

EUR/USD below \$1.08 post-Fed. BoE in focus today

In the lead up to yesterday's Fed monetary policy announcement, US market rate expectations softened. This followed the release of the Employment Cost Index, which showed wage growth slowed to 0.9% q/q in Q4, its lowest reading since Q2 2021. Meanwhile, Eurozone futures contracts also softened, amid a sharp fall in German and French headline HICP inflation in January.

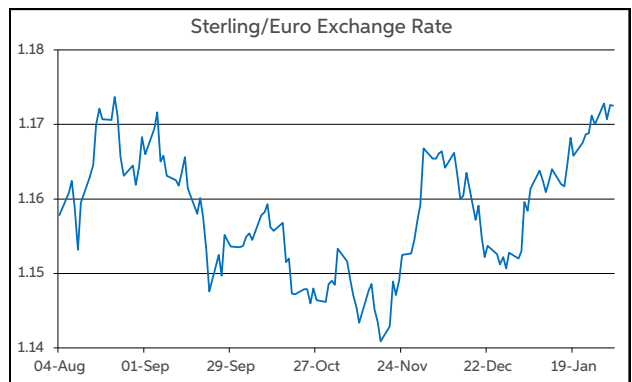
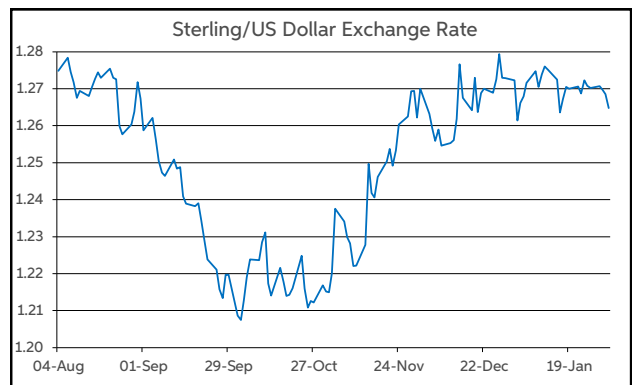
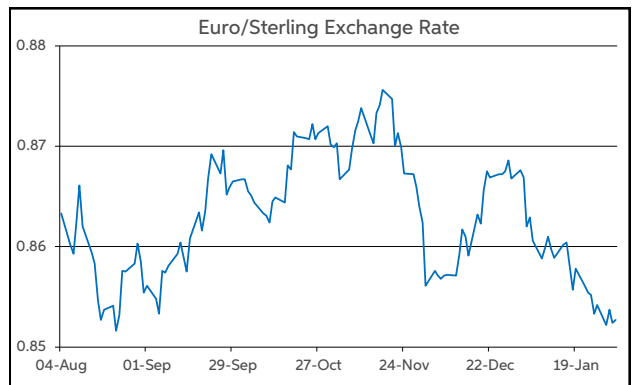
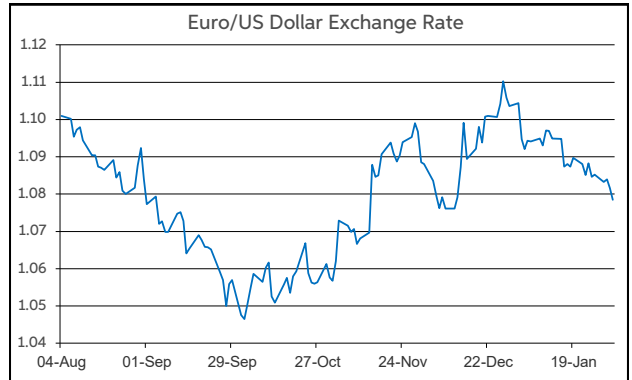
Overnight the Fed left interest rates on hold as expected. However, at the press conference, Chair Powell pushed back against expectations of a rate cut in Q1, although he did admit it will be "appropriate to dial back" the restrictive stance of monetary policy this year. Investors reduced expectations that the Fed will cut rates in March in response. A total of 140bps of rate cuts are priced in by year end, compared to circa 150bps before the press conference.

Against this backdrop, the dollar was on the defensive during the European session. However, the greenback regained the ascendancy overnight. Meantime, the yen was on the front foot, as the January meeting minutes noted the BoJ discussed the possibility of a near-term exit from negative interest rates.

In level terms, the firmer dollar tone sees EUR/USD open this morning back below \$1.08. GBP/USD is down at the midpoint of \$1.26-1.27. Elsewhere, EUR/JPY is back in the ¥158-159 range.

Today, the monetary policy spotlight will shift to the BoE. However, the central bank is widely anticipated to leave policy unchanged. Indeed, the main focus will be centred on the updated Monetary Policy Report and the accompanying press conference. In the Eurozone, flash reading of HICP inflation (January) and the unemployment rate (December) will feature.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0784	-0.31	-2.28
EUR/GBP	0.8527	-0.07	-1.63
GBP/USD	1.2647	-0.23	-0.64
GBP/EUR	1.1723	0.07	1.65
USD/JPY	146.89	-0.56	4.13
EUR/JPY	158.43	-0.88	1.80

* 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	5.44	5.58	5.02	4.38	3.91
EUR	4.50	3.85	3.90	3.45	2.90	2.55
GBP	5.25	5.18	5.20	4.82	4.47	3.93

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

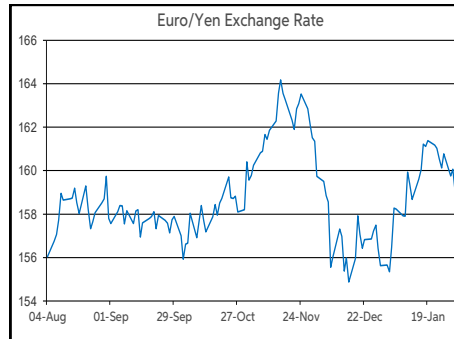
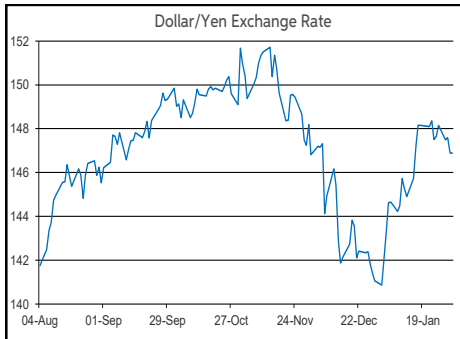
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
---------	----------------------------	------------	------------	------------------	---------------------------	-----------------	-----------------------------------

Opening Levels

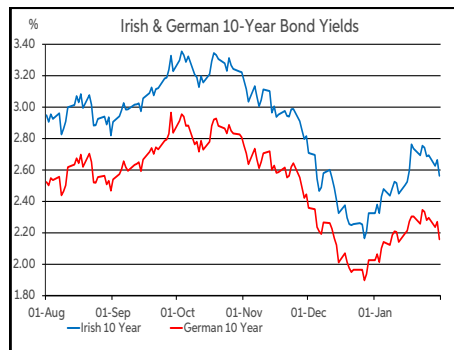
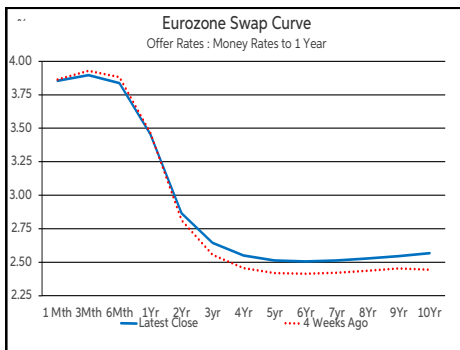
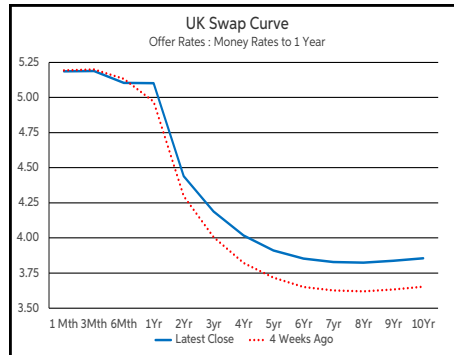
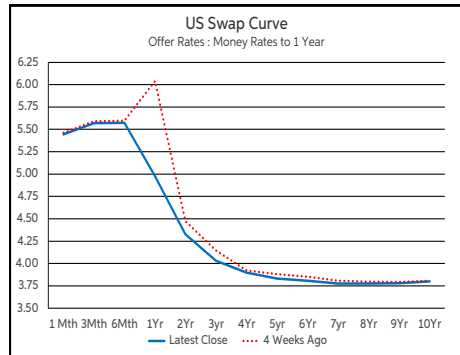
Thursday 01 February 2024
07:33 am



Euro		Sterling		Dollar	
EUR/GBP	0.8527	GBP/EUR	1.1723	USD/JPY	146.89
EUR/USD	1.0784	GBP/USD	1.2647	USD/CAD	1.3456
EUR/JPY	158.43	GBP/CAD	1.7021	USD/CHF	0.8638
EUR/SEK	11.2449	GBP/NZD	2.072	USD/CNY	7.1832
EUR/DKK	7.4546	GBP/JPY	185.77	USD/BRL	4.9526
EUR/NOK	11.3848	GBP/SEK	13.1916	USD/RUB	90.0825
EUR/CHF	0.9318	GBP/DKK	8.7406	USD/INR	82.966
EUR/AUD	1.6506	GBP/NOK	13.3523	AUD/USD	0.653
EUR/HKD	8.4326	GBP/CHF	1.0927	NZD/USD	0.6103
EUR/CAD	1.4513	GBP/AUD	1.9361		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	3.92	-12	-0	+5
Germany	2.16	-11	+14	+13
UK	3.80	-10	+16	+26
5 Year Swap %				
US	3.83	-15	-1	+4
Eurozone	2.51	-9	+10	+8
UK	3.91	-6	+24	+26
2 Year Swap %				
US	4.33	-15	-11	-1
Eurozone	2.86	-6	+6	+7
UK	4.44	-10	+15	+18
10 Year Government Bond Spreads to Benchmark bps				
Ireland	44	+2	+9	+9
Belgium	60	+1	-5	-5
France	50	+1	-4	-3
Italy	157	+4	-12	-11
Spain	93	+2	-5	-4
Portugal	72	+2	-6	-4
Greece	108	+8	-8	+3



Commodities				
	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	81.71	-1.40	+4.42	+6.06
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2037.2	+0.05	-0.18	-1.23

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, p.l.c. and Allied Irish Bank (GB). In Northern Ireland it is distributed by Allied Irish Bank (NI). In the United States of America it is distributed by Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and AIB (NI) are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.