

## Monetary policy in focus with ECB meeting this week

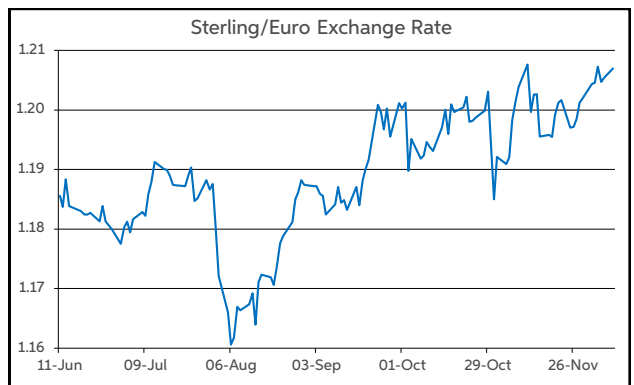
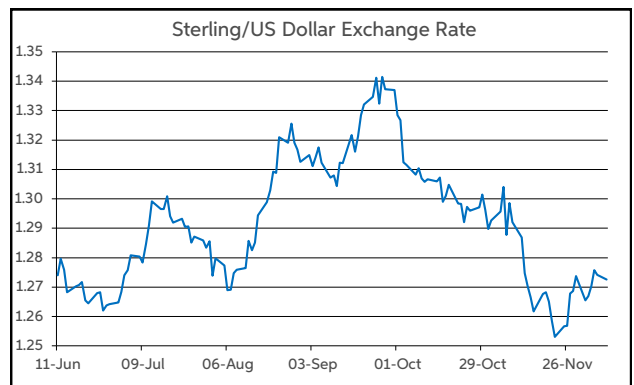
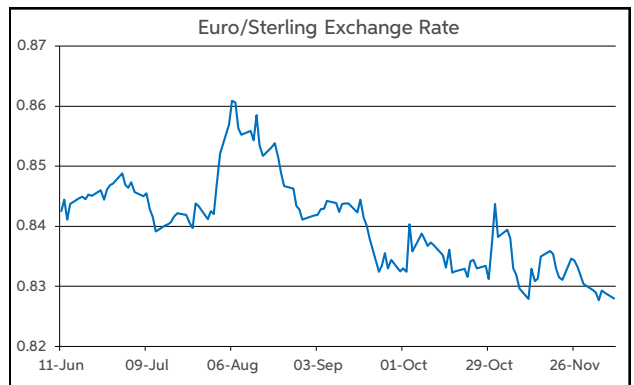
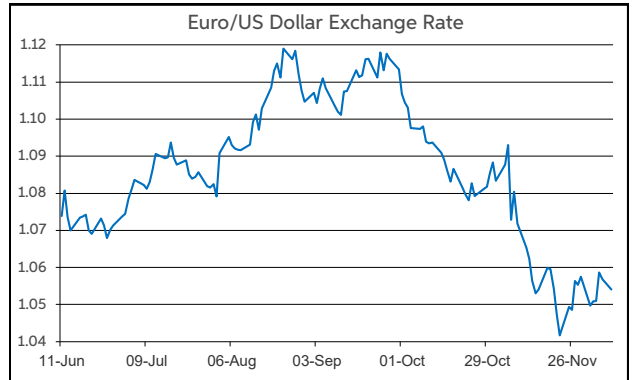
There was a positive tone to risk appetite last week. This was especially the case in Europe, despite the heightened political uncertainty in France. The Euro Stoxx 50 index was 3.6% higher on the week. Meanwhile, on Wall Street, the S&P 500 index registered a more modest weekly gain of 1.0%.

On bond markets, a lot of attention was centred on French yields given the aforementioned political turmoil in the country. Over the course of the week though, there was some narrowing in the spread (to below 80bps) between French and German 10-year yields, in part due to less conflictual comments from some opposition politicians towards the end of the week.

Currency-wise, the euro was under some downward pressure amid developments in France. However, as the week progressed it regained some ground. This coincided with a number of ECB speakers emphasising that rate cuts would be gradual. These comments resulted in a modest firming in Eurozone rate expectations. Futures contracts are now pricing rates settling nearer to 1.75% rather than 1.5%. Overall, the main pairs were within fairly narrow ranges last week. The opening levels at the start of this week are very similar to last Monday. EUR/USD is near the midpoint of \$1.05-1.06, while EUR/GBP remains below 83p.

Looking ahead to this week, the ECB meeting provides some event risk for the euro. A 25bps rate cut is expected. A key focus will be on what guidance, if any, is forthcoming regarding the extent of rate cuts envisaged by the ECB next year. For the dollar, the main highlight will be CPI inflation numbers for November. From a sterling perspective, UK GDP (Oct) is the main release of note.

**John Fahey, Senior Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0541	-0.27	-4.49
EUR/GBP	0.828	-0.16	-4.48
GBP/USD	1.2726	-0.13	-0.02
GBP/EUR	1.2071	0.16	4.69
USD/JPY	150.16	0.16	6.45
EUR/JPY	158.29	-0.14	1.71

\* 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	4.63	4.45	4.39	4.11	4.20	3.99
EUR	3.40	3.01	2.87	2.35	2.13	2.06
GBP	4.75	4.68	4.63	4.35	4.39	4.12

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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# Opening Levels

Monday 09 December 2024  
07:09 am



## Euro

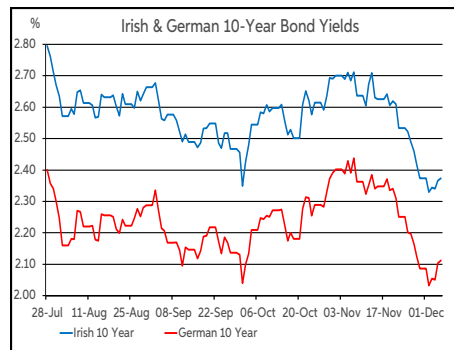
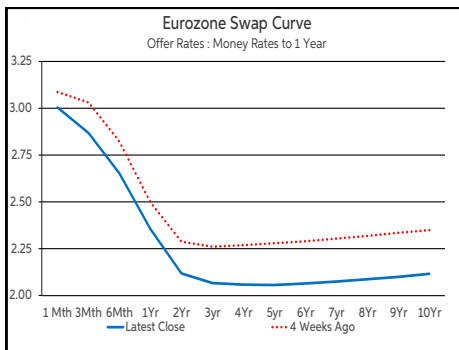
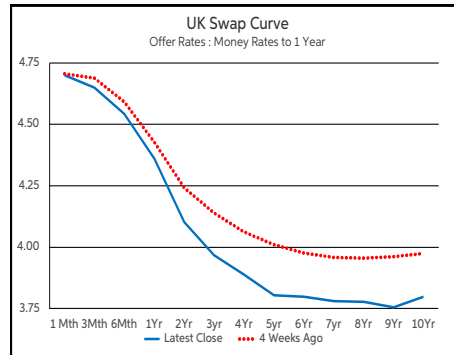
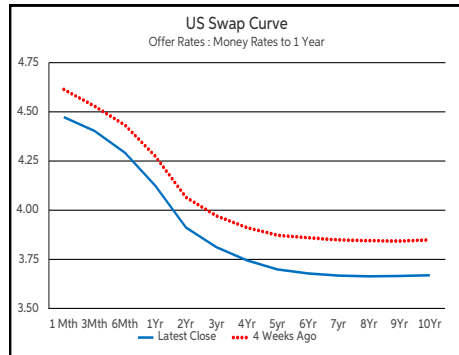
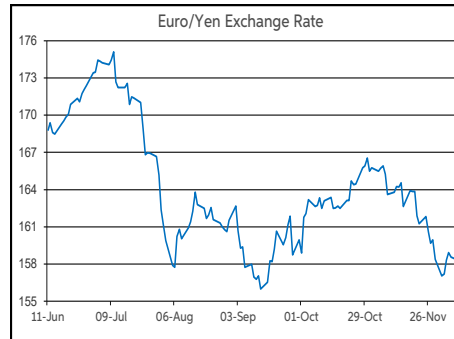
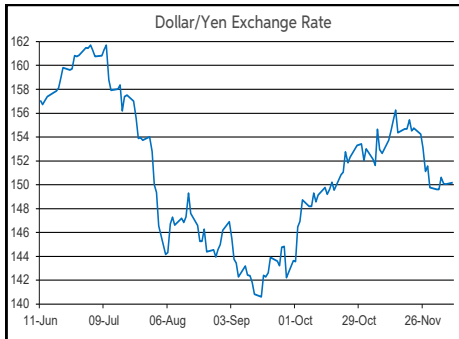
EUR/GBP	0.828
EUR/USD	1.0541
EUR/JPY	158.29
EUR/SEK	11.5554
EUR/DKK	7.4575
EUR/NOK	11.7909
EUR/CHF	0.9275
EUR/AUD	1.6506
EUR/HKD	8.202
EUR/CAD	1.4937

## Sterling

GBP/EUR	1.2071
GBP/USD	1.2726
GBP/CAD	1.8034
GBP/NZD	2.1902
GBP/JPY	191.09
GBP/SEK	13.9315
GBP/DKK	9.0019
GBP/NOK	14.2209
GBP/CHF	1.1192
GBP/AUD	1.9927

## Dollar

USD/JPY	150.16
USD/CAD	1.4171
USD/CHF	0.8795
USD/CNY	7.2777
USD/BRL	6.0894
USD/RUB	99.5
USD/INR	84.72
AUD/USD	0.6383
NZD/USD	0.5807



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
<b>10 Year Yield %</b>				
US	4.15	-3	-16	+29
Germany	2.11	+1	-25	+9
UK	4.28	-1	-16	+74
<b>5 Year Swap %</b>				
US	3.97	-3	-15	+18
Eurozone	2.06	-1	-21	-37
UK	4.09	-1	-18	+44
<b>2 Year Swap %</b>				
US	4.16	-5	-15	-17
Eurozone	2.12	-1	-16	-68
UK	4.35	-1	-12	+9
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	29	-1	-2	-5
Belgium	55	-1	-5	-11
France	76	-3	+1	+23
Italy	108	-2	-22	-59
Spain	65	-1	-10	-32
Portugal	41	+0	-10	-35
Greece	78	-3	-14	-26

Commodities				
	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	71.12	-1.35	-3.72	-7.68
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2632.9	+0.03	-1.90	+27.65

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