

Not all 50bps rate hikes are the same

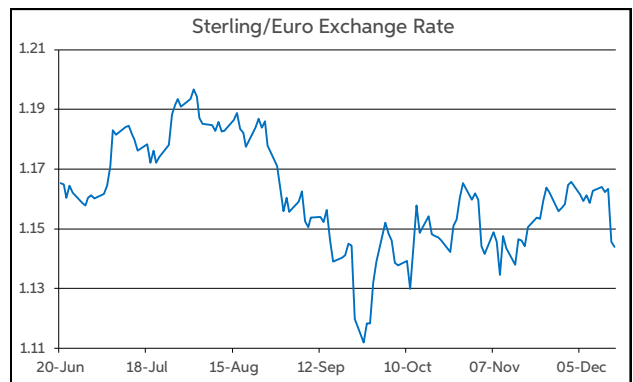
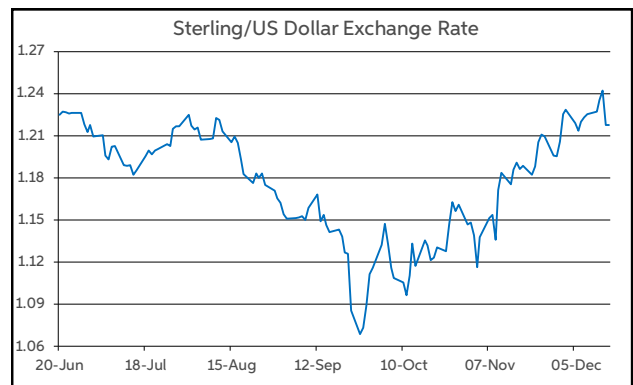
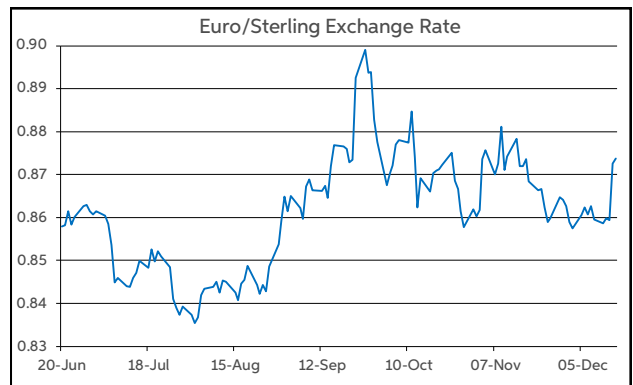
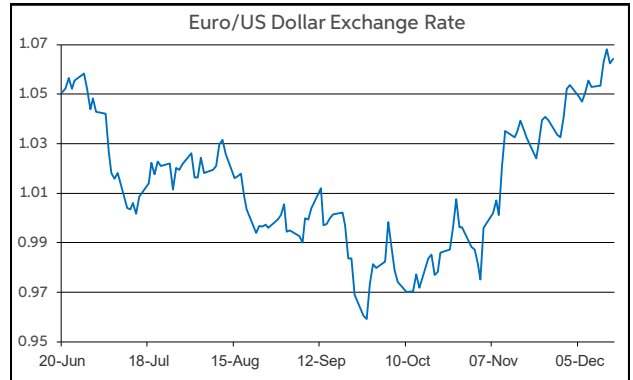
Yesterday, the monetary policy spotlight shifted to the BOE and the ECB. As expected, the BoE raised Bank rate by 50bps, to 3.5%. However, the MPC was split, with six members voting for the 50bps increase, one for 75bps and two members in favour of no change. The market interpreted the decision as being less hawkish, with future contracts edging circa 5bps lower, while sterling fell by around 0.3% in the immediate aftermath of the announcement.

Similarly, the ECB opted for a 50bps rate hike, as anticipated, with the Deposit rate rising to 2.0%. However, at the press conference President Lagarde struck a very hawkish tone. She noted that the terminal rate priced in by markets (near 2.85% at the time) was too low, while also indicating that the ECB will continue to raise rates at a “steady pace”, implying that further 50bps rate hikes could be on the cards. The market reaction saw futures contracts harden by circa 25bps, with the peak now seen as being above 3% next year. Meanwhile EUR/USD briefly traded above \$1.07.

Overall though, the euro was unable to maintain its momentum versus the dollar, as risk appetite soured. The Euro Stoxx 50 shed 3.5% yesterday, while the S&P500 lost 2.5%. Amid the “risk-off” backdrop, EUR/USD finished the day back below the midpoint of \$1.06-1.07. Meanwhile, sterling was on the defensive following the dovish reaction to the BoE rate hike, and the subsequent weaker tone to risk appetite. The currency lost over 1.5% against the euro and the dollar. EUR/GBP moved above the 87p handle, while GBP/USD edged down below the \$1.22 threshold.

Today the main release will be the flash PMIs for December in the US, Eurozone and UK. All the indices are forecast to be little changed from November, remaining below the key 50 level.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0639	-0.17	-6.41
EUR/GBP	0.8737	1.60	4.01
GBP/USD	1.2174	-1.77	-10.02
GBP/EUR	1.1439	-1.58	-3.86
USD/JPY	137.32	1.28	19.33
EUR/JPY	146.11	1.10	11.65

* 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	4.33	4.74	5.05	4.56	3.71
EUR	2.00	1.70	2.08	3.05	3.13	2.89
GBP	3.50	3.49	3.79	4.53	4.46	4.01

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

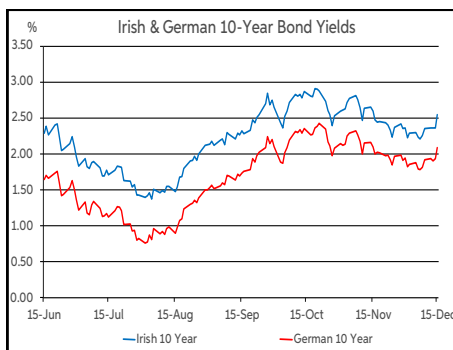
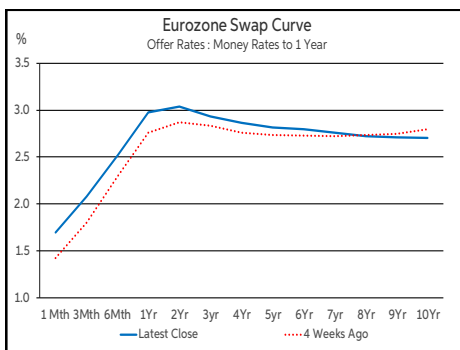
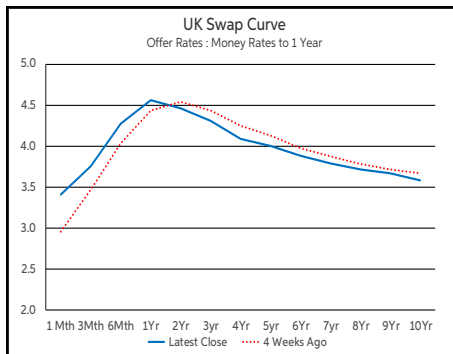
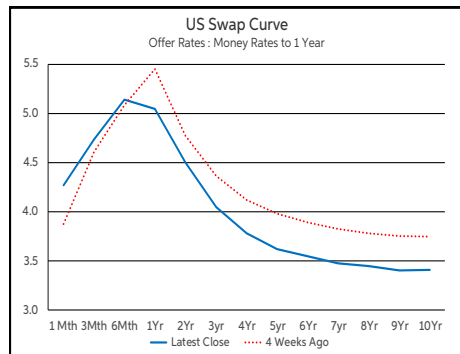
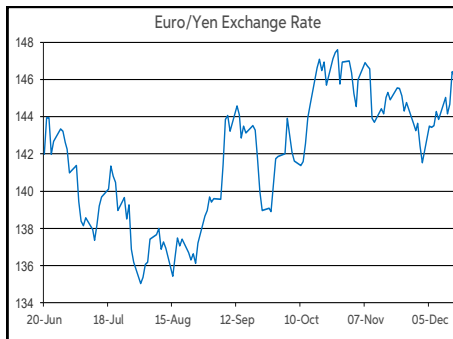
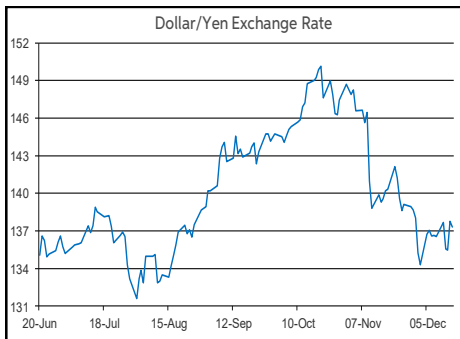
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

Friday 16 December 2022
07:44 am



Euro		Sterling		Dollar	
EUR/GBP	0.8737	GBP/EUR	1.1439	USD/JPY	137.32
EUR/USD	1.0639	GBP/USD	1.2174	USD/CAD	1.3637
EUR/JPY	146.11	GBP/CAD	1.6602	USD/CHF	0.9281
EUR/SEK	11.0064	GBP/NZD	1.9154	USD/CNY	6.9748
EUR/DKK	7.4381	GBP/JPY	167.17	USD/BRL	5.313
EUR/NOK	10.5048	GBP/SEK	12.5946	USD/RUB	64.275
EUR/CHF	0.9876	GBP/DKK	8.5094	USD/INR	82.84
EUR/AUD	1.5887	GBP/NOK	12.0215	AUD/USD	0.6697
EUR/HKD	8.2743	GBP/CHF	1.1301	NZD/USD	0.6355
EUR/CAD	1.451	GBP/AUD	1.8178		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.45	-3	-32	+194
Germany	2.09	+15	+6	+227
UK	3.24	-7	+4	+227
Ireland				
Ireland	2.59	+19	+11	+234
Belgium	2.66	+15	+8	+248
France	2.58	+16	+7	+239
Italy	4.15	+30	+22	+297
Spain	3.15	+18	+10	+256
Portugal	3.10	+20	+9	+261
Greece	4.14	+11	-15	+283
5 Year Swap %				
US	3.62	-0	-32	+229
Eurozone	2.82	+14	+8	+281
UK	4.00	-4	-12	+273
2 Year Swap %				
US	4.50	+4	-23	+356
Eurozone	3.04	+15	+17	+334
UK	4.46	-4	-8	+327
10 Year Government Bond Spreads to Benchmark bps				
Ireland	50	+4	+5	+7
Belgium	57	-1	+1	+21
France	49	+0	+1	+12
Italy	206	+14	+16	+70
Spain	106	+3	+3	+29
Portugal	100	+5	+3	+34
Greece	205	-4	-21	+56

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	81.21	-1.80	-9.55	+4.41
West Texas Oil	75.89	-1.62	-7.10	+0.74
Gold \$	1776.7	-1.69	+0.90	-2.83

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