

US CPI inflation due today

There was a mixed tone to investor sentiment yesterday, amid a relatively quiet data schedule on both sides of the Atlantic. The Euro Stoxx 50 maintained its recent good momentum, gaining 0.5%. Meantime on Wall Street, the S&P 500 traded side-ways, as the EU and Canada promised retaliatory tariffs against the US.

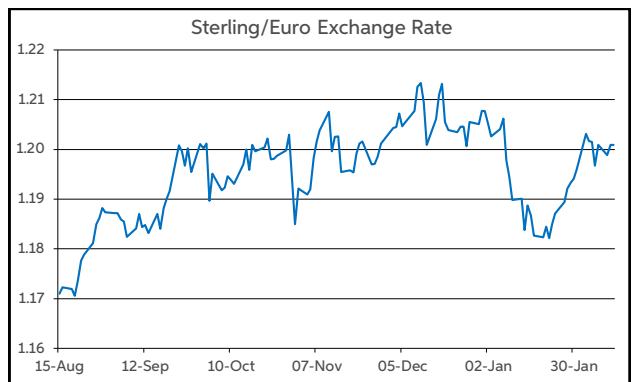
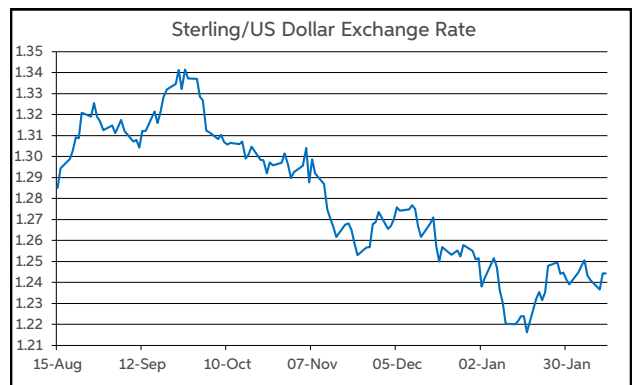
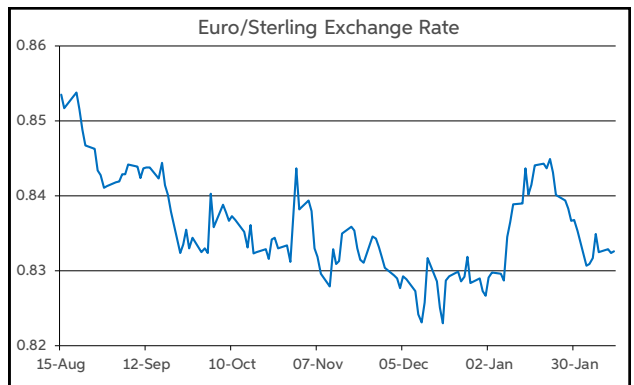
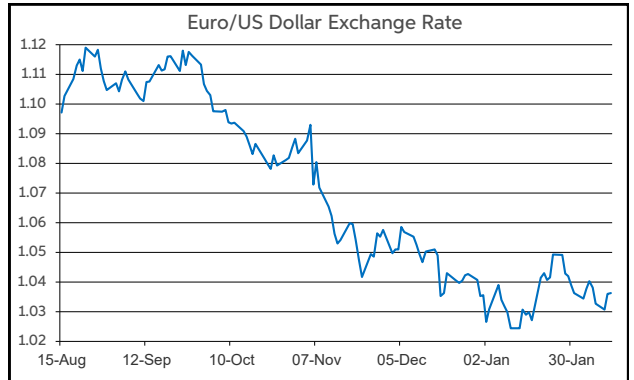
On the monetary policy front, Chair Powell struck a balanced tone in testimony to the Senate banking Committee. In very similar remarks to those provided at the FOMC post-meeting press conference in January, Powell noted that the Fed is not in a hurry to adjust monetary policy. Fed officials Williams and Hammack also emphasised that the Fed should keep rates steady yesterday.

Against this backdrop, US Treasury yields rose by 2-4bps along the curve yesterday. Meantime, a marginal firming in Eurozone market rate expectations of circa 5bps contributed to German Bund yields moving 5-7bps higher. Similarly, UK Gilt yields rose by 4-5bps.

On the currency front, the dollar was under some downward pressure. The greenback declined by around 0.6% versus the euro and sterling, and fell by 1% against the yen. This is reflected by EUR/USD opening today up in the top half of \$1.03-1.04. GBP/USD is operating up near the midpoint of the \$1.24-1.25 range. EUR/GBP remains in the lower half of 83-84p. Elsewhere, USD/JPY is at the halfway mark of the ¥153-154 corridor.

Turning to the day ahead, the January reading of US CPI inflation will be in focus. The consensus is for the headline rate to stay at 2.9%, while the core rate is expected to inch lower to 3.1% from 3.2%. The release poses some event risk for the dollar. Meantime, Chair Powell's testimony to Congress will also garner attention.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2024
EUR/USD	1.0363	0.57	0.10
EUR/GBP	0.8326	-0.12	0.64
GBP/USD	1.2444	0.69	-0.54
GBP/EUR	1.2007	0.12	-0.64
USD/JPY	153.48	1.01	-2.35
EUR/JPY	159.06	1.58	-2.27

* 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	4.38	4.31	4.32	4.24	4.43	4.38
EUR	2.90	2.65	2.53	2.31	2.22	2.27
GBP	4.50	4.45	4.43	4.17	4.26	4.16

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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Euro

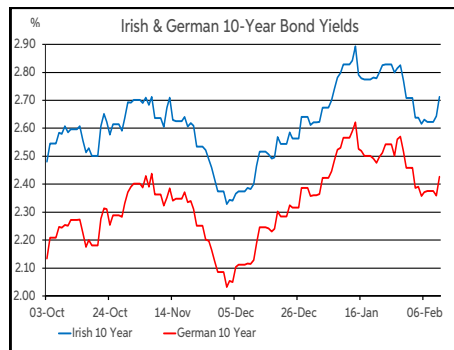
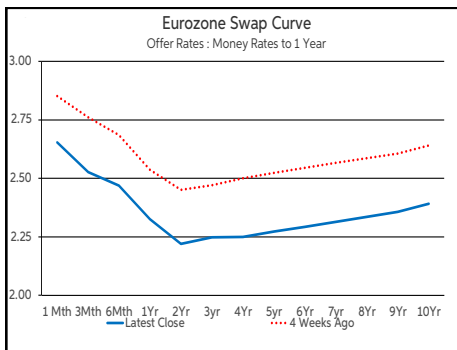
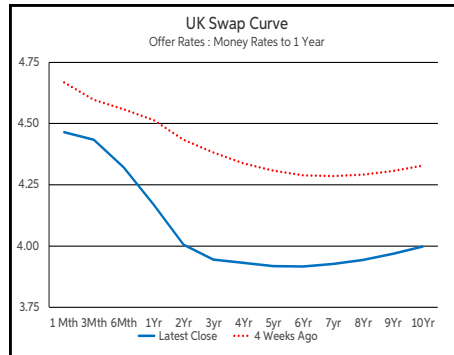
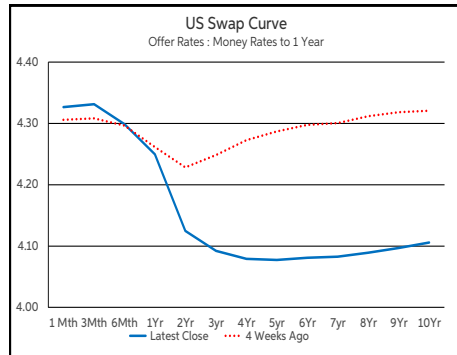
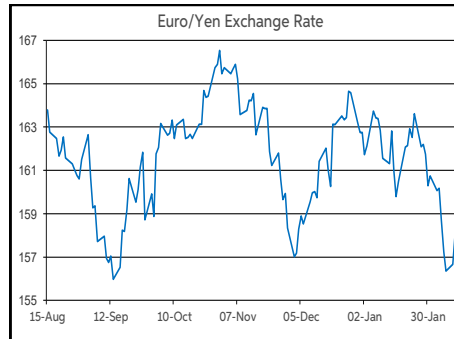
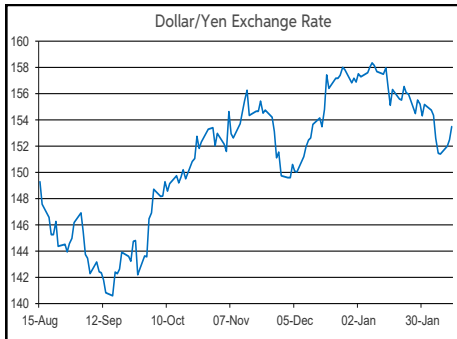
EUR/GBP	0.8326
EUR/USD	1.0363
EUR/JPY	159.06
EUR/SEK	11.2595
EUR/DKK	7.4583
EUR/NOK	11.6201
EUR/CHF	0.9457
EUR/AUD	1.6477
EUR/HKD	8.0726
EUR/CAD	1.481

Sterling

GBP/EUR	1.2007
GBP/USD	1.2444
GBP/CAD	1.7782
GBP/NZD	2.2014
GBP/JPY	190.99
GBP/SEK	13.5204
GBP/DKK	8.9548
GBP/NOK	13.9552
GBP/CHF	1.1357
GBP/AUD	1.978

Dollar

USD/JPY	153.48
USD/CAD	1.429
USD/CHF	0.9124
USD/CNY	7.308
USD/BRL	5.7632
USD/RUB	94.7
USD/INR	86.8475
AUD/USD	0.6287
NZD/USD	0.565



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 24
10 Year Yield %				
US	4.54	+4	-25	-4
Germany	2.43	+7	-19	+7
UK	4.51	+5	-38	-6
5 Year Swap %				
US	4.34	+3	-20	+5
Eurozone	2.26	+6	-26	+3
UK	4.16	+4	-40	-13
2 Year Swap %				
US	4.38	+2	-9	+5
Eurozone	2.21	+5	-24	+2
UK	4.25	+4	-42	-24
10 Year Government Bond Spreads to Benchmark bps				
Ireland	30	+0	+0	+2
Belgium	59	+0	-3	-3
France	73	+0	-12	-10
Italy	110	+1	-11	-6
Spain	68	+0	-3	-3
Portugal	54	+1	+6	+5
Greece	90	+0	+4	+1

Commodities

	Close	% Change		
		Day	4 Weeks	End 24
Brent Oil	77	+1.49	-3.65	+3.16
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2898.3	-0.31	+8.26	+10.46

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