

Good inflation data support markets

Yesterday, for a second day running, some better than anticipated data boosted European equity markets. The Euro Stoxx 50 rose by 2.4%. On Wall Street, the S&P 500 gained a more modest 0.8%. Similarly, on bond markets, European yields outperformed their US peers, with German Bund and UK Gilt yields falling by 8-16bps. In contrast, US Treasury yields fell by 2-6bps.

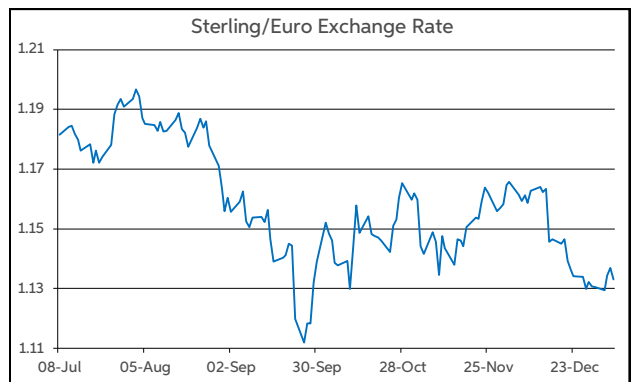
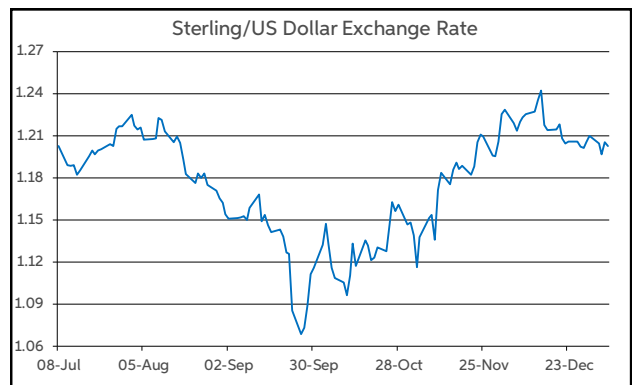
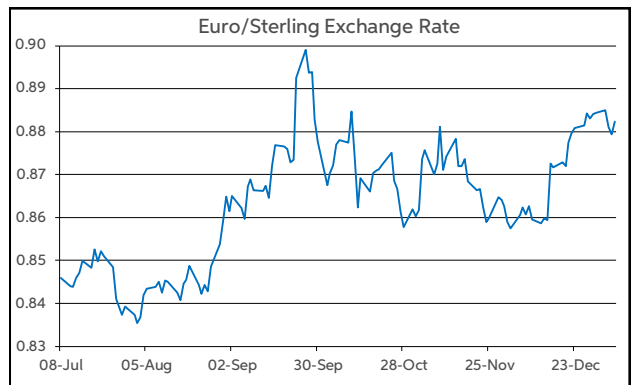
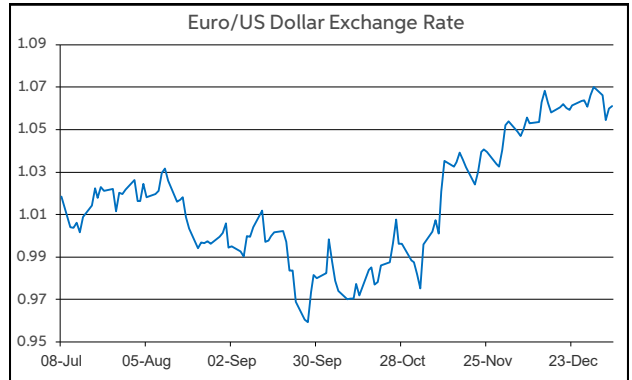
The flash reading of French inflation showed that the headline HICP rate fell to 6.7% in December from 7.1% (and vs. 7.2% f'cast). Meanwhile, the final reading of the Eurozone composite and services PMIs were revised higher to 49.3 (from 48.8) and 49.8 (from 49.1). Taken together with the sharp fall in German inflation released on Tuesday, recent data suggest that price pressures may be cooling faster, and business activity contracting more slowly than previously anticipated in the euro area.

Currency-wise, the main pairs operated in tight ranges yesterday. Of the limited moves to note, the yen was under some downward pressure. From a dollar viewpoint, neither the manufacturing ISM for December, which printed in-line with the consensus (48.4 vs. 48.5 f'cast), nor the release of the Fed FOMC meeting minutes greatly impacted the currency.

As trading gets underway this morning, EUR/USD opens just above \$1.06. Meanwhile, GBP/USD is operating in the bottom half of \$1.20-1.21. EUR/GBP remains in the lower half of 88-89p.

Ahead today, there is a relatively quiet data schedule. In the Eurozone, producer price inflation (Nov), and the flash reading of Italian consumer price inflation (Dec) will feature. In the US, initial jobless claims and the ADP employment report (Dec) are due.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0609	0.40	-0.87
EUR/GBP	0.8822	0.06	-0.25
GBP/USD	1.2023	0.33	-0.61
GBP/EUR	1.133	-0.06	0.25
USD/JPY	132.4	1.19	0.98
EUR/JPY	140.48	1.58	0.13

* 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	4.40	4.78	5.10	4.67	3.88
EUR	2.50	1.85	2.17	3.21	3.25	2.97
GBP	3.50	3.48	3.89	4.59	4.51	4.14

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

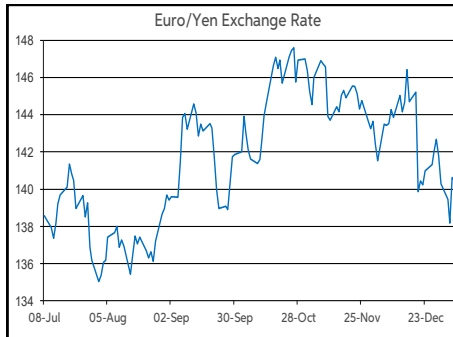
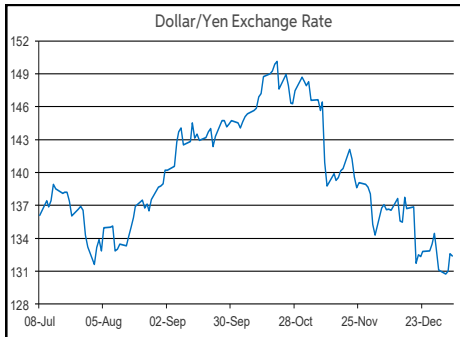
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

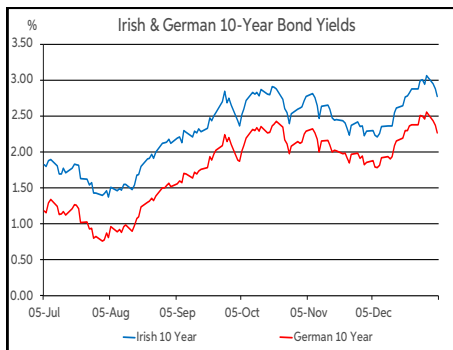
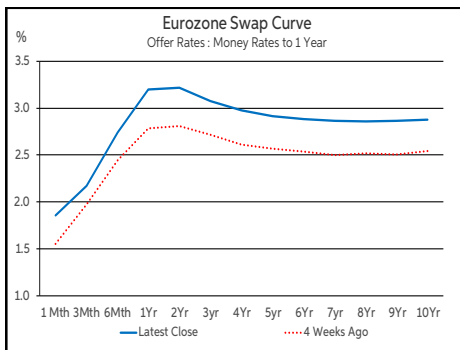
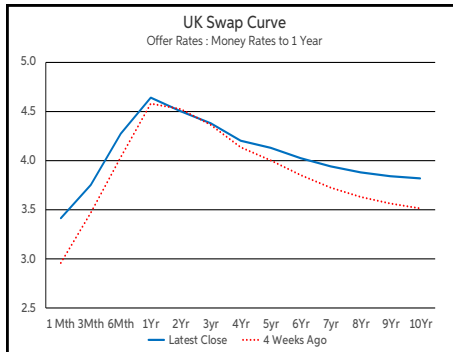
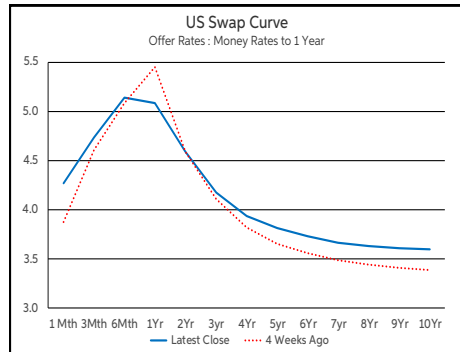
Thursday 05 January 2023
07:36 am



Euro		Sterling		Dollar	
EUR/GBP	0.8822	GBP/EUR	1.133	USD/JPY	132.4
EUR/USD	1.0609	GBP/USD	1.2023	USD/CAD	1.3508
EUR/JPY	140.48	GBP/CAD	1.6243	USD/CHF	0.9289
EUR/SEK	11.1486	GBP/NZD	1.9103	USD/CNY	6.8727
EUR/DKK	7.4364	GBP/JPY	159.18	USD/BRL	5.4312
EUR/NOK	10.734	GBP/SEK	12.6403	USD/RUB	71.1
EUR/CHF	0.9857	GBP/DKK	8.4275	USD/INR	82.703
EUR/AUD	1.556	GBP/NOK	12.1696		
EUR/HKD	8.2921	GBP/CHF	1.1174	AUD/USD	0.6818
EUR/CAD	1.4332	GBP/AUD	1.7635	NZD/USD	0.6292



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.69	-6	+27	-19
Germany	2.27	-11	+49	-30
UK	3.49	-16	+45	-18
Ireland				
Ireland	2.80	-11	+56	-35
Belgium	2.85	-15	+51	-35
France	2.77	-15	+53	-34
Italy	4.26	-24	+65	-44
Spain	3.30	-16	+53	-36
Portugal	3.28	-12	+59	-32
Greece	4.51	-11	+80	-8
5 Year Swap %				
US	3.82	-7	+18	-18
Eurozone	2.92	-13	+36	-31
UK	4.13	-16	+13	-17
2 Year Swap %				
US	4.59	-3	+4	-8
Eurozone	3.22	-8	+42	-17
UK	4.50	-11	-2	-18
10 Year Government Bond Spreads to Benchmark bps				
Ireland	53	-0	+7	-5
Belgium	58	-5	+3	-6
France	50	-4	+4	-5
Italy	199	-13	+17	-15
Spain	103	-5	+5	-6
Portugal	101	-1	+10	-2
Greece	224	-0	+31	+21



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	77.84	-5.19	+0.87	-9.39
West Texas Oil	72.82	-5.27	+1.24	-9.16
Gold \$	1854.1	+0.79	+3.80	+1.63

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