

Eurozone inflation data & US payrolls due Friday

Markets have been generally subdued over the Christmas period. Investor sentiment started 2023 in a positive mood though, with the Euro Stoxx 50 rising by 1.6% yesterday. US equity markets were closed for the New Year's Day Holiday.

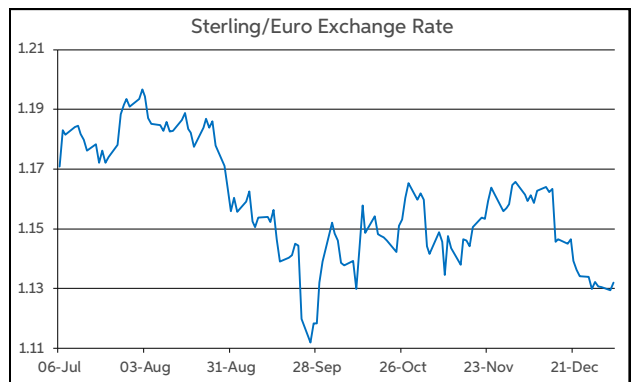
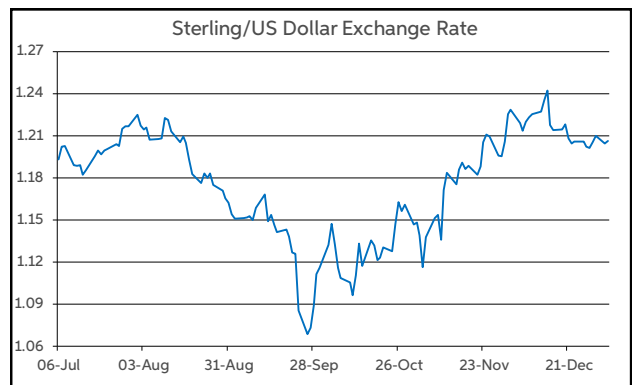
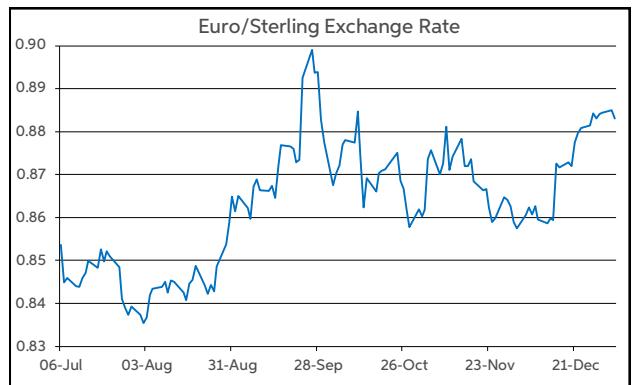
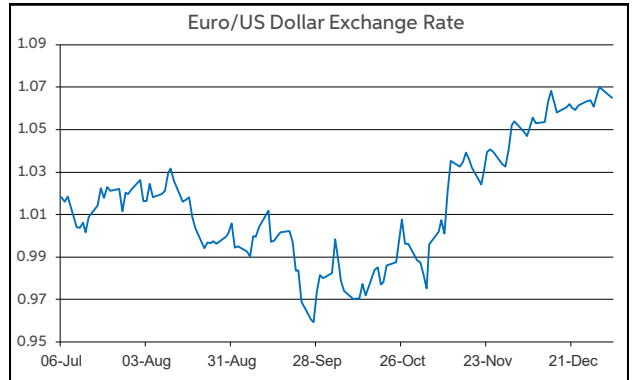
On the currency front, the main pairs were confined to relatively narrow trading ranges over the festive period. Of the limited moves to note, the euro was holding a slightly firmer tone. This sees EUR/GBP open this morning up in the 88-89p range. Meantime, EUR/USD is operating at the midpoint of \$1.06-1.07.

Looking back over 2022 from a currency view point, the first nine months of the year were characterised by significant dollar strength. A perfect storm of increased uncertainty, a rapid pace of rate hikes from the Fed and higher commodity prices supported the greenback. However, in the final quarter of the year the dollar rally lost momentum as commodity price pressures eased and other central banks stepped up the pace of rate hikes.

The clear message from central banks as we come into 2023 is that rates will have to rise further and remain at elevated levels for some time to return inflation back to target. In this regard, the market is now pricing in close to 150bps worth of additional rate hikes by the ECB in the first half of the year.

Key in determining how much further rates will rise will be the future path of inflation. As a result, the flash reading of Eurozone HICP for December will garner close attention this week. The headline rate is projected to fall to 9.7% from 10.1%. Elsewhere, the US labour market report for December is also due. Payrolls are expected to rise by a solid 200k in the month.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0653	-0.37	-0.46
EUR/GBP	0.8829	-0.25	-0.17
GBP/USD	1.206	-0.12	-0.31
GBP/EUR	1.1319	0.25	0.17
USD/JPY	129.94	-0.76	-0.89
EUR/JPY	138.43	-1.17	-1.33

* 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	4.39	4.77	5.08	4.67	3.94
EUR	2.50	1.88	2.13	3.26	3.36	3.16
GBP	3.50	3.47	3.87	4.66	4.71	4.36

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

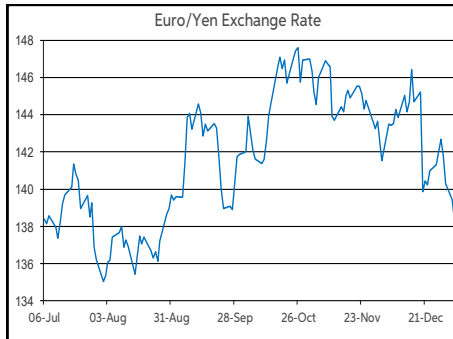
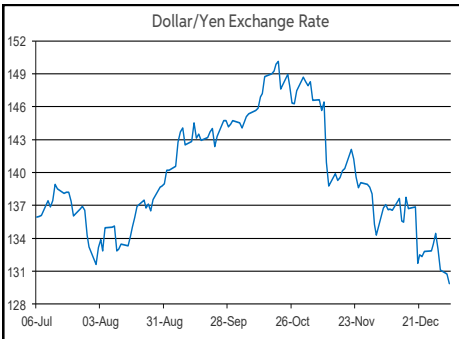
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
---------	---	------------	------------	------------------	---------------------------	-----------------	-----------------------------------

Opening Levels

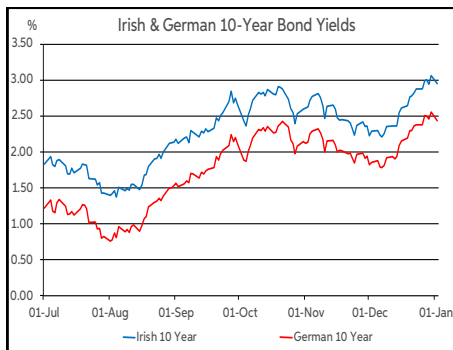
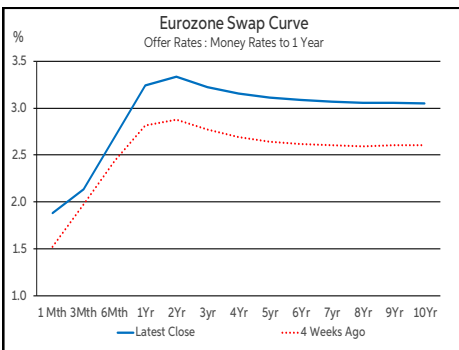
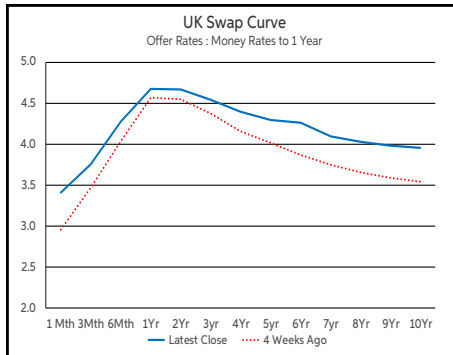
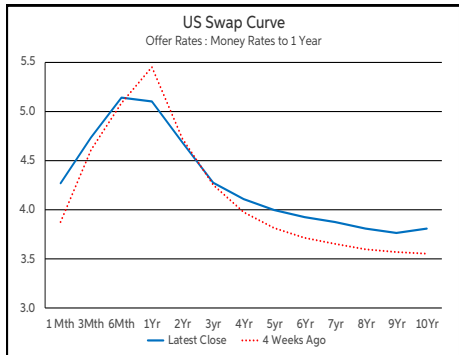
Tuesday 03 January 2023
07:21 am



Euro		Sterling		Dollar	
EUR/GBP	0.883	GBP/EUR	1.1319	USD/JPY	129.95
EUR/USD	1.0651	GBP/USD	1.206	USD/CAD	1.3543
EUR/JPY	138.45	GBP/CAD	1.6335	USD/CHF	0.9249
EUR/SEK	11.1357	GBP/NZD	1.91	USD/CNY	6.8883
EUR/DKK	7.4362	GBP/JPY	156.72	USD/BRL	5.3633
EUR/NOK	10.494	GBP/SEK	12.607	USD/RUB	69.9955
EUR/CHF	0.9853	GBP/DKK	8.4195	USD/INR	82.763
EUR/AUD	1.5668	GBP/NOK	11.88	AUD/USD	0.6798
EUR/HKD	8.3188	GBP/CHF	1.1156	NZD/USD	0.6311
EUR/CAD	1.4428	GBP/AUD	1.7739		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.88	+6	+30	+0
Germany	2.44	-12	+56	-12
UK	3.67	+1	+57	+0
5 Year Swap %				
US	4.00	-0	+22	-0
Eurozone	3.11	-12	+48	-12
UK	4.30	-1	+29	-1
2 Year Swap %				
US	4.69	+1	+0	+1
Eurozone	3.34	-5	+47	-5
UK	4.67	-1	+13	-1
10 Year Government Bond Spreads to Benchmark bps				
Ireland	54	-4	+10	-4
Belgium	61	-2	+8	-2
France	54	-1	+9	-1
Italy	211	-3	+24	-3
Spain	108	-2	+8	-2
Portugal	103	-1	+10	-1
Greece	222	+19	+23	+19



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	85.91	+4.44	+3.91	+0.00
West Texas Oil	80.16	+2.21	+4.33	+0.00
Gold \$	1823.7	-0.04	+3.13	-0.04

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.