

UK CPI and earnings growth in focus this week

Despite the release of slightly stronger than anticipated US CPI inflation data last week, there was a marked softening in US market rate expectations, of around 30bps. The softening in rates was compounded on Friday, by weaker than expected US producer price inflation. Futures contracts pricing now suggests that the Fed will cut rates by circa 165bps this year, starting in March. Meantime, UK and Eurozone futures contracts softened by 5bps last week.

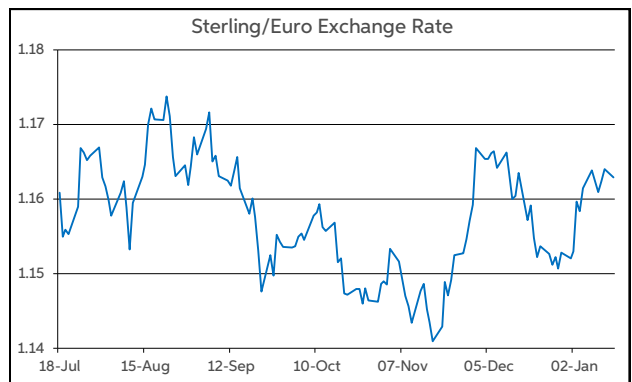
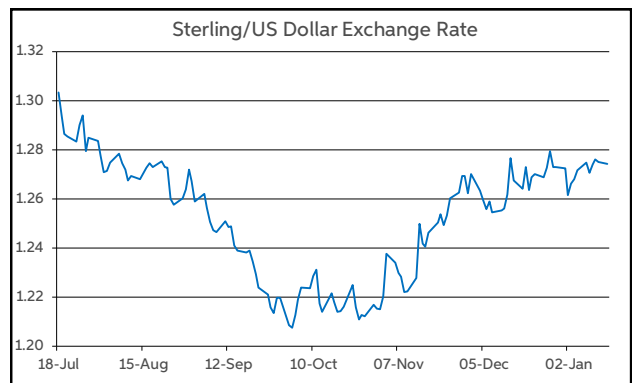
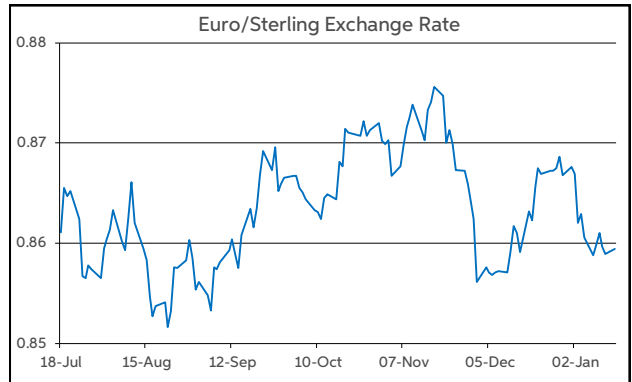
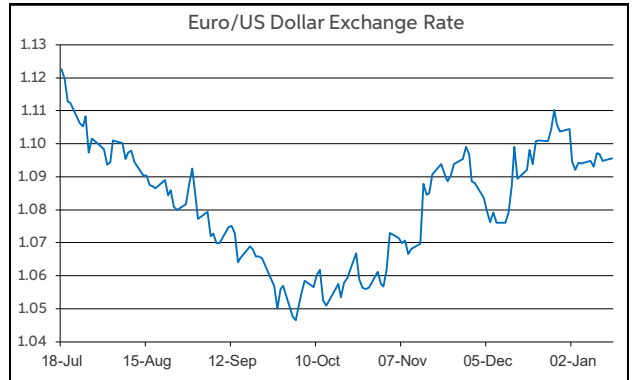
Amid the softening in market rate expectations, short-dated bond yields moved lower across the board. 2-year UK Gilt and German Bund yields declined by 5bps, with the 2-year US Treasury yield falling by over 20bps. Meantime, equity markets moved higher on both sides of the Atlantic. The S&P 500 gained 1.8% on the week, while the Euro Stoxx 50 rose by 0.4%. Elsewhere, oil prices rose by 1.0%, amid ongoing tensions in the Middle East. Brent crude is above \$78 per barrel.

Currency-wise, the main FX pairs were confined to tight trading ranges. Overall, the dollar was marginally weaker. At the same time, sterling was modestly firmer. In the second half of the week, the yen recovered somewhat, having initially been under pressure.

In level terms, EUR/USD opens today close to the halfway mark of \$1.09-1.10. EUR/GBP is operating just below 86p. Meanwhile, GBP/USD is changing hands near the midpoint of \$1.27-1.28.

This week, the main focus of a busy UK macro calendar will be average earnings growth (Nov) and CPI inflation (Dec). Both metrics are projected to ease further. In the US, retail sales and industrial production data (both Dec) are due. The highlight of a sparse Eurozone schedule will be the December ECB meeting minutes.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0954	-0.18	-0.74
EUR/GBP	0.8595	0.02	-0.84
GBP/USD	1.2743	-0.23	0.11
GBP/EUR	1.1629	-0.02	0.85
USD/JPY	145.43	0.13	3.10
EUR/JPY	159.32	-0.05	2.37

* 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	5.58	4.93	4.29	3.84
EUR	4.50	3.89	3.93	3.50	2.90	2.57
GBP	5.25	5.19	5.19	4.75	4.38	3.86

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

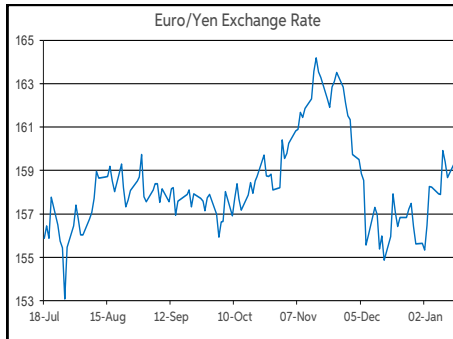
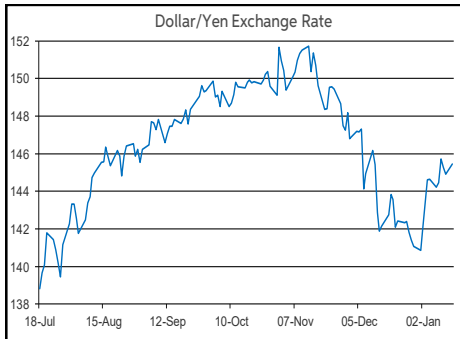
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

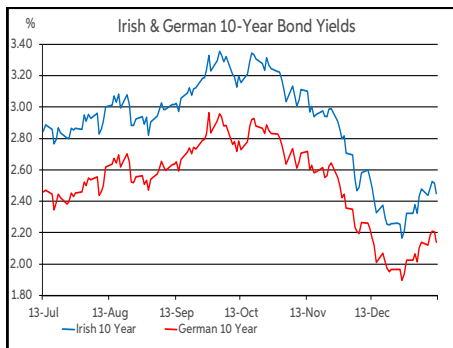
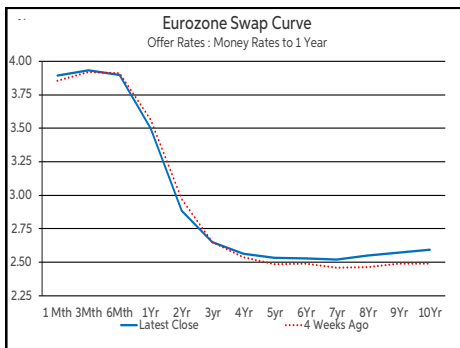
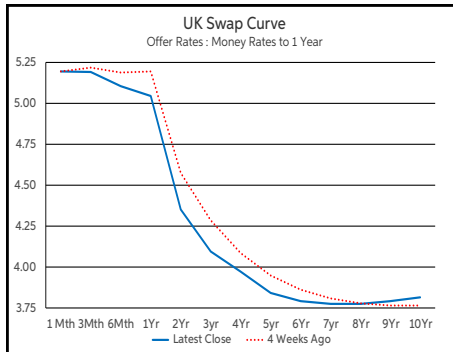
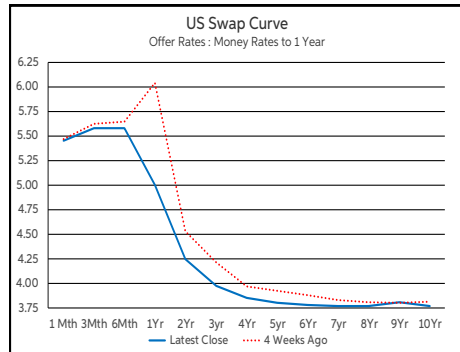
Monday 15 January 2024
07:50 am



Euro		Sterling		Dollar	
EUR/GBP	0.8595	GBP/EUR	1.1629	USD/JPY	145.43
EUR/USD	1.0954	GBP/USD	1.2743	USD/CAD	1.3407
EUR/JPY	159.32	GBP/CAD	1.7086	USD/CHF	0.8538
EUR/SEK	11.266	GBP/NZD	2.0519	USD/CNY	7.1735
EUR/DKK	7.4576	GBP/JPY	185.32	USD/BRL	4.856
EUR/NOK	11.2992	GBP/SEK	13.1083	USD/RUB	87.82
EUR/CHF	0.9354	GBP/DKK	8.6729	USD/INR	82.853
EUR/AUD	1.642	GBP/NOK	13.141	AUD/USD	0.6669
EUR/HKD	8.5653	GBP/CHF	1.0881	NZD/USD	0.6208
EUR/CAD	1.4688	GBP/AUD	1.9105		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	3.94	-4	+2	+7
Germany	2.14	-6	+13	+12
UK	3.80	-5	+11	+26
5 Year Swap %				
US	3.80	-5	-8	+1
Eurozone	2.53	-7	+6	+11
UK	3.84	-10	-10	+19
2 Year Swap %				
US	4.25	-8	-24	-9
Eurozone	2.88	-4	-8	+9
UK	4.35	-11	-22	+9
10 Year Government Bond Spreads to Benchmark bps				
Ireland	33	+0	-0	-3
Belgium	64	-0	-2	-2
France	54	-0	-0	+1
Italy	159	-2	-13	-8
Spain	95	-1	-4	-1
Portugal	73	-1	-2	-3
Greece	110	+1	-8	+5



Commodities				
	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	78.29	+1.14	+2.27	+1.62
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2048.7	+1.02	+1.51	-0.67

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