

US CPI shoots arrow through May rate cut expectations

Yesterday, US CPI inflation data printed above the consensus, sparking a marked reaction on markets. The headline rate slowed to 3.1% (vs. 2.9% f'cast) in January, from 3.4%. Meanwhile, core inflation remained unchanged at 3.9% (vs. 3.7% f'cast). At the same time, the core-services ex-shelter rate, a key measure of underlying inflation followed closely by the Fed, rose to 4.3%, from 3.7%.

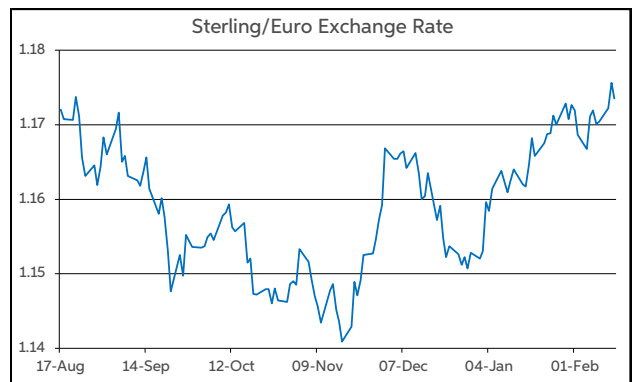
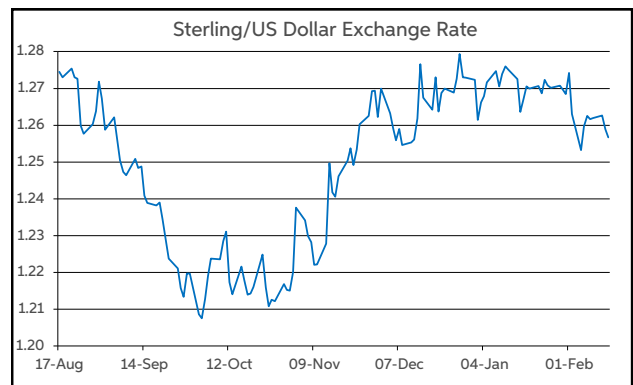
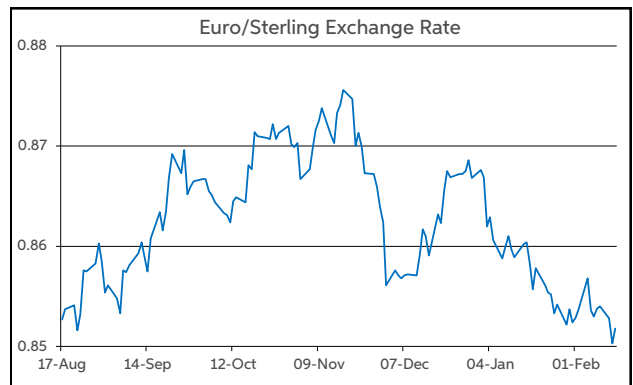
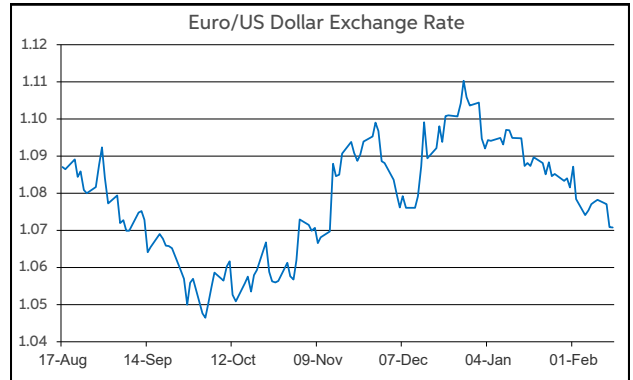
Following the release, US futures contracts hardened markedly. Markets have pushed expectations of a first US rate cut out to June from May. Furthermore, a total of 95bps worth of rate cuts are now fully priced by year end, compared to 110bps beforehand. The firming in US rates spilled over to the UK and Eurozone also. Markets are now pricing in around 70bps of rate cuts in the UK, and circa 110bps of rate cuts in the Eurozone by year end.

Against this backdrop, equity markets moved lower on both sides of the Atlantic. The Euro Stoxx 50 fell by 1.2%, while the S&P 500 shed 1.4%. On bond markets, US Treasury yields rose by 9-18bps along the curve, led higher by the front-end. UK Gilt and German Bund yields climbed 4-10bps higher as well.

Currency-wise, the dollar was in the ascendency. Elsewhere, the euro and yen were on the defensive. Indeed, EUR/USD and EUR/GBP registered fresh YTD lows of \$1.07 and 85p. As trading gets underway this morning, the euro remains very close to these levels. Meantime, USD/JPY is near the midpoint of ¥150-151.

Already this morning, UK CPI headline inflation for January has printed at 4%. The core rate remained at 5.1%. Both measures were marginally below the consensus. The market reaction has been muted. The second reading of Eurozone Q4 GDP is due later today.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0709	-0.52	-2.96
EUR/GBP	0.8518	-0.18	-1.73
GBP/USD	1.2569	-0.35	-1.26
GBP/EUR	1.1736	0.18	1.76
USD/JPY	150.41	0.58	6.63
EUR/JPY	161.09	0.05	3.51

* 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	5.43	5.57	5.27	4.77	4.31
EUR	4.50	3.88	3.91	3.64	3.15	2.78
GBP	5.25	5.18	5.19	5.06	4.86	4.34

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

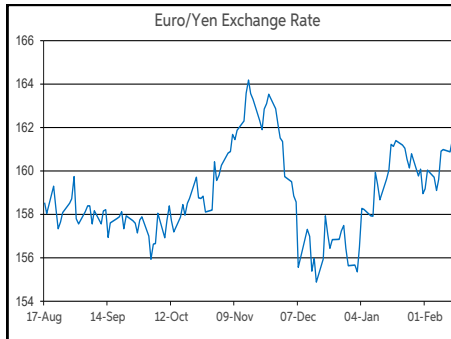
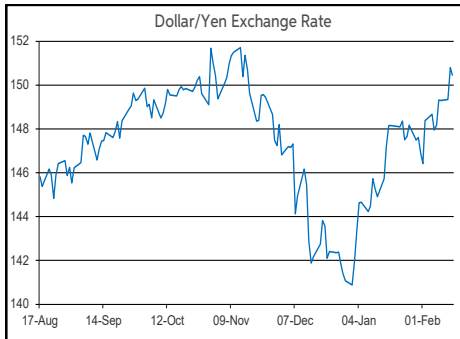
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
---------	----------------------------	------------	------------	------------------	---------------------------	-----------------	-----------------------------------

Opening Levels

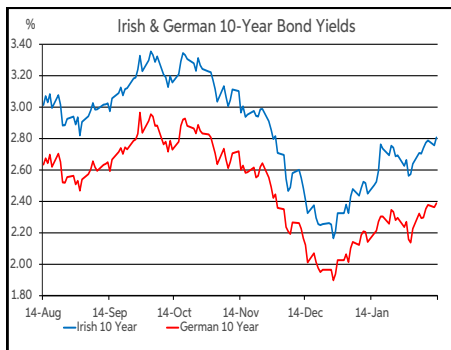
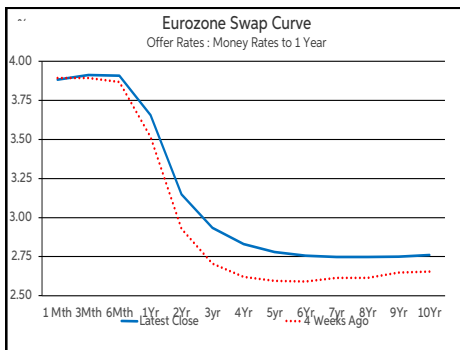
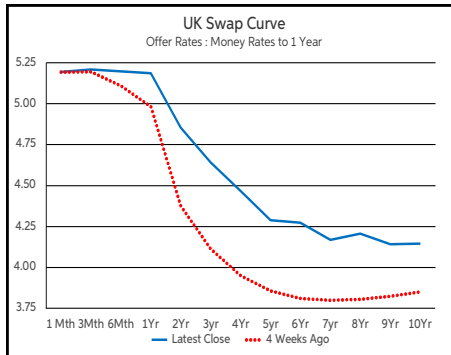
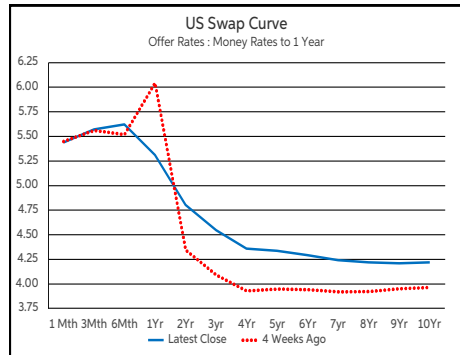
Wednesday 14 February 2024
07:28 am



Euro		Sterling		Dollar	
EUR/GBP	0.8518	GBP/EUR	1.1736	USD/JPY	150.41
EUR/USD	1.0709	GBP/USD	1.2569	USD/CAD	1.3555
EUR/JPY	161.09	GBP/CAD	1.7039	USD/CHF	0.8862
EUR/SEK	11.3106	GBP/NZD	2.0672	USD/CNY	7.1929
EUR/DKK	7.4555	GBP/JPY	189.05	USD/BRL	4.9536
EUR/NOK	11.4002	GBP/SEK	13.273	USD/RUB	91.335
EUR/CHF	0.9492	GBP/DKK	8.7488	USD/INR	83.0704
EUR/AUD	1.6541	GBP/NOK	13.379	AUD/USD	0.6473
EUR/HKD	8.3723	GBP/CHF	1.1139	NZD/USD	0.6079
EUR/CAD	1.4517	GBP/AUD	1.9414		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	4.33	+15	+27	+46
Germany	2.39	+3	+18	+36
UK	4.15	+10	+35	+62
5 Year Swap %				
US	4.33	+21	+43	+54
Eurozone	2.78	+5	+20	+35
UK	4.29	+7	+43	+63
2 Year Swap %				
US	4.80	+20	+50	+46
Eurozone	3.15	+6	+23	+36
UK	4.85	+16	+48	+59
10 Year Government Bond Spreads to Benchmark bps				
Ireland	46	+1	+10	+10
Belgium	60	-0	-4	-5
France	50	+0	-4	-3
Italy	155	+1	-6	-12
Spain	95	-1	-1	-2
Portugal	71	-1	-3	-5
Greece	103	-1	-5	-2



Commodities				
	Close	% Change		
		Day	4 Weeks	End 23
Brent Oil	82.77	+0.94	+5.72	+7.44
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	1992.1	-1.37	-1.75	-3.42

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.