brexit uncertainty clears. All-in-all, the meeting may prove to be a non-event for sterling. Meanwhile, a barren calendar in the Eurozone and US could mean moves in the euro and dollar may be limited today.

Conor Beakey, Economist, AIB

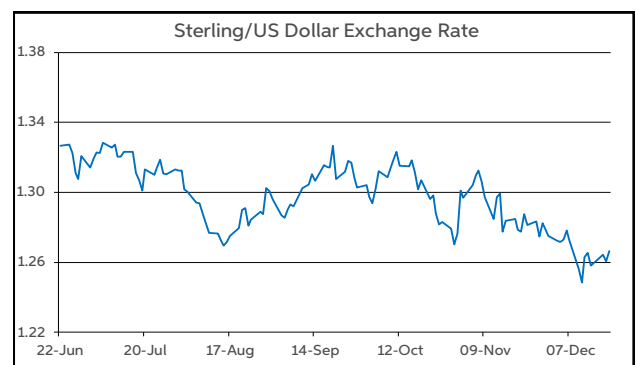
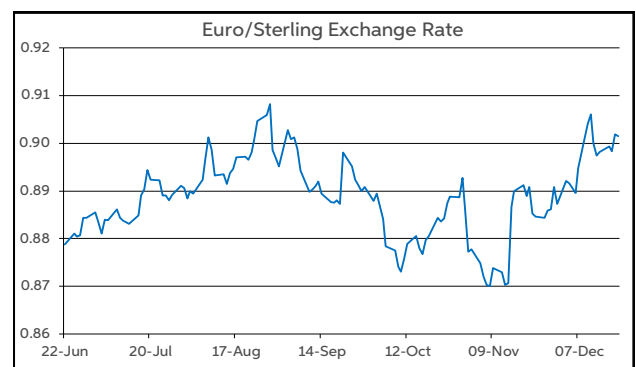
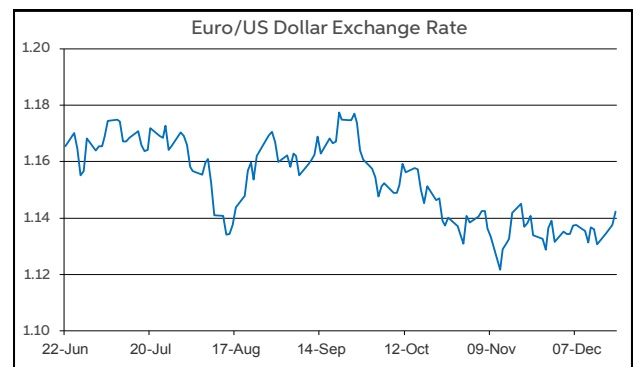
Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	2.375	2.48	2.79	3.05	2.77	2.68
EUR	0.00	-0.37	-0.31	-0.13	-0.13	0.26
GBP	0.75	0.73	0.91	1.16	1.15	1.30

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2017 to Date	
Dow Jones	23323.66	-1.49	-5.65	
S&P 500	2506.96	-1.54	-6.23	
FTSE 100	6765.94	+0.96	-11.99	
DJ Stoxx 50	3051.38	+0.37	-12.92	
ISEQ	5443.79	+0.39	-22.65	
Nikkei	20392.58	-2.84	-10.42	

Today's Opening Rates			
		% Change	
		Day *	End 2017
EUR/USD	1.142	0.30	-4.80
EUR/GBP	0.9015	0.26	1.49
GBP/USD	1.2663	0.02	-6.28
GBP/EUR	1.1086	-0.26	-1.46
USD/JPY	111.82	-0.47	-0.75
EUR/JPY	127.72	-0.18	-5.52

* v Previous Day's European Open

See Next Page for More Rates ▶▶▶



All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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Opening Levels

Thursday 20 December 2018
07:29 am



Euro

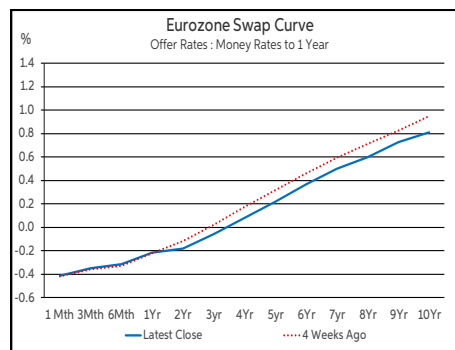
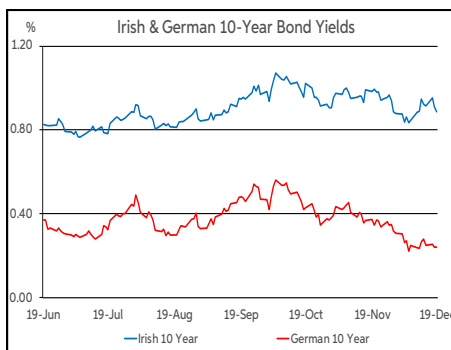
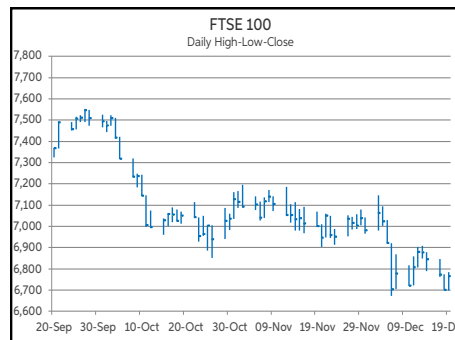
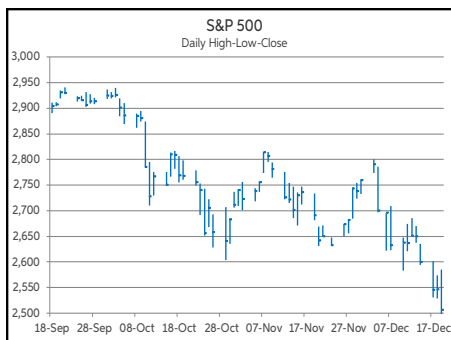
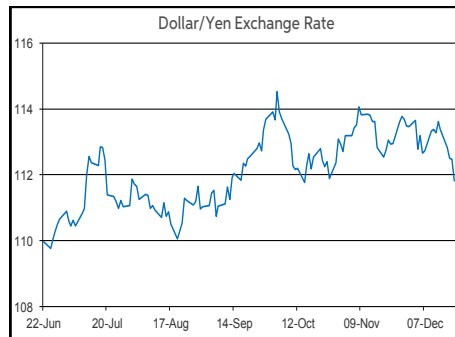
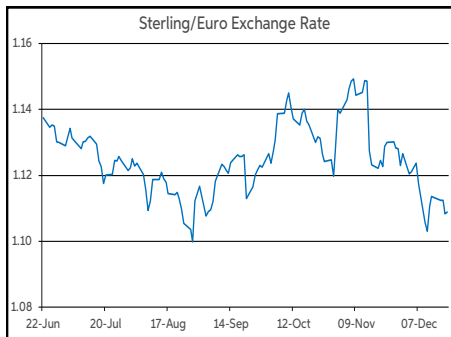
EUR/GBP	0.9015
EUR/USD	1.142
EUR/JPY	127.72
EUR/SEK	10.349
EUR/DKK	7.4669
EUR/NOK	9.9265
EUR/CHF	1.1338
EUR/AUD	1.6074
EUR/HKD	8.9375
EUR/CAD	1.5405

Sterling

GBP/EUR	1.1086
GBP/USD	1.2663
GBP/CAD	1.7083
GBP/NZD	1.8803
GBP/JPY	141.6
GBP/SEK	11.4744
GBP/DKK	8.2775
GBP/NOK	11.0051
GBP/CHF	1.2573
GBP/AUD	1.7819

Dollar

USD/JPY	111.82
USD/CAD	1.3487
USD/CHF	0.9928
USD/CNY	6.9
USD/BRL	3.8976
USD/RUB	67.3
USD/INR	70.12
AUD/USD	0.7103
NZD/USD	0.6734



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 17
10 Year Yield %				
US	2.76	-6	-30	+36
Germany	0.24	-0	-13	-18
UK	1.27	-1	-12	+9
Ireland	0.89	-2	-9	N/A
Belgium	0.75	+2	-7	+14
France	0.70	-0	-5	-7
Italy	2.75	-18	-71	+76
Spain	1.37	+0	-25	-18
Portugal	1.64	+2	-31	-26
Greece	4.26	-7	-35	+22
5 Year Swap %				
US	2.66	-8	-35	+42
Eurozone	0.22	-6	-10	-10
UK	1.30	-3	-6	+27
2 Year Swap %				
US	2.76	-2	-24	+68
Eurozone	-0.18	-6	-6	-4
UK	1.14	-3	-2	+34
10 Year Government Bond Spreads to Benchmark bps				
Ireland	65	-2	+4	N/A
Belgium	51	+2	+6	+32
France	46	+0	+8	+11
Italy	251	-18	-58	+94
Spain	113	+0	-12	+0
Portugal	140	+2	-18	-8
Greece	402	-7	-22	+40

Commodities				
	% Change			
	Close	Day	4 Weeks	End 17
Brent Oil	57.24	+1.74	-9.83	-14.40
West Texas Oil	47.96	+3.99	-11.85	-20.67
CRB - All Commodity	176.21	+1.03	-4.75	-9.11
CRB - Food	326.92	-1.39	-1.13	-2.71
Gold \$	1243.8	-0.46	+1.44	-4.52

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