

Morning Comment

AIB Treasury Economic Research Unit



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06:26 am

ECB and BoE in focus today

The cautious mood on financial markets persisted yesterday. Some disappointing quarterly earnings reports and concerns regarding AI-related tech-stocks weighed on investor sentiment. Against this backdrop, the Euro Stoxx 50 declined by 0.4%. Meantime, on Wall Street, the S&P 500 moved 0.5% lower on the day.

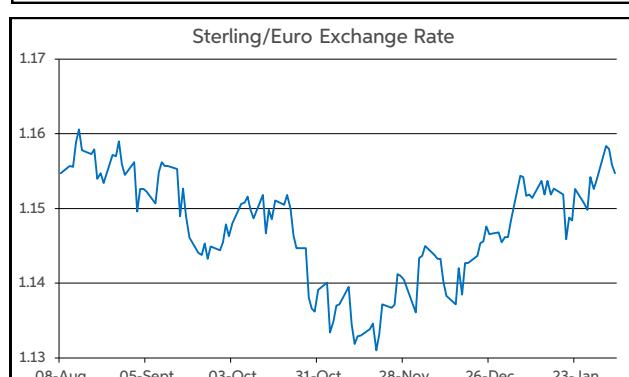
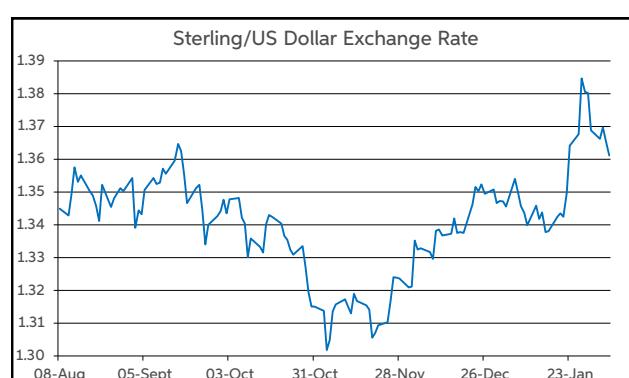
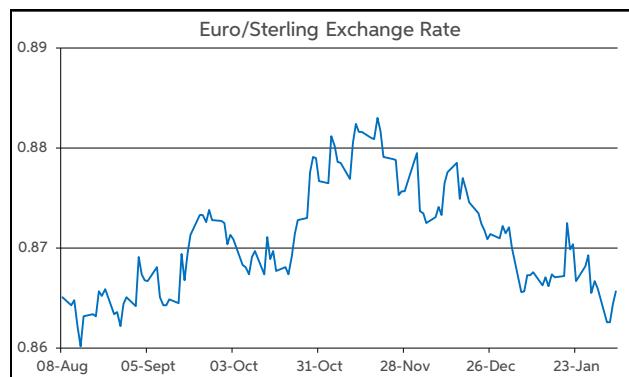
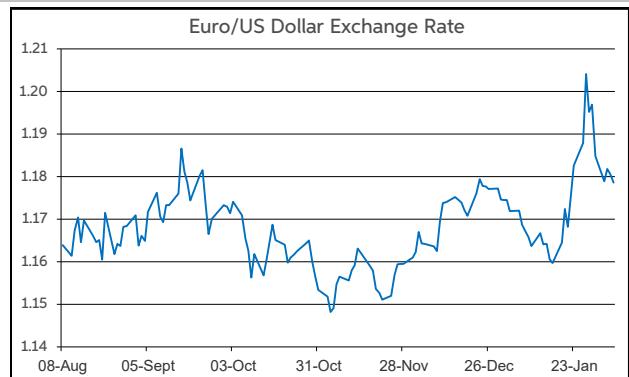
Data-wise, the main release of note was the flash estimate of HICP inflation for January. As expected, the headline rate fell to 1.7% from 2.0% in December. The core rate eased to 2.2% (vs. 2.3% fcast), its lowest level since October 2021. Elsewhere, the US non-manufacturing ISM printed a touch above the consensus, staying at 53.8 in January (vs. 53.5 fcast), amid a sharp rise in business activity in the month.

On the currency front, the dollar has been holding a slightly firmer tone over the past 24 hours. The weaker tone to risk appetite and the solid US data provided a supportive backdrop for the greenback. At the same time, sterling handed back some of its recent gains, albeit there was no obvious catalyst for the move.

In level terms, the stronger dollar is evidenced by EUR/USD opening this morning back below the \$1.18 threshold. GBP/USD is changing hands down at the \$1.36 handle. EUR/GBP is operating above the midpoint of the 86-87p range. USD/JPY is just below the ¥157 mark.

Turning to the day ahead, the spotlight will be on first policy setting meetings of the year for the ECB and BoE. Neither central bank is expected to alter rates though. Indeed, the focus will be on their respective press conferences, as investors look for guidance on the future path of policy, especially in the UK, where the BoE's updated Monetary Policy Report will also be released. On the data front, the delayed publication of the US JOLTS data for December, and the latest weekly initial jobless claims figures, will be the highlight.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
% Change			
	Day *	End 2025	
EUR/USD	1.1786	-0.40	0.35
EUR/GBP	0.8657	0.36	-0.67
GBP/USD	1.3609	-0.77	1.01
GBP/EUR	1.1545	-0.36	0.67
USD/JPY	156.92	0.40	0.17
EUR/JPY	184.95	0.01	0.52

* 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	3.63	3.66	3.65	3.47	3.67	3.82
EUR	2.00	1.96	2.03	2.18	2.24	2.53
GBP	3.75	3.71	3.69	3.53	3.81	4.01

All rates quoted are indicative market rates

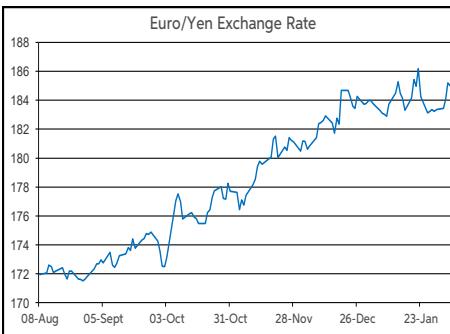
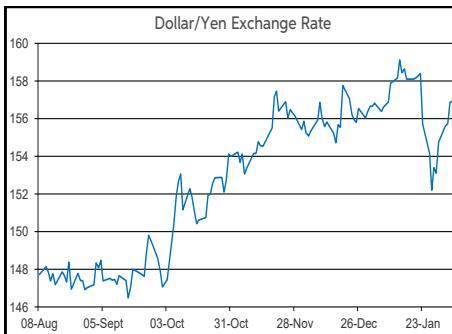
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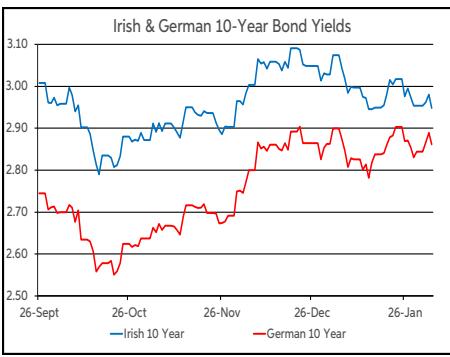
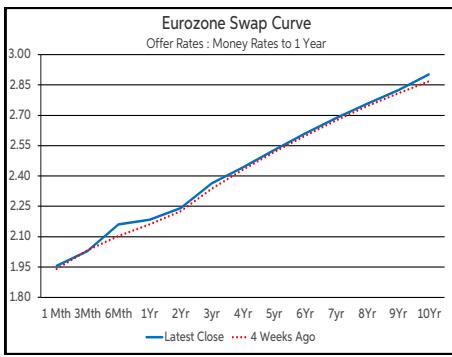
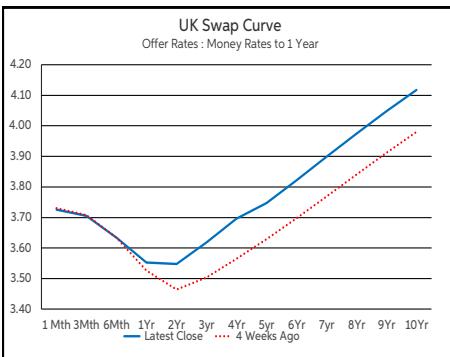
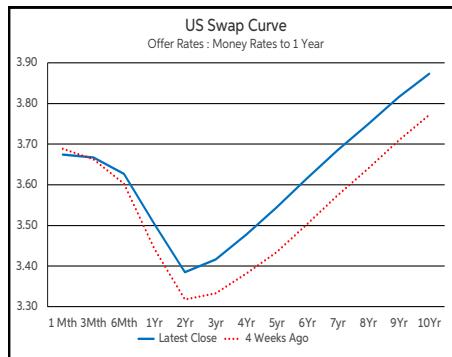
Euro	
EUR/GBP	0.8657
EUR/USD	1.1786
EUR/JPY	184.95
EUR/SEK	10.6153
EUR/DKK	7.4679
EUR/NOK	11.4418
EUR/CHF	0.9173
EUR/AUD	1.6906
EUR/HKD	9.204
EUR/CAD	1.6128

Sterling	
GBP/EUR	1.1545
GBP/USD	1.3609
GBP/CAD	1.8624
GBP/NZD	2.2733
GBP/JPY	213.55
GBP/SEK	12.2553
GBP/DKK	8.6214
GBP/NOK	13.213
GBP/CHF	1.0595
GBP/AUD	1.9522

Dollar	
USD/JPY	156.92
USD/CAD	1.3687
USD/CHF	0.7782
USD/CNY	6.9431
USD/BRL	5.2392
USD/RUB	76.55
USD/INR	90.402
AUD/USD	0.6969
NZD/USD	0.5984



	Debt Markets			
	Close	Day	4 Weeks	End 25
10 Year Yield %				
US	4.28	+0	+14	+13
Germany	2.86	-3	+5	-0
UK	4.55	+3	+14	+8
Ireland	2.95	-3	-4	-8
Belgium	3.27	-2	-3	-8
France	3.45	-1	-7	-11
Italy	3.48	-2	+1	-3
Spain	3.23	-2	-2	-6
Portugal	3.22	-2	+11	+6
Greece	3.37	-2	-4	-11
5 Year Swap %				
US	3.82	-0	+14	+9
Eurozone	2.51	-3	+1	-5
UK	4.00	-0	+14	+11
2 Year Swap %				
US	3.66	-1	+9	+8
Eurozone	2.24	-1	+2	-2
UK	3.78	-0	+8	+5
10 Year Government Bond Spreads to Benchmark bps				
Ireland	9	-1	-9	-8
Belgium	40	+1	-9	-8
France	59	+1	-13	-11
Italy	62	+1	-5	-3
Spain	37	+0	-7	-6
Portugal	36	+0	+5	+6
Greece	51	+1	-9	-11



	Commodities			
	Close	Day	4 Weeks	End 25
Brent Oil	69.46	+3.16	+15.84	+14.15
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	4962.4	+0.48	+11.45	+15.03

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