

Fed hikes by 50bps. ECB & BoE set to follow suit today

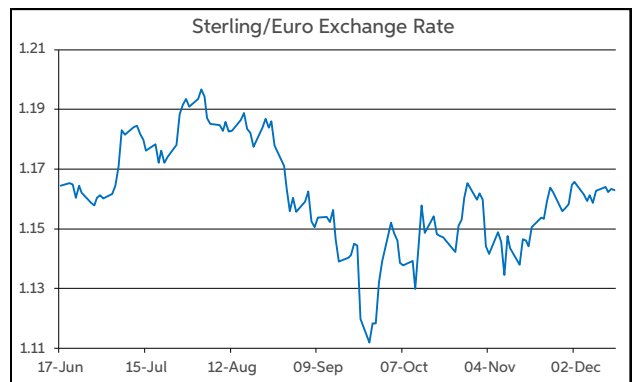
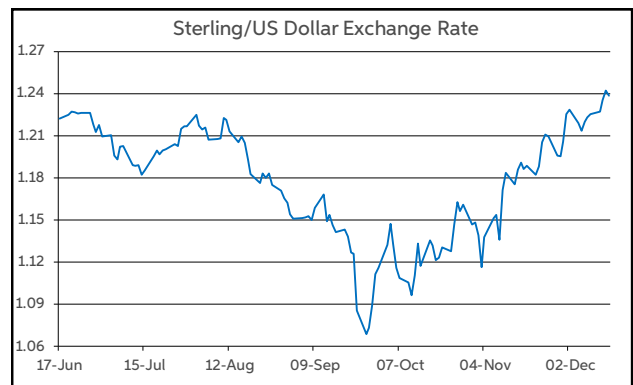
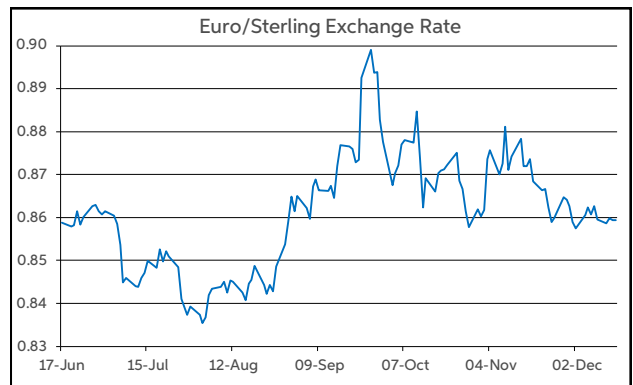
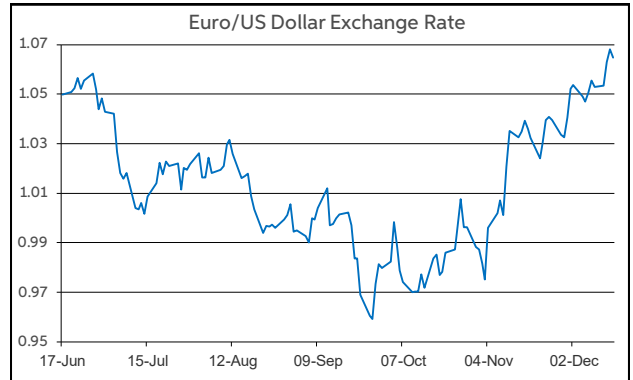
There was a generally cautious mood on markets yesterday in the lead up to the evening time Fed policy decision. The main FX pairs operated in very tight ranges before the announcement, as investors kept their powder dry, resulting in limited price action. Elsewhere, oil prices continued to rebound somewhat, rising by circa 2.5%, with Brent crude edging up above \$82 per barrel.

As expected, the Fed slowed the pace of rate hikes, opting for a 50bps increase. At its previous four meetings it had hiked in 75bps increments. Meanwhile, the updated interest rate dotplot showed most FOMC participants now expect to raise rates to 5.0-5.25% in 2023. For 2024 and 2025, the median projections are for rates to fall to 4.1% and 3.1%, respectively. However, there are a wide range of forecasts for both years, suggesting no clear view on where rates will be in 2024 and 2025.

The overall reaction to the Fed decision and press conference was somewhat muted. The market continues to expect that rates will peak just below 5% next year. Meanwhile, the dollar was under some modest downward pressure following the announcement. However, it recouped most of its losses overnight. Overall though, it is still slightly lower over the past 24 hours. This is reflected by EUR/USD opening this morning, at the midpoint of the \$1.06-1.07 range. Meantime, GBP/USD is changing hands in the top half of \$1.23-1.24. EUR/GBP remains in and around the 86p mark.

Today the monetary policy spotlight shifts to the BoE and the ECB. Both are expected to slow the pace of rate hikes to 50bps also. The updated ECB economic projections and post-meeting press conference will garner close attention as well. The meetings pose event risk for the euro and sterling.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0647	0.22	-6.34
EUR/GBP	0.8592	-0.07	2.29
GBP/USD	1.2388	0.28	-8.43
GBP/EUR	1.1632	0.07	-2.23
USD/JPY	135.78	0.26	17.99
EUR/JPY	144.57	0.47	10.47

* 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	4.32	4.77	5.02	4.53	3.69
EUR	2.00	1.69	2.05	2.86	2.90	2.70
GBP	3.00	3.50	3.82	4.57	4.50	4.07

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

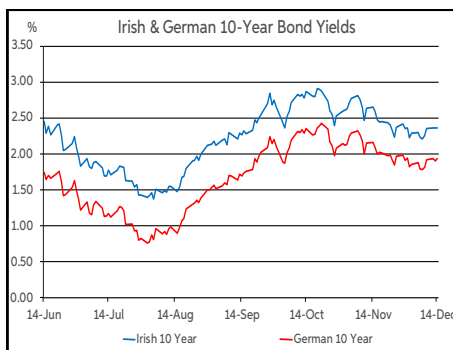
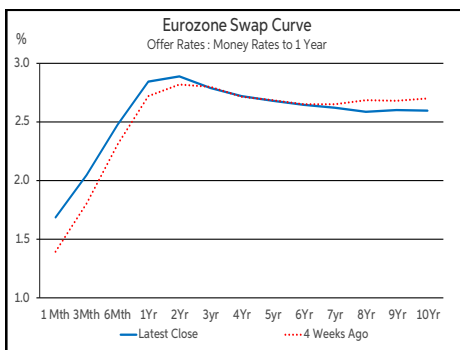
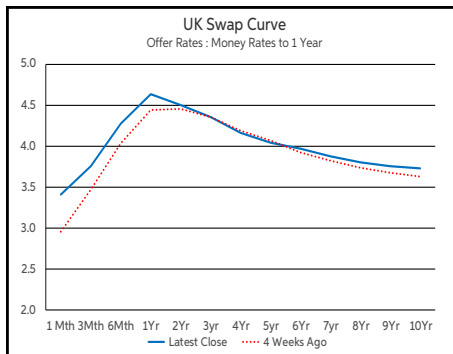
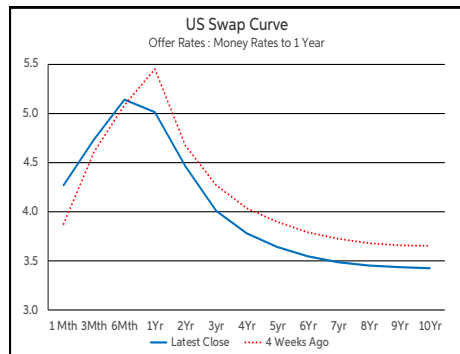
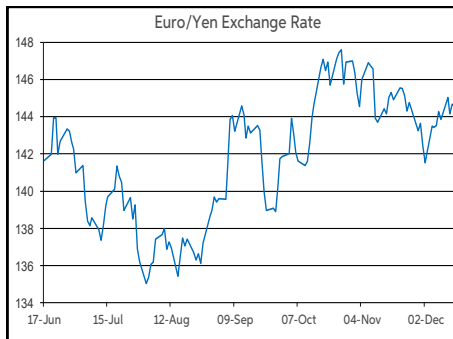
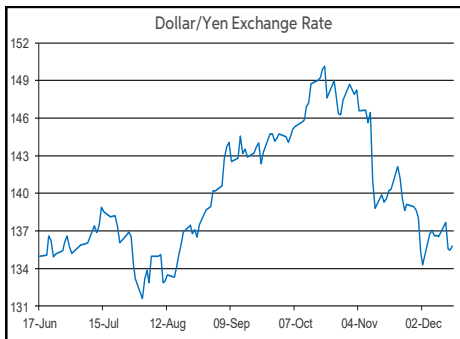
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
---------	---	------------	------------	------------------	---------------------------	-----------------	-----------------------------------

Opening Levels

Thursday 15 December 2022
07:39 am



Euro		Sterling		Dollar	
EUR/GBP	0.8592	GBP/EUR	1.1632	USD/JPY	135.78
EUR/USD	1.0647	GBP/USD	1.2388	USD/CAD	1.3565
EUR/JPY	144.57	GBP/CAD	1.6807	USD/CHF	0.9265
EUR/SEK	10.8729	GBP/NZD	1.9266	USD/CNY	6.9625
EUR/DKK	7.4382	GBP/JPY	168.2	USD/BRL	5.2787
EUR/NOK	10.416	GBP/SEK	12.6567	USD/RUB	64.3
EUR/CHF	0.9865	GBP/DKK	8.653	USD/INR	82.53
EUR/AUD	1.5611	GBP/NOK	12.1245		
EUR/HKD	8.2782	GBP/CHF	1.148	AUD/USD	0.6819
EUR/CAD	1.4444	GBP/AUD	1.8164	NZD/USD	0.6427



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.48	-2	-21	+197
Germany	1.94	+3	-6	+212
UK	3.31	+2	+17	+234
Ireland	2.40	+0	-11	+215
Belgium	2.51	+3	-5	+233
France	2.42	+3	-6	+223
Italy	3.86	+6	-8	+267
Spain	2.97	+3	-6	+238
Portugal	2.89	+5	-9	+241
Greece	4.03	+8	-23	+272
5 Year Swap %				
US	3.64	-3	-22	+231
Eurozone	2.68	+0	+0	+267
UK	4.04	-2	-2	+277
2 Year Swap %				
US	4.46	-4	-17	+352
Eurozone	2.89	+2	+8	+319
UK	4.50	-11	+5	+331
10 Year Government Bond Spreads to Benchmark bps				
Ireland	46	-3	-5	+3
Belgium	57	-0	+1	+22
France	49	+0	-0	+11
Italy	192	+3	-2	+56
Spain	103	+0	+0	+26
Portugal	96	+2	-3	+29
Greece	210	+5	-17	+60

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	82.7	+2.50	-10.94	+6.33
West Texas Oil	77.14	+2.25	-9.90	+2.40
Gold \$	1807.3	-0.17	+1.89	-1.16

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, p.l.c. and Allied Irish Bank (GB). In Northern Ireland it is distributed by Allied Irish Bank (NI). In the United States of America it is distributed by Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and AIB (NI) are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.