

ECB/BoE hold the line (to little avail)

Trading conditions were somewhat volatile yesterday, as markets continued to digest the Fed meeting outcome from Wednesday. Overall, the Fed meeting sparked a dovish reaction on markets, and raised speculation of a less hawkish stance from the BoE and the ECB. However, both the BoE and ECB held the line against market pricing for significant rate cuts next year, albeit to little avail.

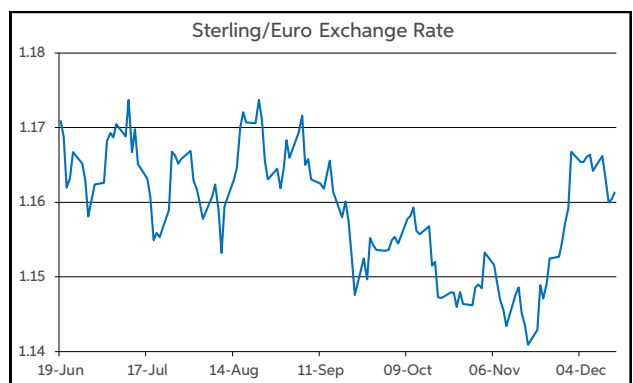
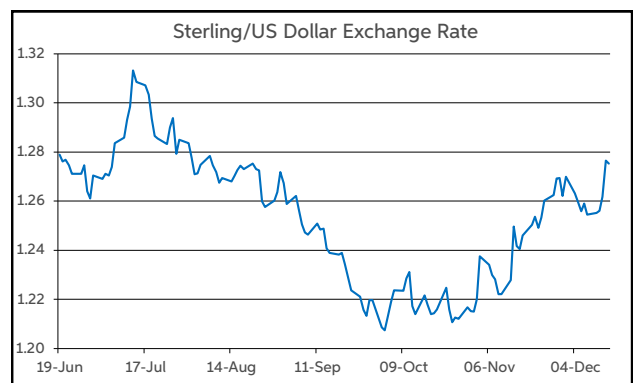
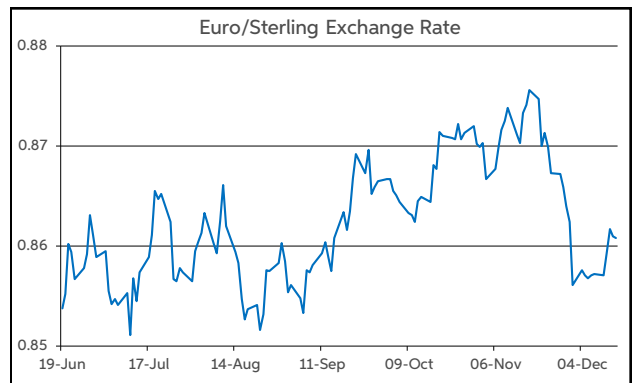
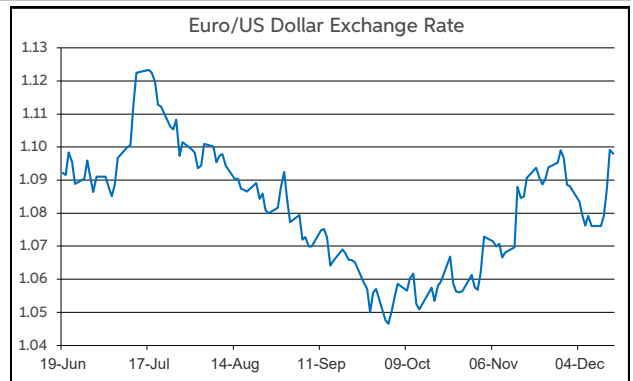
The BoE left Bank rate at 5.25%, as expected. The vote breakdown of the MPC remained split 6-3, with the three dissenters in favour of raising rates by 25bps. Furthermore, the BoE maintains a tightening bias, emphasising that rates will remain restrictive for a sufficiently long period of time to bring inflation down to 2%.

Similarly, the ECB left rates on hold, and announced that PEPP reinvestments will be lowered in H2 2024, before stopping at year end. Meanwhile, the ECB lowered its growth and inflation forecasts for the 2023-24 period. However, at the press conference, President Lagarde reiterated that rates will need to be kept sufficiently restrictive for as long as necessary to restore price stability. She also noted that rate cuts were not discussed at this meeting.

Before the central bank meetings yesterday, markets were pricing in 150bps and 115bps of rate cuts in the Eurozone and UK next year. Despite the hawkish soundings from the ECB and BoE, market expectations are little changed. The contrast in messaging from the Fed and the ECB/BoE, has put the dollar on the defensive though.

In level terms, the weaker tone to the dollar sees EUR/USD open just below \$1.10. GBP/USD is operating up at the midpoint of \$1.27-1.28. Looking ahead, the main releases of note today will be the December reading of the flash PMIs in the Eurozone, UK and US.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0982	0.84	2.62
EUR/GBP	0.8606	-0.16	-2.69
GBP/USD	1.2757	0.97	5.46
GBP/EUR	1.1612	0.16	2.77
USD/JPY	142.09	0.48	8.37
EUR/JPY	156.07	1.31	11.24

* 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	5.38	5.48	5.65	5.19	4.55	3.96
EUR	4.50	3.83	3.93	3.60	3.05	2.63
GBP	5.25	5.18	5.20	4.93	4.61	4.03

All rates quoted are indicative market rates

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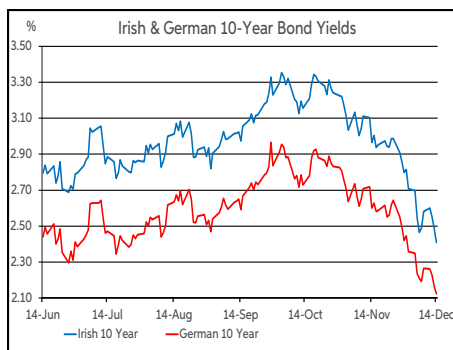
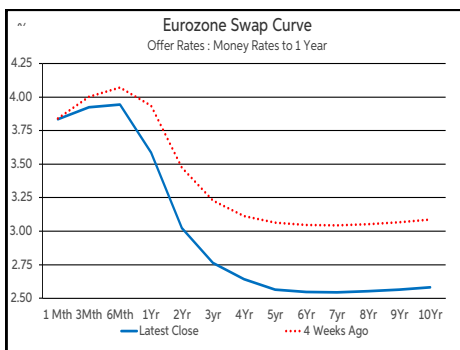
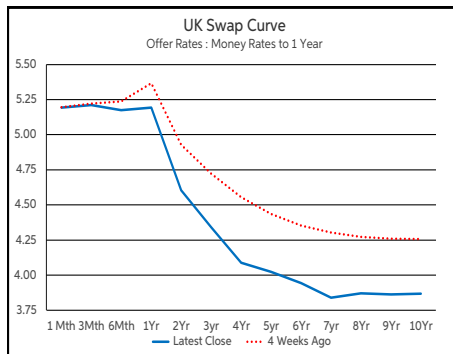
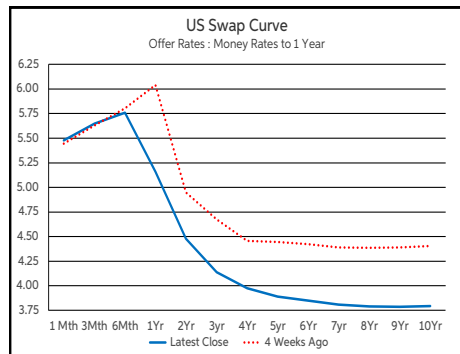
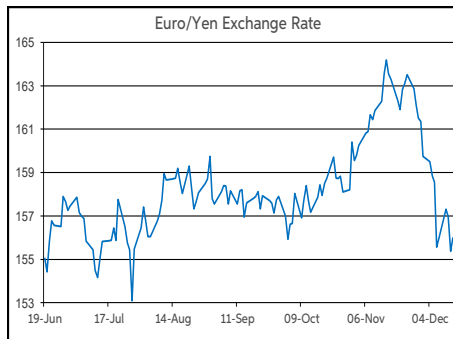
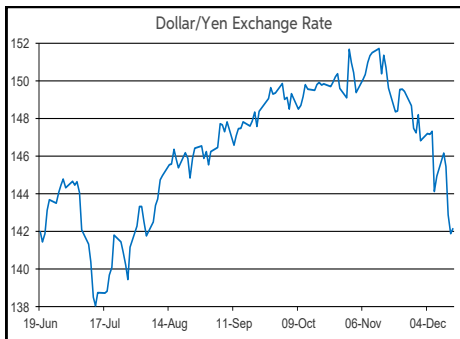
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

Friday 15 December 2023
06:48 am



Euro		Sterling		Dollar	
EUR/GBP	0.8607	GBP/EUR	1.1612	USD/JPY	142.09
EUR/USD	1.0982	GBP/USD	1.2757	USD/CAD	1.3393
EUR/JPY	156.05	GBP/CAD	1.709	USD/CHF	0.8674
EUR/SEK	11.2762	GBP/NZD	2.0586	USD/CNY	7.1106
EUR/DKK	7.4557	GBP/JPY	181.26	USD/BRL	4.9155
EUR/NOK	11.5464	GBP/SEK	13.0975	USD/RUB	89.7825
EUR/CHF	0.9527	GBP/DKK	8.6587	USD/INR	83.213
EUR/AUD	1.6399	GBP/NOK	13.4108	AUD/USD	0.6697
EUR/HKD	8.5742	GBP/CHF	1.1068	NZD/USD	0.6197
EUR/CAD	1.4713	GBP/AUD	1.9047		



Debt Markets				
	Close	Day	4 Weeks	End 22
10 Year Yield %				
US	3.92	-10	-52	+4
Germany	2.13	-4	-46	-44
UK	3.78	-5	-37	+11
5 Year Swap %				
US	3.89	-7	-52	-11
Eurozone	2.57	-9	-49	-67
UK	4.02	-7	-41	-28
2 Year Swap %				
US	4.48	-3	-43	-20
Eurozone	3.02	+2	-44	-36
UK	4.60	-6	-32	-8
10 Year Government Bond Spreads to Benchmark bps				
Ireland	32	-2	-7	-26
Belgium	64	-3	+3	-0
France	51	-3	-5	-4
Italy	166	-11	-10	-48
Spain	95	-6	-5	-14
Portugal	74	-4	+8	-30
Greece	121	-5	-6	-82

Commodities				
	Close	Day	4 Weeks	End 22
Brent Oil	76.61	+3.16	-1.05	-10.83
West Texas Oil	69	+0.03	-9.61	-13.92
Gold \$	2035.5	+0.45	+2.76	+11.57

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