

EUR/GBP starts the week above 87p

Last week, the market focus was on three key central bank meetings of the US Fed, ECB and BoE. As expected all three opted for smaller 50bps rate hikes than the previous 75bps increases they had implemented earlier in Q4. Despite slowing the pace of rates this time round, the Fed, ECB and BoE all maintain a hawkish bias, with further rate hikes expected in 2023.

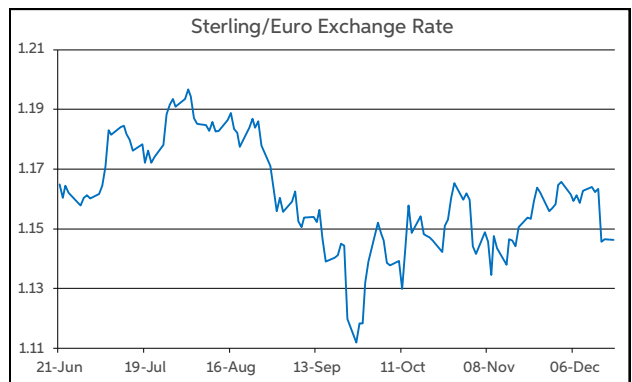
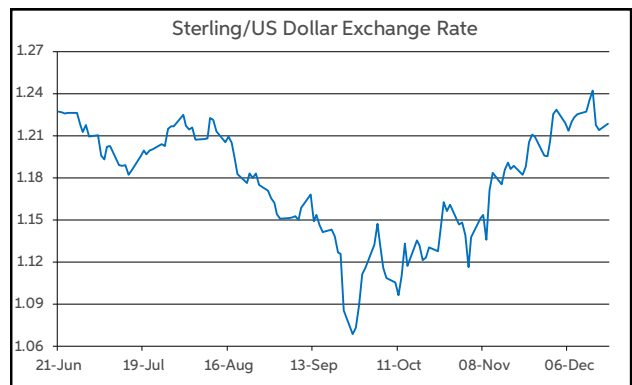
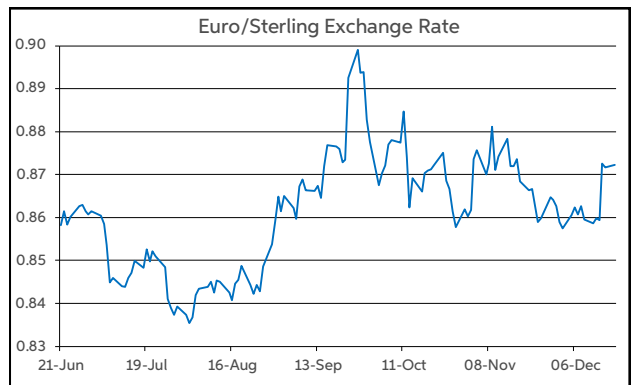
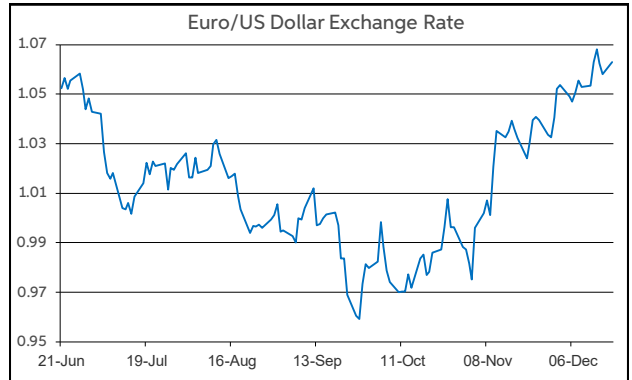
The ECB struck a particularly hawkish tone. Futures contracts hardened as a result, with markets now expecting the deposit rate to rise to circa 3.25% in 2023. Meanwhile, euro-area bond yields rose sharply, with the 10-year German Bund yield rising by 25bps on the week. The 10-year Italian BTP yield surged by 50bps also.

On the currency front, the euro was in the ascendancy for much of last week, supported in part by the hawkish tone from the ECB. EUR/USD briefly traded above \$1.07 during the ECB press conference, for the first time since June. However, the dollar gained some momentum as risk appetite soured near the end of the week. Overall, the Euro Stoxx 50 shed 3.5% last week, while the S&P 500 fell by 2.1%.

As trading gets underway this morning, EUR/USD opens just above the \$1.06 threshold. Meanwhile, GBP/USD is operating in the top half of the \$1.21-1.22 range. EUR/GBP is changing hands up above the 87p handle, having started last week at the 86p level.

This week, the main release of note will be the November reading of US core-PCE inflation. Elsewhere in the US, updates in consumer and housing data will also feature. In the Eurozone, wage data for Q3 will feature.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0628	-0.14	-6.51
EUR/GBP	0.872	0.00	3.81
GBP/USD	1.2186	-0.16	-9.93
GBP/EUR	1.1464	0.00	-3.67
USD/JPY	135.9	-1.06	18.09
EUR/JPY	144.46	-1.20	10.38

* 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	4.35	4.75	5.00	4.51	3.71
EUR	2.00	1.75	2.05	3.06	3.17	2.92
GBP	3.50	3.46	3.78	4.60	4.60	4.12

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

Monday 19 December 2022
07:49 am



Euro

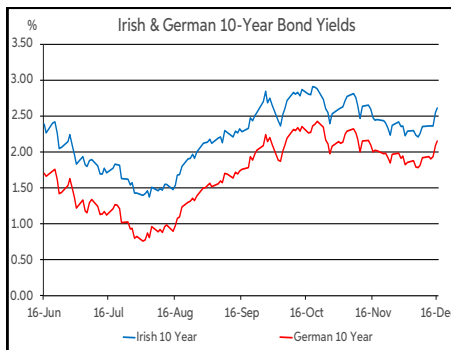
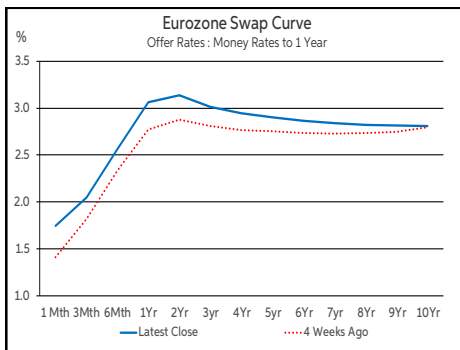
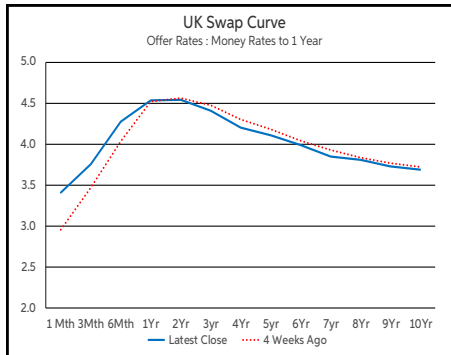
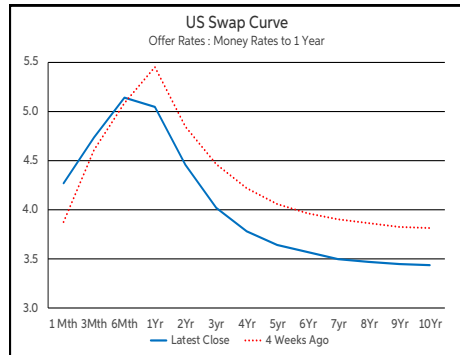
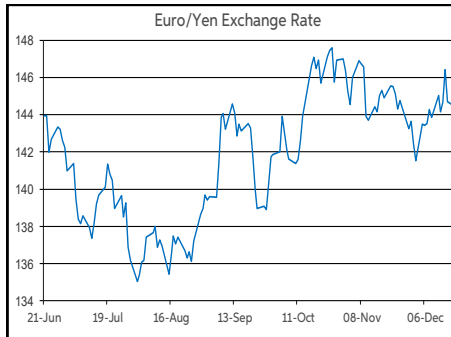
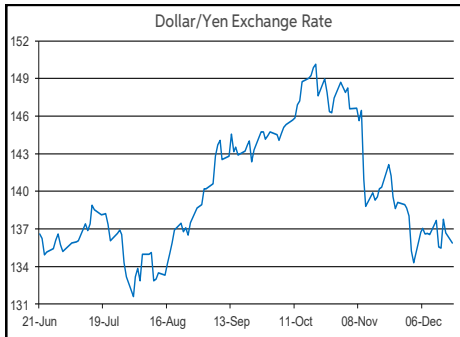
EUR/GBP	0.872
EUR/USD	1.0628
EUR/JPY	144.46
EUR/SEK	11.0491
EUR/DKK	7.4371
EUR/NOK	10.5001
EUR/CHF	0.9894
EUR/AUD	1.5841
EUR/HKD	8.2721
EUR/CAD	1.4523

Sterling

GBP/EUR	1.1464
GBP/USD	1.2186
GBP/CAD	1.665
GBP/NZD	1.9095
GBP/JPY	165.61
GBP/SEK	12.6748
GBP/DKK	8.5252
GBP/NOK	12.0327
GBP/CHF	1.1346
GBP/AUD	1.8161

Dollar

USD/JPY	135.9
USD/CAD	1.3664
USD/CHF	0.9309
USD/CNY	6.981
USD/BRL	5.314
USD/RUB	65.4
USD/INR	82.616
AUD/USD	0.6709
NZD/USD	0.638



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.49	+4	-34	+198
Germany	2.16	+7	+14	+234
UK	3.33	+9	+9	+236
Ireland				
Ireland	2.67	+8	+18	+242
Belgium	2.75	+10	+19	+258
France	2.67	+9	+18	+248
Italy	4.28	+13	+39	+310
Spain	3.24	+9	+21	+265
Portugal	3.19	+9	+21	+270
Greece	4.31	+16	+4	+299
5 Year Swap %				
US	3.64	+0	-40	+231
Eurozone	2.90	+8	+16	+289
UK	4.11	+11	-6	+284
2 Year Swap %				
US	4.46	-3	-37	+352
Eurozone	3.14	+10	+27	+344
UK	4.54	+8	-1	+335
10 Year Government Bond Spreads to Benchmark bps				
Ireland	51	+1	+4	+8
Belgium	59	+3	+5	+24
France	51	+2	+4	+14
Italy	212	+6	+25	+76
Spain	108	+2	+7	+31
Portugal	103	+2	+7	+36
Greece	215	+10	-10	+66

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	79.04	-2.67	-9.79	+1.62
West Texas Oil	74.19	-2.24	-7.34	-1.51
Gold \$	1792.3	+0.88	+2.43	-1.97

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