

Focus on US CPI this week

Risk appetite was relatively soft throughout the first week of 2024. Equity markets on both sides of the Atlantic moved lower, with the Euro Stoxx 50 and the S&P 500 declining by over 1%. Meantime, bond yields rose across the board. US Treasury and German Bund yields climbed by 11-20bps, while UK Gilt yields moved up by 21-28bps along the curve.

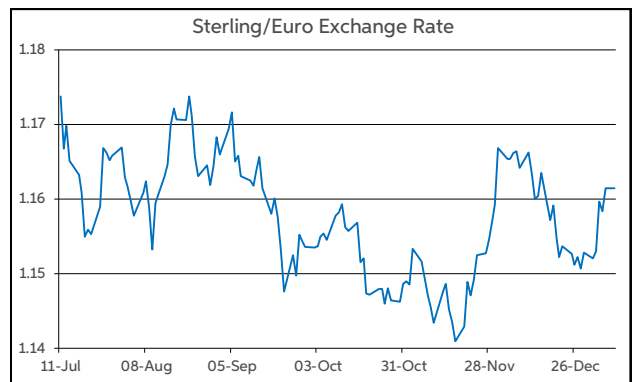
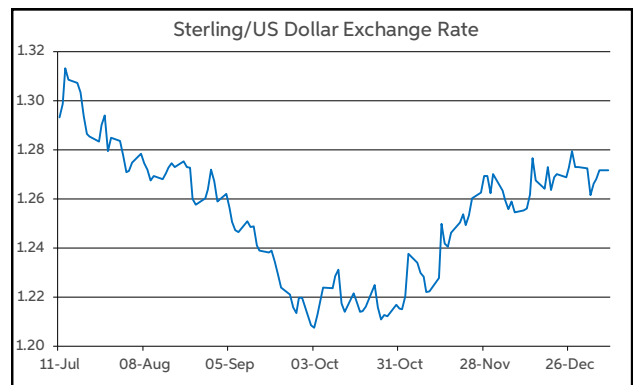
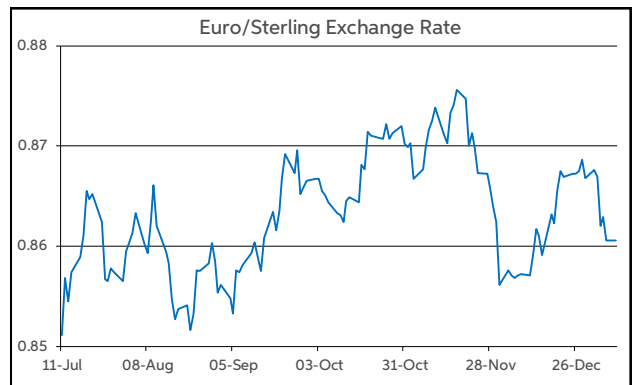
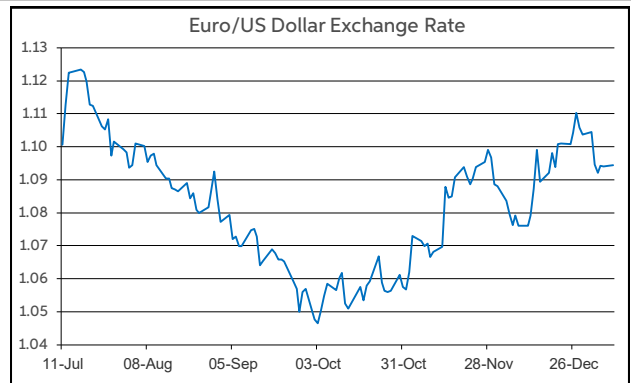
The rise in yields coincided with a hardening in futures contracts, on the back of some firm US labour market data and an increase in Eurozone inflation. US payrolls rose by more than anticipated, and average earnings growth accelerated to +4.1% y/y from +3.9%. At the same time, Eurozone HICP inflation rose to 2.9% in December. Market rate expectations for end 2024 firmed by circa 10-20bps, with a lower magnitude of rate cuts now priced in by year end.

On the currency front, the main FX pairs were quite range bound, bar the yen, which declined by 1-2% on the week. At the same time, the euro lost ground against the dollar and sterling. The greenback benefitted from a reversal of some weakness over the festive period and the risk averse backdrop. Sterling was supported by the larger rise in UK yields vis-à-vis elsewhere.

In level terms, EUR/USD opens at the midpoint of \$1.09-1.10. EUR/GBP is operating down near the 86p handle. Meantime, GBP/USD is in the lower half of \$1.27-1.28. EUR/JPY is between ¥157-158.

This week, the main release will be US CPI inflation for December. A marginal increase in headline CPI, and a slight decline in the core rate are expected. In the UK, the November reading of monthly GDP will feature. Today, the main Eurozone releases this week, retail sales, unemployment (both Nov) and Sentix (Jan) are due.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0948	0.12	-0.80
EUR/GBP	0.8607	-0.23	-0.70
GBP/USD	1.2715	0.32	-0.11
GBP/EUR	1.1613	0.23	0.71
USD/JPY	144.18	-0.36	2.21
EUR/JPY	157.84	-0.28	1.42

* 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	5.45	5.59	5.12	4.52	4.01
EUR	4.50	3.88	3.94	3.53	2.94	2.58
GBP	5.25	5.18	5.19	4.84	4.50	3.94

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

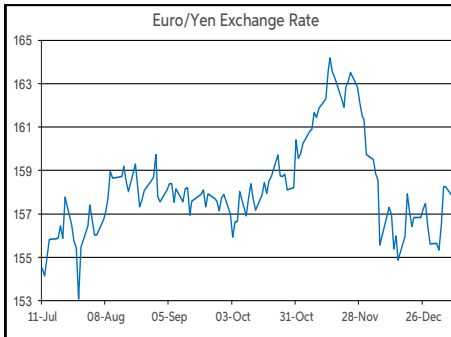
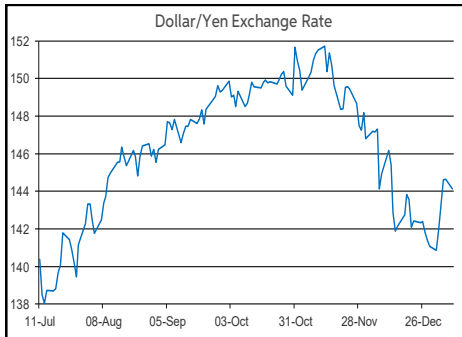
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

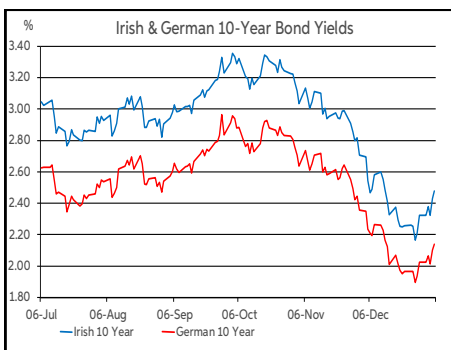
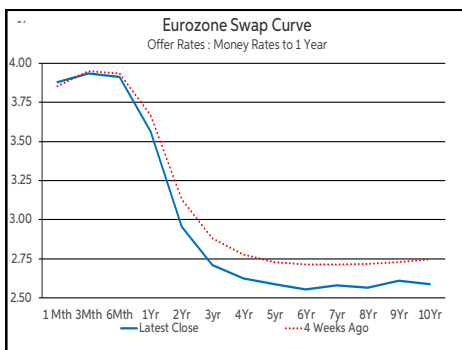
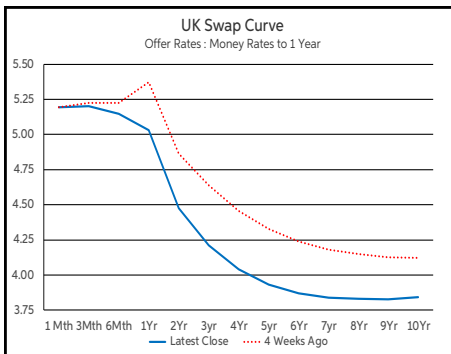
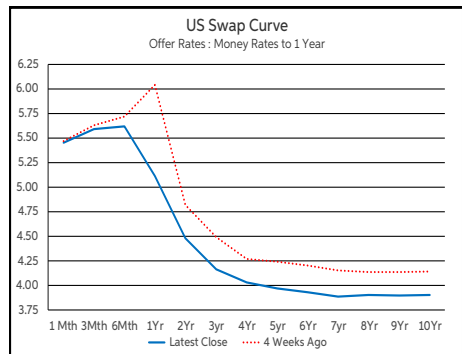
Monday 08 January 2024
07:03 am



Euro		Sterling		Dollar	
EUR/GBP	0.8607	GBP/EUR	1.1612	USD/JPY	144.18
EUR/USD	1.0946	GBP/USD	1.2715	USD/CAD	1.3362
EUR/JPY	157.83	GBP/CAD	1.6992	USD/CHF	0.8506
EUR/SEK	11.2378	GBP/NZD	2.0357	USD/CNY	7.1584
EUR/DKK	7.4586	GBP/JPY	183.32	USD/BRL	4.8743
EUR/NOK	11.2956	GBP/SEK	13.0552	USD/RUB	91.03
EUR/CHF	0.9312	GBP/DKK	8.6619	USD/INR	83.065
EUR/AUD	1.6316	GBP/NOK	13.1142	AUD/USD	0.6708
EUR/HKD	8.548	GBP/CHF	1.0817	NZD/USD	0.6244
EUR/CAD	1.4628	GBP/AUD	1.8952		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	4.05	+5	-18	+19
Germany	2.14	+4	-13	+12
UK	3.79	+6	-26	+25
5 Year Swap %				
US	3.97	+4	-24	+18
Eurozone	2.59	+7	-13	+16
UK	3.93	+10	-39	+28
2 Year Swap %				
US	4.48	-1	-30	+15
Eurozone	2.95	+6	-16	+16
UK	4.47	+7	-38	+21
10 Year Government Bond Spreads to Benchmark bps				
Ireland	36	+1	+1	+0
Belgium	65	-1	+5	-0
France	54	-1	-2	+1
Italy	169	-1	-11	+2
Spain	99	-1	-4	+3
Portugal	77	+0	-1	+1
Greece	121	+4	+3	+16



Commodities				
	Close	% Change		
		Day	4 Weeks	End 23
Brent Oil	78.76	+1.51	+3.85	+2.23
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2045.5	+0.11	+2.10	-0.83

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