

Sterling on the defensive

There was a subdued mood on markets yesterday. The main equity indices were little changed on both sides of the Atlantic, having registered strong gains on Monday. On bond markets, benchmark sovereign bond yields declined by 4-8bps. Elsewhere, Brent crude prices fell by circa 1.5%, moving back below \$87 per barrel.

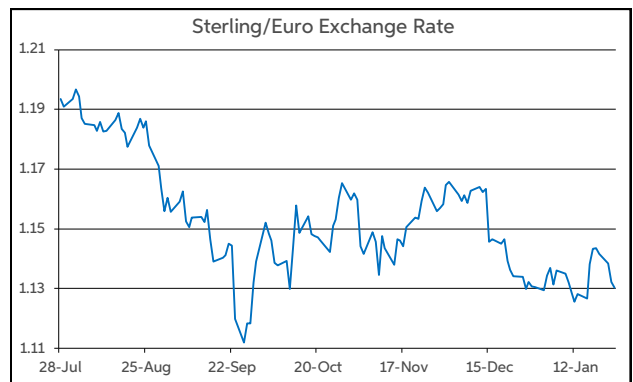
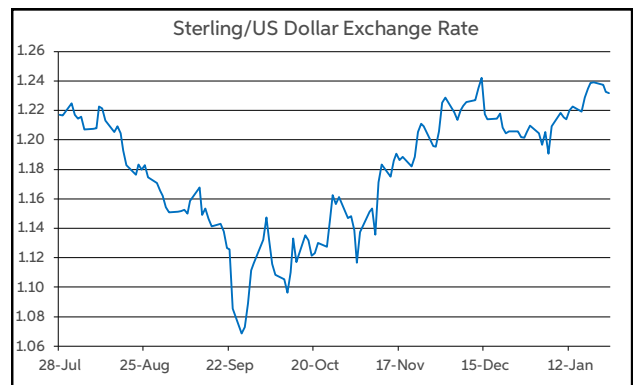
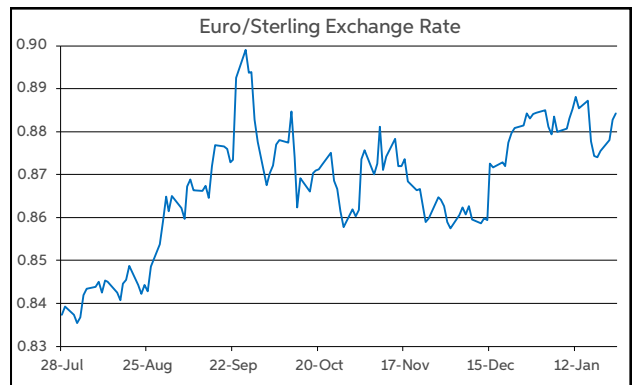
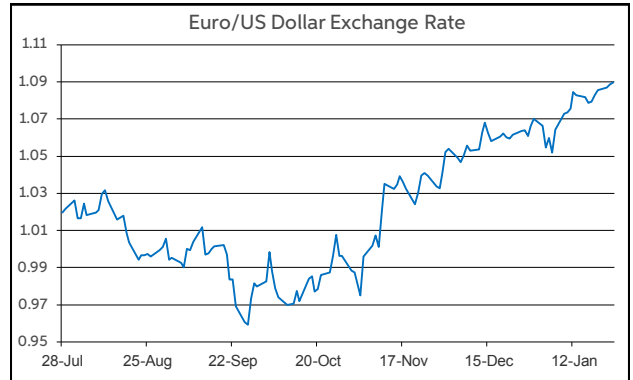
On the data front, the flash PMIs in the Eurozone, US and UK, for January, were the highlight yesterday. The Eurozone readings printed ahead of the consensus, with the composite index rising above 50, consistent with a modest pick-up in economic activity. Meantime, the US surveys rose by more than anticipated, but remained in contractionary territory. In the UK, despite the manufacturing PMI rising by more than expected, the services PMI moved lower, meaning both indices remained well below 50.

Currency-wise, the main pairs operated within relatively narrow ranges yesterday. Of the limited moves to register, sterling was on the defensive, amid the subdued tone to risk appetite and the soft UK PMI data. The currency lost circa 0.7% against the euro and the dollar.

In level terms, the softer tone to sterling is reflected by EUR/GBP opening this morning up near the midpoint of the 88-89p corridor. GBP/USD is changing hands back in the lower half of \$1.23-1.24. Meanwhile, EUR/USD is operating at the \$1.09 threshold.

Turning to the day ahead, the main release of note will be the German Ifo for January. A modest improvement is forecast for a fourth consecutive month. However, barring any major surprises, the release is unlikely to greatly impact the euro.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0897	0.19	1.82
EUR/GBP	0.8842	0.71	-0.02
GBP/USD	1.2321	-0.52	1.85
GBP/EUR	1.1303	-0.70	0.02
USD/JPY	130.38	0.18	-0.56
EUR/JPY	142.09	0.36	1.28

* 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	4.51	4.82	5.03	4.46	3.64
EUR	2.50	2.01	2.45	3.29	3.24	2.87
GBP	3.50	3.78	4.09	4.56	4.28	3.86

All rates quoted are indicative market rates

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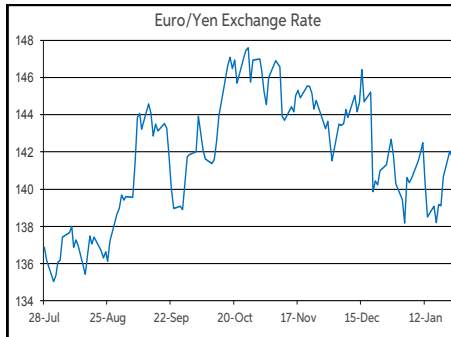
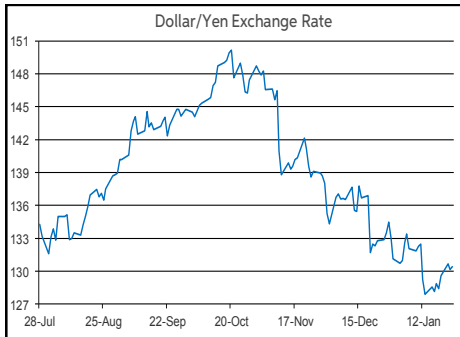
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Opening Levels

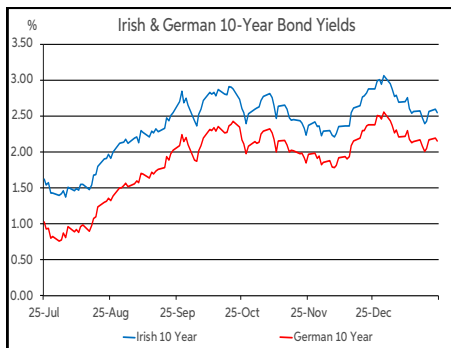
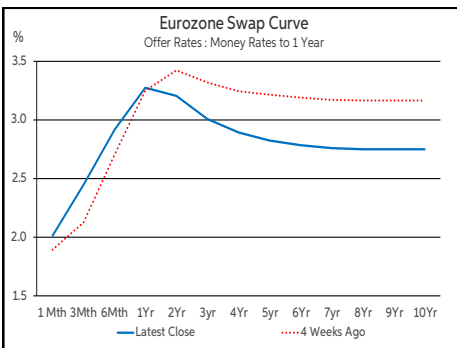
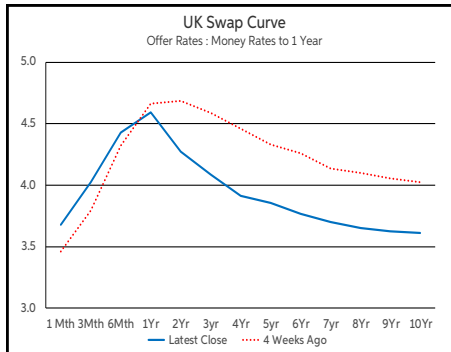
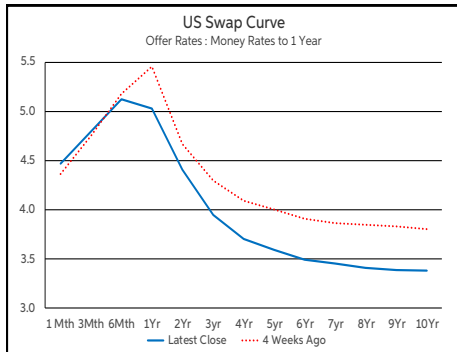
Wednesday 25 January 2023
07:36 am



Euro		Sterling		Dollar	
EUR/GBP	0.8842	GBP/EUR	1.1303	USD/JPY	130.38
EUR/USD	1.0897	GBP/USD	1.2321	USD/CAD	1.3355
EUR/JPY	142.09	GBP/CAD	1.6458	USD/CHF	0.9235
EUR/SEK	11.1013	GBP/NZD	1.8987	USD/CNY	6.7825
EUR/DKK	7.4382	GBP/JPY	160.65	USD/BRL	5.1392
EUR/NOK	10.7284	GBP/SEK	12.5557	USD/RUB	68.8
EUR/CHF	1.0065	GBP/DKK	8.4092	USD/INR	81.63
EUR/AUD	1.5325	GBP/NOK	12.132	AUD/USD	0.7112
EUR/HKD	8.5344	GBP/CHF	1.1379	NZD/USD	0.6487
EUR/CAD	1.4555	GBP/AUD	1.7325		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.45	-7	-39	-42
Germany	2.16	-4	-36	-40
UK	3.28	-8	-35	-39
5 Year Swap %				
US	3.59	-5	-37	-40
Eurozone	2.83	-4	-38	-41
UK	3.86	-3	-44	-45
2 Year Swap %				
US	4.41	-2	-22	-27
Eurozone	3.20	-3	-21	-18
UK	4.27	-5	-41	-41
10 Year Government Bond Spreads to Benchmark bps				
Ireland	42	+0	-12	-17
Belgium	62	-2	+2	-2
France	43	-3	-10	-12
Italy	176	-7	-34	-38
Spain	97	-3	-9	-13
Portugal	87	-2	-13	-16
Greece	202	+2	-5	-1



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	86.13	-2.34	+2.13	+0.26
West Texas Oil	79.86	-2.16	+0.52	-0.37
Gold \$	1937.5	+0.32	+6.81	+6.20

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