

## ECB & BoE expected to hike rates by 50bps

The subdued mood on markets persisted yesterday throughout the European session, ahead of the US Fed policy decision after the close. The Euro Stoxx 50 inched 0.2% higher. Meantime, the euro ground steadily higher, gaining circa 0.5% against the dollar and sterling. However, there was no obvious catalyst for the move.

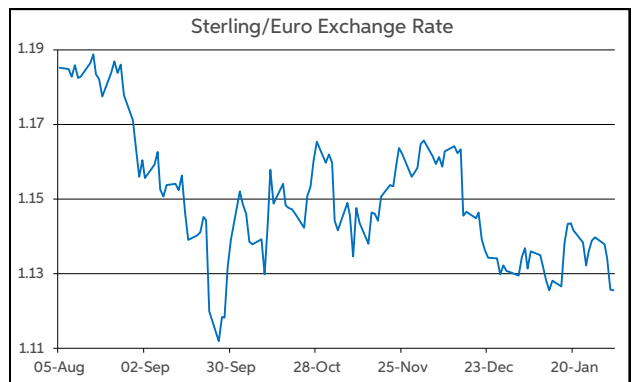
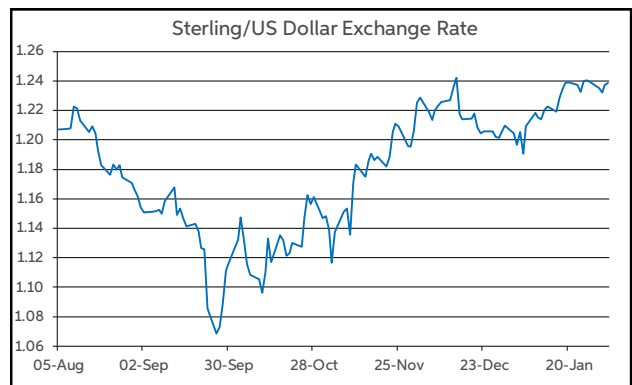
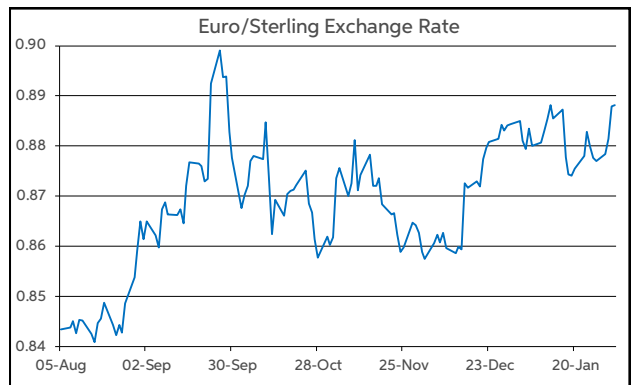
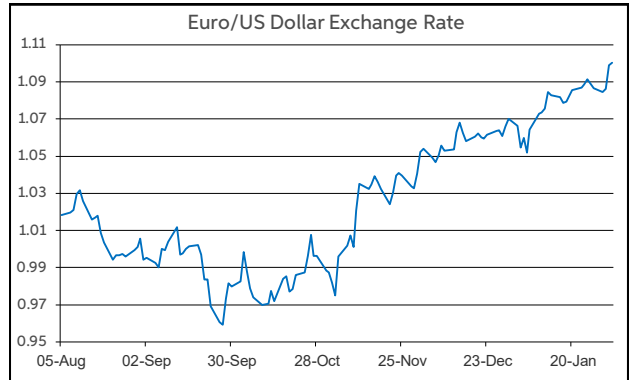
Data-wise, Eurozone headline HICP inflation declined by more than expected, to 8.5% in January, from 9.2% (9% f'cast). The ex-food & energy rate though, accelerated to 7% (vs. 6.9% f'cast), suggesting underlying price pressures are intensifying.

Overnight, the Fed hiked interest rates by 25bps, as anticipated. At the press conference, Chair Powell reiterated that "ongoing" rate hikes will be needed. However, market expectations were unmoved, with futures contracts continuing to price in just one more rate hike, and circa 50bps of rate cuts by year end. The S&P 500 moved higher during the press conference and finished the day up 1%, while the dollar recorded further losses, as Powell's comments were deemed less hawkish than his December remarks.

As trading gets underway this morning, EUR/USD opens up at the \$1.10 threshold, having started yesterday below \$1.09. EUR/GBP is operating in the upper half of 88-89p. Cable (GBP/USD) is changing hands above the midpoint of \$1.23-1.24.

Ahead today, both the ECB and the BoE are expected to raise interest rates by 50bps. ECB President Lagarde, and BoE Governor Bailey can expect to face questions on the future path of rate hikes at their respective press conferences. The latest BoE Monetary Policy Report will garner close attention also. The meetings pose event risk for the euro and sterling.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.1001	1.20	2.79
EUR/GBP	0.888	0.61	0.41
GBP/USD	1.2386	0.59	2.39
GBP/EUR	1.1255	-0.61	-0.41
USD/JPY	128.61	-1.28	-1.91
EUR/JPY	141.5	-0.10	0.86

\* 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	4.97	4.36	3.54
EUR	2.50	2.18	2.51	3.37	3.27	2.88
GBP	3.50	3.88	4.12	4.52	4.24	3.84

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

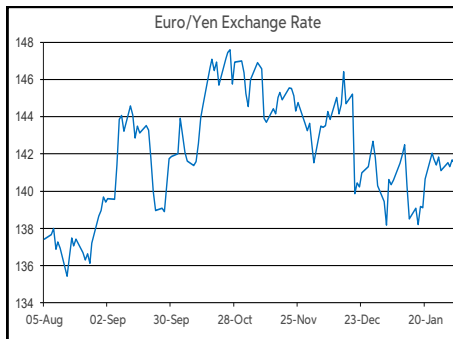
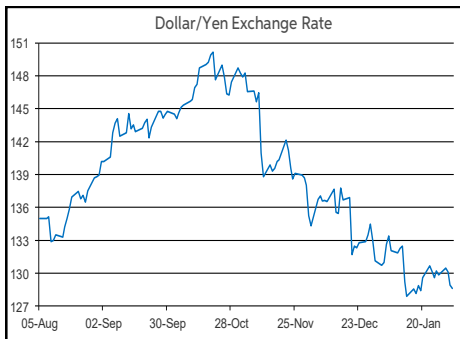
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

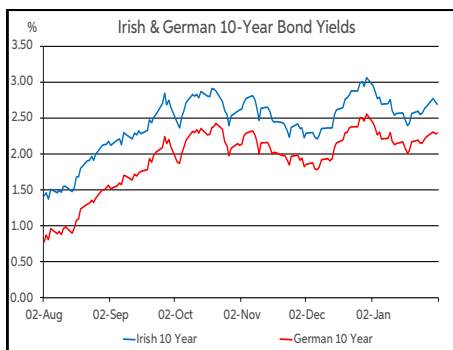
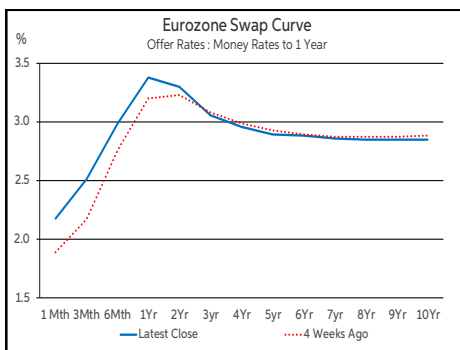
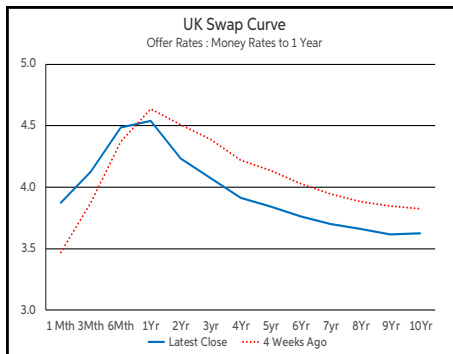
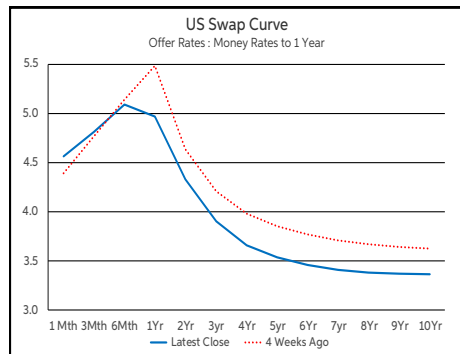
Thursday 02 February 2023  
07:28 am



Euro		Sterling		Dollar	
EUR/GBP	0.888	GBP/EUR	1.1254	USD/JPY	128.61
EUR/USD	1.1001	GBP/USD	1.2387	USD/CAD	1.328
EUR/JPY	141.51	GBP/CAD	1.6452	USD/CHF	0.9076
EUR/SEK	11.3435	GBP/NZD	1.8972	USD/CNY	6.7175
EUR/DKK	7.4392	GBP/JPY	159.31	USD/BRL	5.0547
EUR/NOK	10.8769	GBP/SEK	12.767	USD/RUB	70
EUR/CHF	0.9986	GBP/DKK	8.3739	USD/INR	81.9
EUR/AUD	1.5402	GBP/NOK	12.2455		
EUR/HKD	8.6288	GBP/CHF	1.1242	AUD/USD	0.7143
EUR/CAD	1.4612	GBP/AUD	1.7339	NZD/USD	0.6525



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
<b>10 Year Yield %</b>				
US	3.42	-9	-27	-46
Germany	2.30	+2	+3	-27
UK	3.31	-3	-19	-36
<b>5 Year Swap %</b>				
US	3.54	-10	-28	-46
Eurozone	2.89	-4	-2	-34
UK	3.84	-0	-29	-46
<b>2 Year Swap %</b>				
US	4.33	-10	-27	-35
Eurozone	3.30	+1	+8	-9
UK	4.23	-4	-27	-45
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	43	-5	-10	-16
Belgium	65	-1	+7	+2
France	46	-1	-4	-9
Italy	200	+0	+0	-15
Spain	105	+0	+1	-5
Portugal	93	+1	-8	-11
Greece	201	-3	-23	-2



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	82.84	-1.95	+6.42	-3.57
West Texas Oil	76.34	-3.31	+4.83	-4.77
Gold \$	1950.4	+1.17	+5.20	+6.91

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