

Fed policy decision and EZ inflation data today

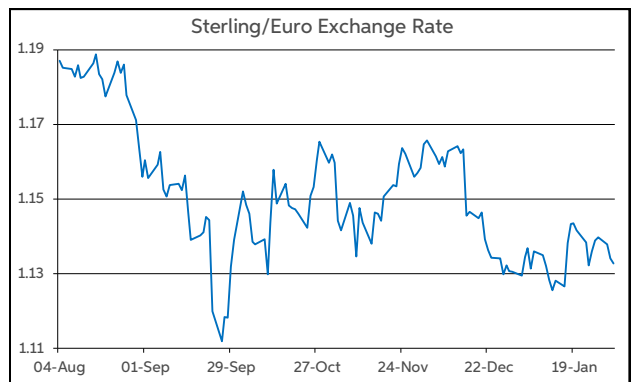
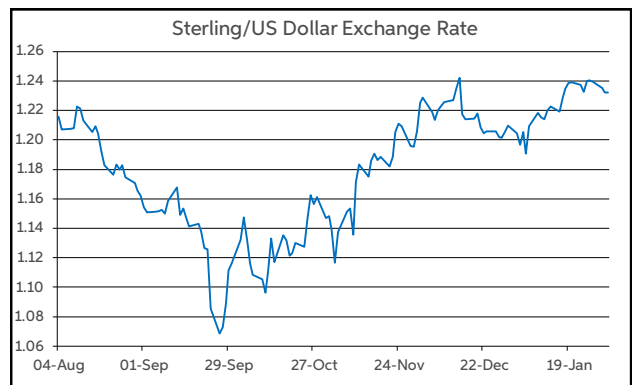
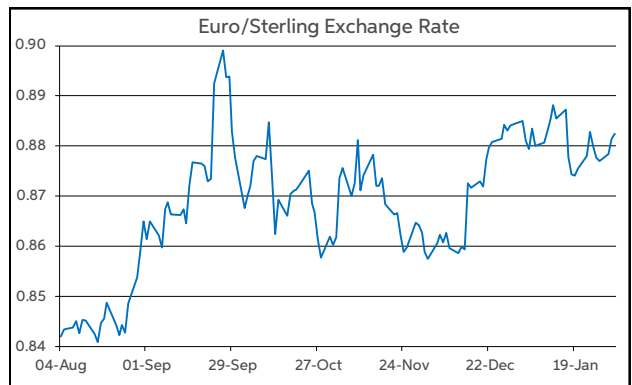
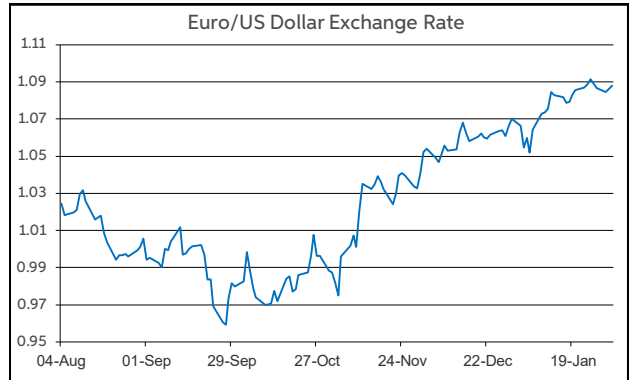
There was a somewhat subdued mood on markets for much of yesterday, as investors kept their powder dry ahead of the upcoming busy schedule of central bank meetings. The Euro Stoxx 50 finished flat for the day. On Wall Street, the S&P 500 rallied late in its session to close up 1.5%, boosted by further signs that inflationary pressures are easing in the US.

Data-wise, the wages component of the US employment cost index, the Fed's preferred measure of wage inflation slowed to 1% in Q4, from 1.3% in Q3. Meanwhile, in the Eurozone, the flash reading of Q4 GDP printed at +0.1% q/q (vs. -0.1% f'cast). The data suggest the risk of second round inflation effects in the US has weakened, and that the Eurozone economy may avoid a technical recession in the first half of this year.

On the currency front, the main pairs were confined to relatively tight ranges yesterday. Of the limited moves to register, sterling was holding a slightly softer tone. Elsewhere, the euro made some modest gains across the board. In level terms, the sterling weakness and euro strength is reflected by EUR/GBP opening this morning up above the 88p threshold. GBP/USD is operating back in the lower half of \$1.23-1.24. Meanwhile, EUR/USD is changing hands in the top half of \$1.08-1.09.

Ahead today, the Fed is widely expected to slow the pace of rate hikes to 25bps, following a 50bps rise in December. Chair Powell's press conference will garner very close attention, as investors look for guidance on the future path of rate increases. In the Eurozone, the flash reading of HICP inflation for January is due. Headline HICP is projected to fall to 9% from 9.2%, although, the ex-food & energy reading is forecast to be unchanged at 6.9%.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0877	0.41	1.64
EUR/GBP	0.8825	0.52	-0.21
GBP/USD	1.2323	-0.11	1.87
GBP/EUR	1.1328	-0.52	0.22
USD/JPY	130.31	0.10	-0.61
EUR/JPY	141.75	0.50	1.03

* 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	4.57	4.81	5.00	4.47	3.65
EUR	2.50	2.14	2.48	3.34	3.29	2.93
GBP	3.50	3.87	4.13	4.54	4.27	3.85

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

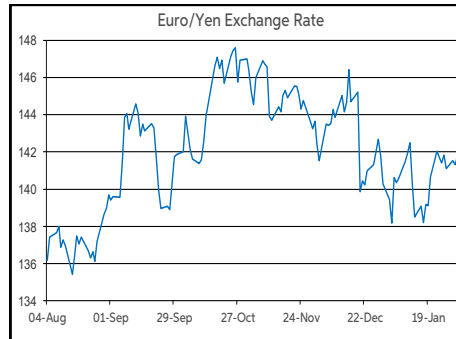
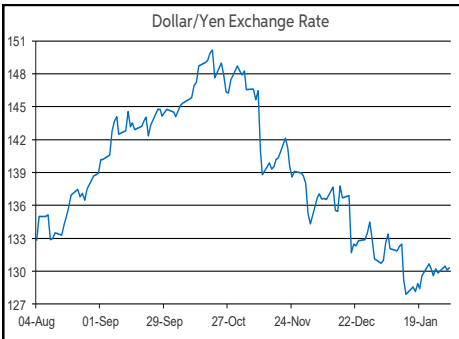
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

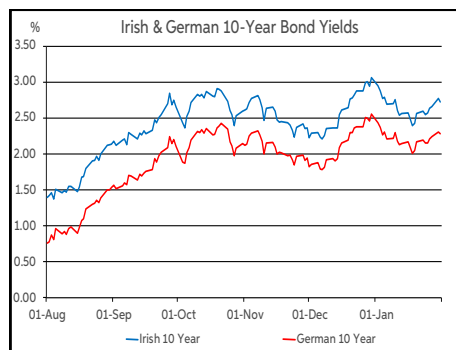
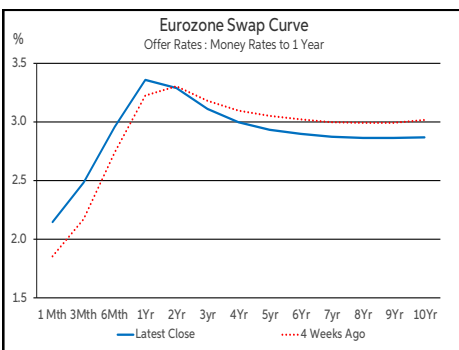
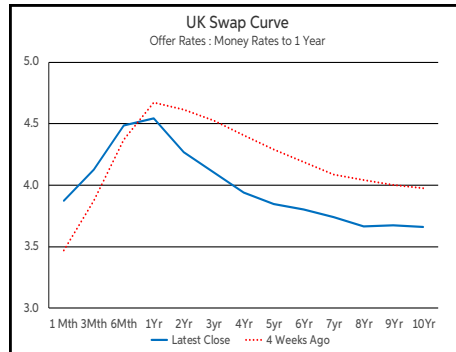
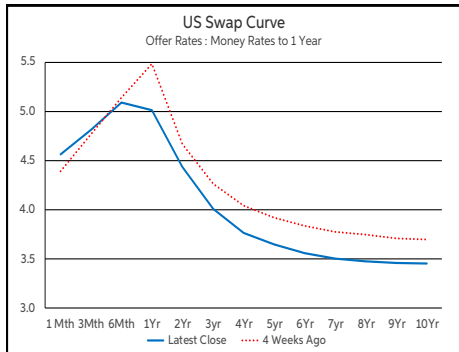
Wednesday 01 February 2023
07:19 am



Euro		Sterling		Dollar	
EUR/GBP	0.8825	GBP/EUR	1.1328	USD/JPY	130.31
EUR/USD	1.0877	GBP/USD	1.2323	USD/CAD	1.3307
EUR/JPY	141.75	GBP/CAD	1.6398	USD/CHF	0.9152
EUR/SEK	11.3479	GBP/NZD	1.9109	USD/CNY	6.7455
EUR/DKK	7.4393	GBP/JPY	160.58	USD/BRL	5.0731
EUR/NOK	10.8409	GBP/SEK	12.8527	USD/RUB	70.2
EUR/CHF	0.9955	GBP/DKK	8.4257	USD/INR	81.735
EUR/AUD	1.5374	GBP/NOK	12.2789		
EUR/HKD	8.5289	GBP/CHF	1.128	AUD/USD	0.7074
EUR/CAD	1.4474	GBP/AUD	1.7416	NZD/USD	0.6446



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.51	-3	-24	-37
Germany	2.28	-3	-10	-28
UK	3.33	-0	-32	-34
5 Year Swap %				
US	3.65	-5	-24	-35
Eurozone	2.94	-3	-11	-30
UK	3.85	-1	-44	-46
2 Year Swap %				
US	4.43	-4	-19	-24
Eurozone	3.29	-2	-1	-10
UK	4.27	-3	-34	-41
10 Year Government Bond Spreads to Benchmark bps				
Ireland	48	-1	-5	-11
Belgium	66	-2	+3	+2
France	47	-0	-8	-8
Italy	199	-2	-13	-15
Spain	105	-0	-4	-5
Portugal	92	-1	-10	-11
Greece	204	+4	-20	+1



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	84.49	-0.48	+2.91	-1.65
West Texas Oil	78.95	+1.26	+2.71	-1.51
Gold \$	1927.9	+0.28	+4.81	+5.67

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