

Yen firms overnight as BoJ modifies policy

There was a mixed mood on financial markets yesterday. The Euro Stoxx 50 rebounded by 0.2%, having suffered heavy losses last week. On Wall Street though, the S&P 500 fell by 0.9%. Sentiment in Europe was supported by an above consensus reading of the German Ifo in December (88.6 vs. 87.4 f'cast).

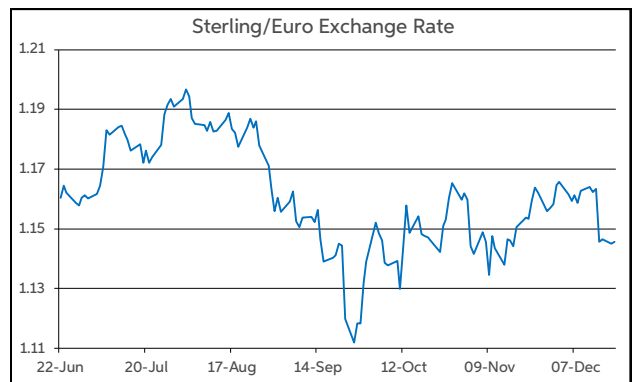
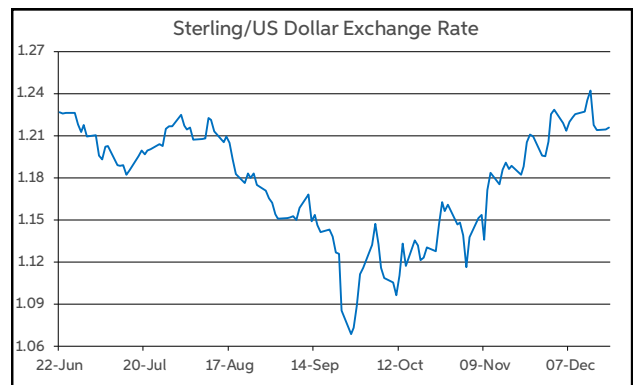
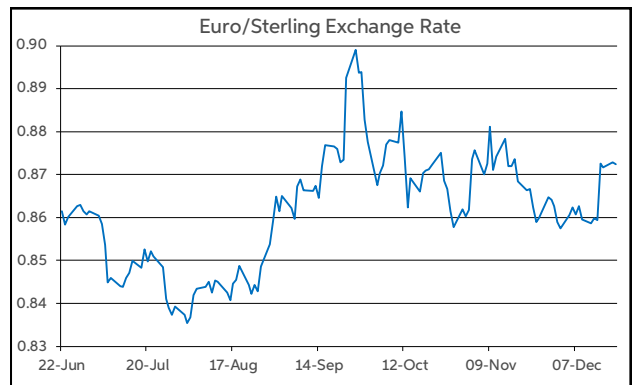
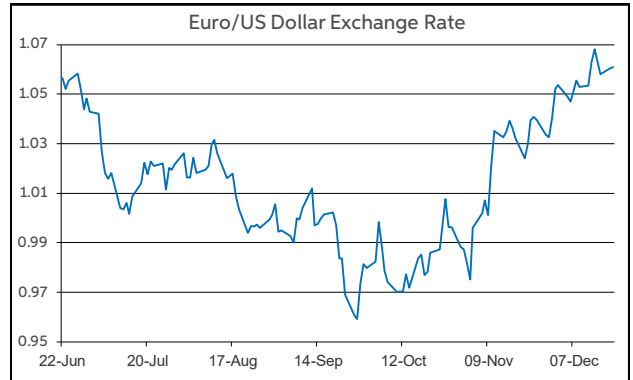
On bond markets, sovereign yields rose across the board. Longer-dated German Bund yields rose by 4-8bps, with Euro-area core-periphery spreads widening also, following some hawkish remarks from ECB Vice-President de Guindos. Meantime, UK Gilt yields rose by circa 15bps along the curve, as the BoE announced last Friday it will increase the pace of Quantitative Tightening in Q1 2023. US Treasury yields moved 9-12bps higher also.

Currency-wise, the euro initially edged higher, supported by the better than anticipated Ifo and hawkish ECB rhetoric. However, as the day progressed, the dollar gained some momentum, with EUR/USD trading to a low of \$1.058. Overnight though, the dollar handed back all of its gains. Elsewhere, the yen rose by over 2.5% versus the euro and the dollar, as the BoJ unexpectedly widened its yield curve control target.

In level terms, EUR/USD opens this morning at the \$1.06 threshold. GBP/USD is operating at the midpoint of \$1.21-1.22. Meanwhile, EUR/GBP continues to trade with an 87p handle. USD/JPY is changing hands back in the lower half of the ¥132-133 range.

Today, the flash reading of Eurozone consumer confidence is forecast to register a slight improvement in December. In the US, housing starts data for November are due. Barring any major surprises, neither release is likely to impact currency markets.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0613	0.07	-6.64
EUR/GBP	0.8729	0.17	3.92
GBP/USD	1.2158	-0.09	-10.13
GBP/EUR	1.1455	-0.17	-3.77
USD/JPY	132.36	-2.81	15.02
EUR/JPY	140.5	-2.73	7.36

* 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	5.04	4.57	3.80
EUR	2.00	1.75	2.05	3.10	3.19	2.98
GBP	3.50	3.46	3.78	4.64	4.64	4.22

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

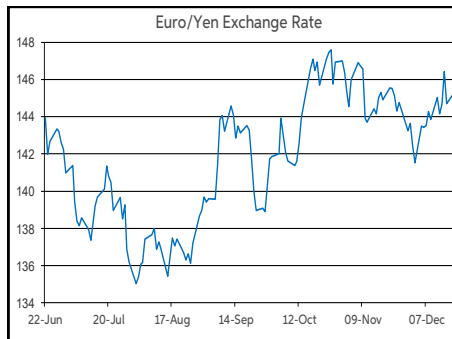
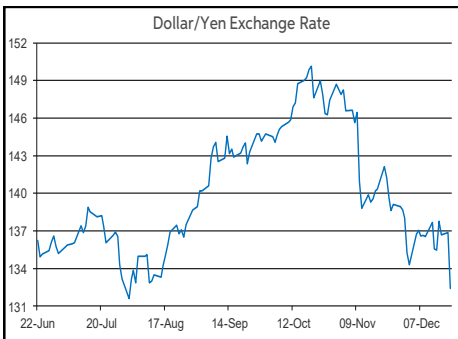
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

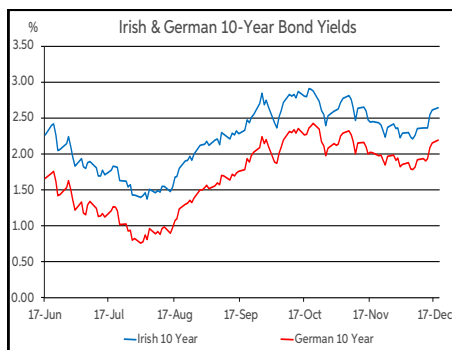
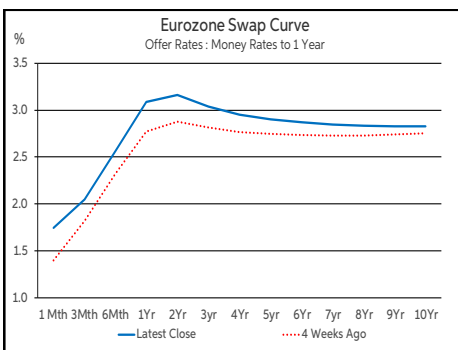
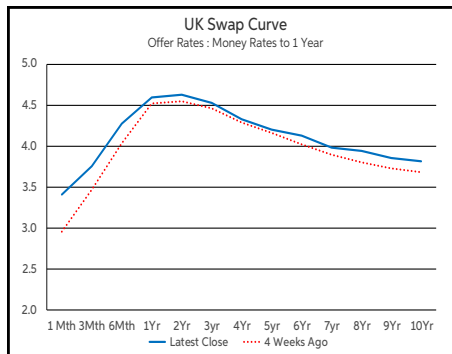
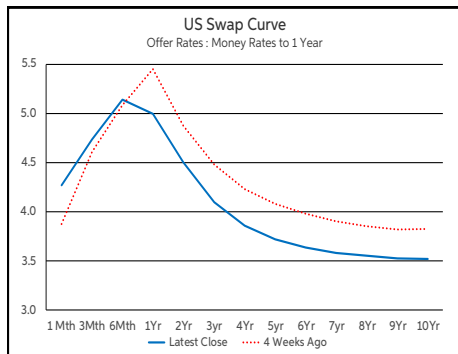
Tuesday 20 December 2022
07:53 am



Euro		Sterling		Dollar	
EUR/GBP	0.8727	GBP/EUR	1.1453	USD/JPY	132.38
EUR/USD	1.0611	GBP/USD	1.2155	USD/CAD	1.3667
EUR/JPY	140.49	GBP/CAD	1.6614	USD/CHF	0.928
EUR/SEK	11.0577	GBP/NZD	1.9198	USD/CNY	6.9736
EUR/DKK	7.4381	GBP/JPY	160.95	USD/BRL	5.293
EUR/NOK	10.5183	GBP/SEK	12.6651	USD/RUB	69.15
EUR/CHF	0.9848	GBP/DKK	8.5193	USD/INR	82.737
EUR/AUD	1.594	GBP/NOK	12.0555		
EUR/HKD	8.26	GBP/CHF	1.1283	AUD/USD	0.6656
EUR/CAD	1.4503	GBP/AUD	1.8259	NZD/USD	0.6331



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.59	+10	-25	+208
Germany	2.20	+4	+22	+238
UK	3.50	+17	+31	+253
5 Year Swap %				
Ireland	2.73	+6	+26	+248
Belgium	2.81	+6	+31	+263
France	2.72	+5	+26	+253
Italy	4.37	+9	+45	+319
Spain	3.29	+5	+31	+270
Portugal	3.23	+4	+30	+274
Greece	4.34	+3	+10	+303
2 Year Swap %				
US	3.72	+7	-32	+239
Eurozone	2.90	+1	+16	+289
UK	4.20	+9	+4	+293
10 Year Government Bond Spreads to Benchmark bps				
Ireland	52	+2	+3	+10
Belgium	61	+1	+8	+25
France	52	+1	+4	+15
Italy	217	+5	+22	+81
Spain	109	+1	+9	+32
Portugal	103	-0	+8	+36
Greece	214	-1	-12	+65



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	79.8	+0.96	-8.75	+2.60
West Texas Oil	75.05	+1.16	-5.88	-0.37
Gold \$	1787.4	-0.27	+2.86	-2.24

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