

Final Fed FOMC of 2024 in focus

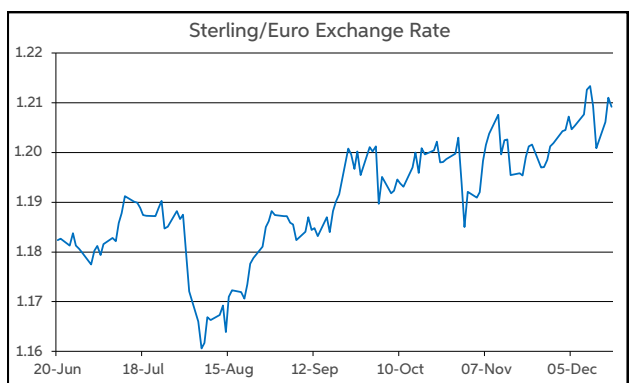
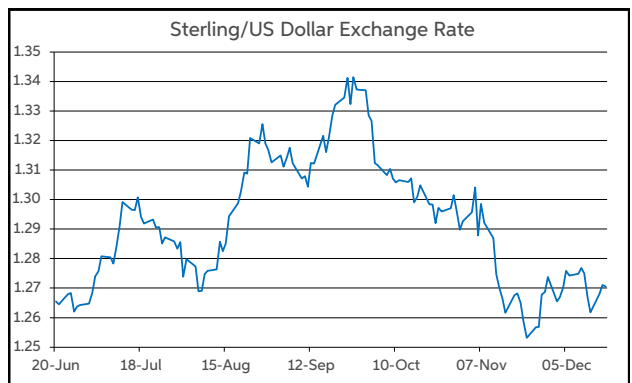
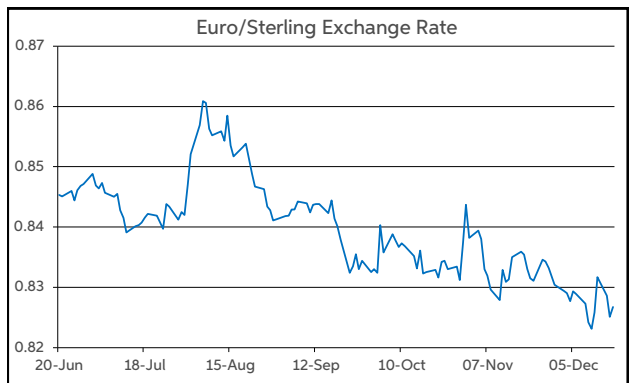
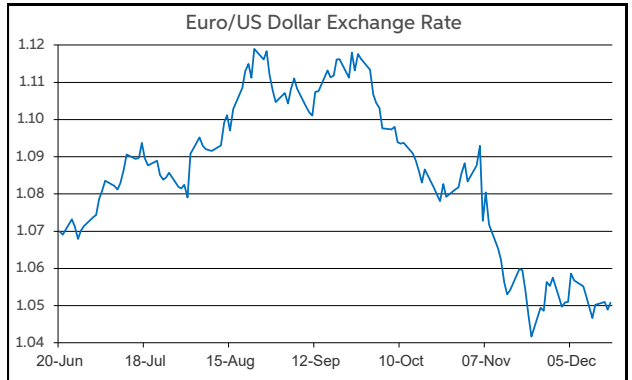
Equity markets moved lower on both sides of the Atlantic yesterday, with the Euro Stoxx 50 falling by 0.1% and the S&P 500 finishing down by 0.4%. Meantime on bond markets, US Treasury and German Bund yields declined by circa 1-2bps. In contrast, Gilt yields rose by 6-9bps along the curve, amid a marked hardening in UK market rate expectations.

UK futures contracts firmed following the release of sticky UK wage inflation data for October. Average earnings growth jumped to +5.2% y/y, up from +4.4% y/y in September, and well above the consensus for +4.6% y/y. Current pricing indicates that the market sees just a 5% chance of a rate cut from the BoE this week, and only a 50% probability of a rate cut at the following meeting in February. In total, around 50bps of policy easing is priced-in by the end of 2025, compared to roughly 70bps at the start of the week.

On the currency front, sterling was in the ascendancy yesterday. However, sterling handed back some of its gains late in the European session. As trading gets underway this morning, EUR/GBP is operating back nearer the midpoint of the 82-83p corridor. GBP/USD is up above the \$1.27 threshold. Elsewhere, EUR/USD continues to trade in and around the \$1.05 handle.

Already today, UK CPI inflation for November has printed broadly in-line with the consensus. The headline rate rose to 2.6% as expected, and the core rate climbed to 3.5% (vs. 3.6% f'cast). The release has coincided with sterling drifting slightly lower in early trading. Later today, the US Fed is widely expected to cut rates by 25bps. Aside from the policy announcement, the post-meeting press conference with Chair Powell and the updated Summary of Economic Projections will garner significant market attention.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0508	0.04	-4.78
EUR/GBP	0.8267	-0.23	-4.63
GBP/USD	1.2705	0.26	-0.19
GBP/EUR	1.2088	0.23	4.85
USD/JPY	153.37	-0.49	8.73
EUR/JPY	161.2	-0.44	3.58

* v Previous Day's European Open
See Next Page for More Rates

	Base Rate	Money Market		Swap Rates		
		1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	4.63	4.37	4.35	4.18	4.34	4.21
EUR	3.15	2.85	2.86	2.38	2.20	2.17
GBP	4.75	4.69	4.64	4.48	4.54	4.31

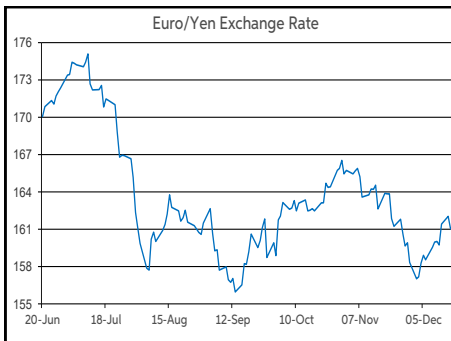
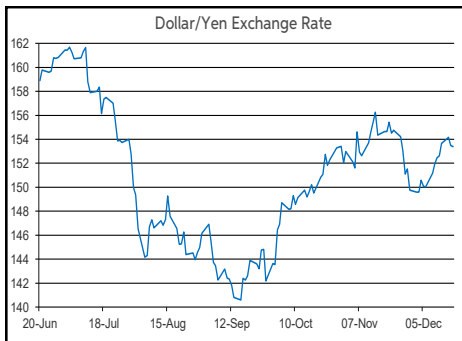
All rates quoted are indicative market rates

See Next Page For More Rates & Charts

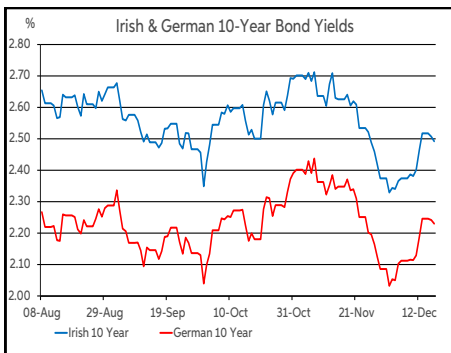
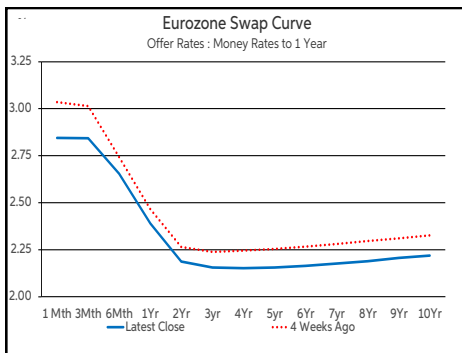
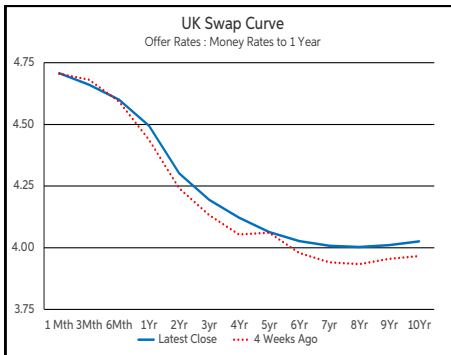
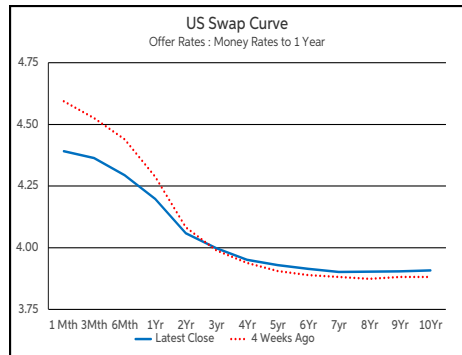
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Euro		Sterling		Dollar	
EUR/GBP	0.8267	GBP/EUR	1.2088	USD/JPY	153.39
EUR/USD	1.0508	GBP/USD	1.2705	USD/CAD	1.4322
EUR/JPY	161.2	GBP/CAD	1.8196	USD/CHF	0.8919
EUR/SEK	11.508	GBP/NZD	2.2105	USD/CNY	7.2842
EUR/DKK	7.4591	GBP/JPY	194.88	USD/BRL	6.1048
EUR/NOK	11.758	GBP/SEK	13.9148	USD/RUB	103.2
EUR/CHF	0.9372	GBP/DKK	9.02	USD/INR	84.935
EUR/AUD	1.6626	GBP/NOK	14.2147	AUD/USD	0.6319
EUR/HKD	8.164	GBP/CHF	1.1337	NZD/USD	0.5744
EUR/CAD	1.5049	GBP/AUD	2.0097		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	4.39	-1	+1	+53
Germany	2.23	-1	-11	+21
UK	4.53	+8	+8	+99
5 Year Swap %				
Ireland	2.53	-1	-11	+16
Belgium	2.84	-1	-8	+15
France	3.04	-1	-7	+48
Italy	3.39	-1	-17	-31
Spain	2.93	-1	-12	-6
Portugal	2.74	-0	-6	-5
Greece	3.10	+1	-12	+2
2 Year Swap %				
US	4.18	+1	+3	+39
Eurozone	2.16	+0	-9	-27
UK	4.30	+10	+4	+65
10 Year Government Bond Spreads to Benchmark bps				
Ireland	29	+0	-0	-4
Belgium	60	+0	+3	-6
France	80	+0	+4	+27
Italy	115	-0	-6	-52
Spain	69	+0	-1	-27
Portugal	50	+1	+5	-25
Greece	86	+2	-1	-18



Commodities				
	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	73.19	-0.97	-0.16	-5.00
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2645.5	-0.26	+0.53	+28.26

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