

It's beginning to look a lot like rate cuts!

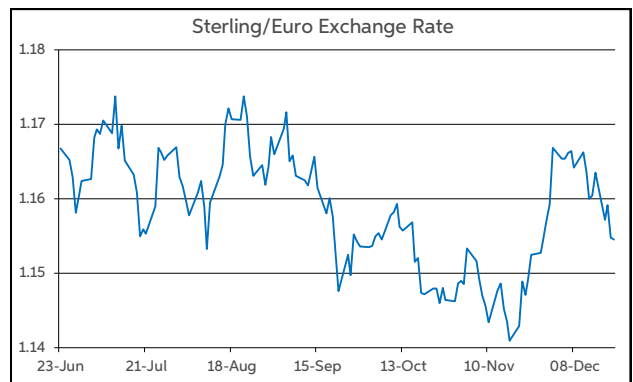
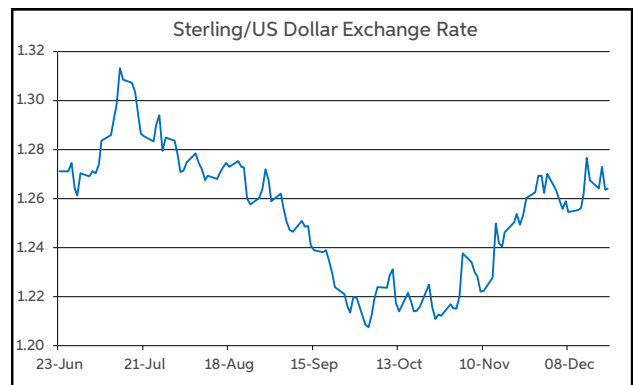
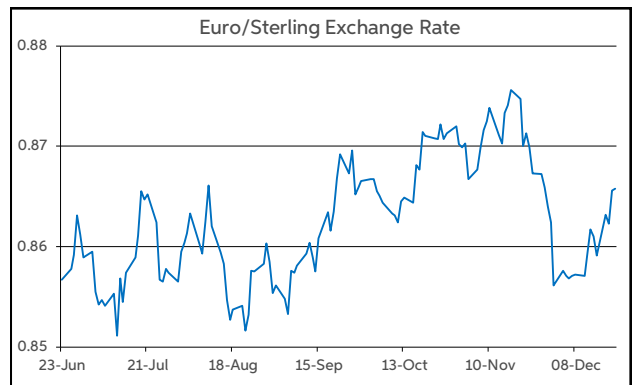
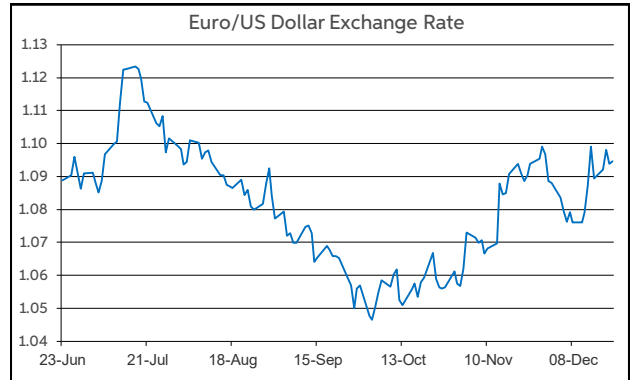
Stock markets were somewhat mixed yesterday, with the Euro Stoxx 50 finishing flat for the day, while the S&P 500 shed 1.5%. In contrast, the FTSE 100 gained 1%, after both headline and core UK inflation for November printed well below expectations. The headline CPI rate fell from 4.6% to 3.9%, while the core rate declined from 5.7% to 5.1%. This saw UK markets move to price in a greater magnitude of cuts in rates for 2024.

Futures contracts show traders now expect the Bank of England to cut rates by 135bps next year, starting in May. The UK market has thus moved more into line with the US and Eurozone, where around 150bps of policy easing is expected in 2024. Against this backdrop, not surprisingly, UK gilt yields fell yesterday. At the same time, sterling was on the defensive, with EUR/GBP moving above 86.5p and cable (GBP/USD) dropping back below \$1.27.

Elsewhere yesterday, there was bigger than anticipated jump in US Consumer Confidence in December. The index rose from 101.0 to 110.7, well above the 104.0 consensus. Existing home sales also unexpectedly rose in November. Both data releases strengthened hopes that the US economy can continue to perform well in 2024. Meantime, Eurozone consumer confidence improved by more than expected in December.

This morning on markets, EUR/USD opens around the midpoint of \$1.09-1.10. GBP/USD is operating in the lower half of the \$1.26-1.27 corridor. Meanwhile EUR/GBP is trading close to 86.5p. Elsewhere, USD/JPY remains between ¥143-144. The main data releases today are in the US, in the form of weekly jobless claims and the Philly Fed Business survey. However, barring any major surprises, the data are unlikely to impact on markets.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0943	-0.19	2.25
EUR/GBP	0.8657	0.46	-2.11
GBP/USD	1.2639	-0.64	4.48
GBP/EUR	1.1548	-0.46	2.16
USD/JPY	143.22	-0.25	9.24
EUR/JPY	156.77	-0.43	11.74

* 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	5.47	5.64	5.46	4.46	3.90
EUR	4.50	3.85	3.92	3.51	2.89	2.46
GBP	5.25	5.18	5.21	4.77	4.35	3.72

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

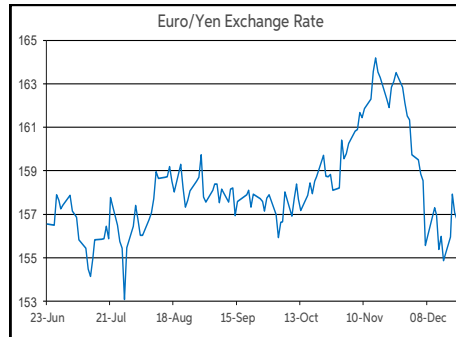
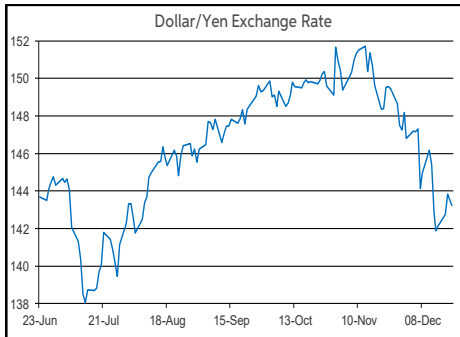
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

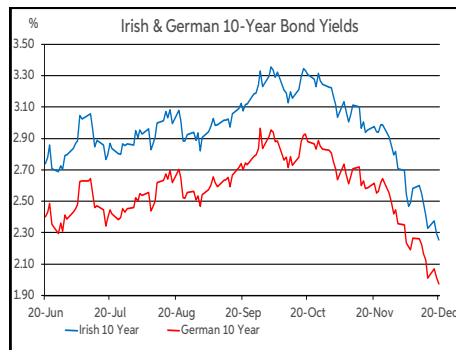
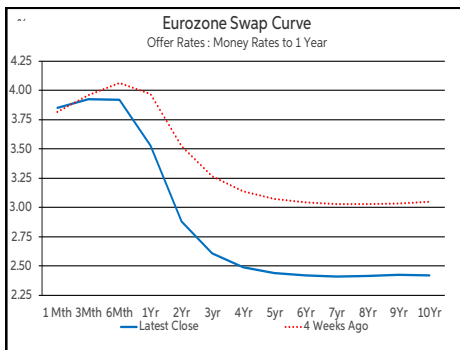
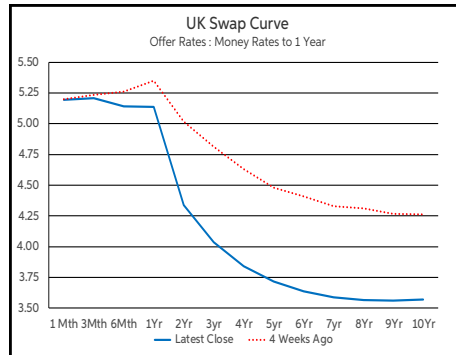
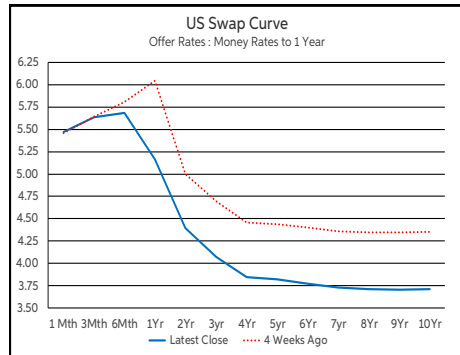
Thursday 21 December 2023
07:46 am



Euro		Sterling		Dollar	
EUR/GBP	0.8657	GBP/EUR	1.1548	USD/JPY	143.22
EUR/USD	1.0943	GBP/USD	1.2639	USD/CAD	1.3351
EUR/JPY	156.77	GBP/CAD	1.6878	USD/CHF	0.8623
EUR/SEK	11.1215	GBP/NZD	2.0241	USD/CNY	7.1452
EUR/DKK	7.4558	GBP/JPY	181.02	USD/BRL	4.9141
EUR/NOK	11.3176	GBP/SEK	12.8398	USD/RUB	91.05
EUR/CHF	0.9437	GBP/DKK	8.6096	USD/INR	83.2402
EUR/AUD	1.6228	GBP/NOK	13.0645	AUD/USD	0.6745
EUR/HKD	8.5458	GBP/CHF	1.0901	NZD/USD	0.6243
EUR/CAD	1.4614	GBP/AUD	1.874		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.85	-8	-56	-3
Germany	1.98	-4	-59	-59
UK	3.53	-13	-63	-14
Ireland	2.28	-5	-69	-87
Belgium	2.60	-4	-55	-60
France	2.48	-4	-64	-63
Italy	3.61	-4	-71	-110
Spain	2.92	-4	-63	-74
Portugal	2.68	-4	-54	-92
Greece	3.08	-9	-67	-151
5 Year Swap %				
US	3.82	-9	-58	-17
Eurozone	2.44	-5	-63	-79
UK	3.72	-15	-71	-59
2 Year Swap %				
US	4.40	-11	-57	-28
Eurozone	2.88	-5	-63	-51
UK	4.34	-18	-68	-35
10 Year Government Bond Spreads to Benchmark bps				
Ireland	30	-1	-10	-29
Belgium	63	-0	+3	-1
France	50	-0	-5	-5
Italy	163	+0	-12	-51
Spain	94	-0	-5	-15
Portugal	71	-1	+5	-33
Greece	111	-5	-9	-92



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	79.7	+0.59	-2.76	-7.23
West Texas Oil	69	+0.03	-9.61	-13.92
Gold \$	2029.2	-0.54	+1.98	+11.23

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