

## Disappointing data weighs on the dollar

The cautious tone to investor sentiment persisted yesterday, as concerns of a recession in the US increased, on the back of some disappointing data. The S&P 500 fell by 1.6%, while the Euro Stoxx 50 finished flat for the day. On bond markets, amid choppy trading conditions, US Treasury yields declined by 12-18bps. German Bund yields fell by circa 8bps, while UK Gilt yields were little changed.

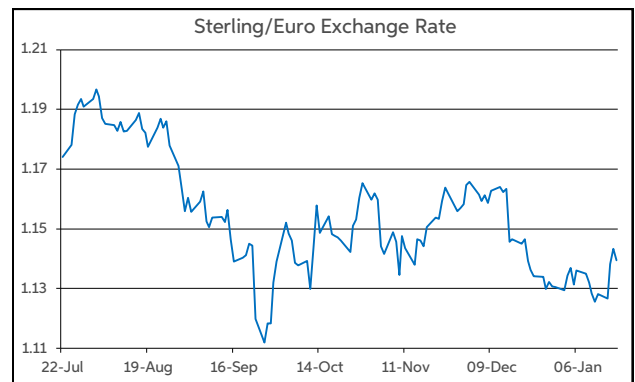
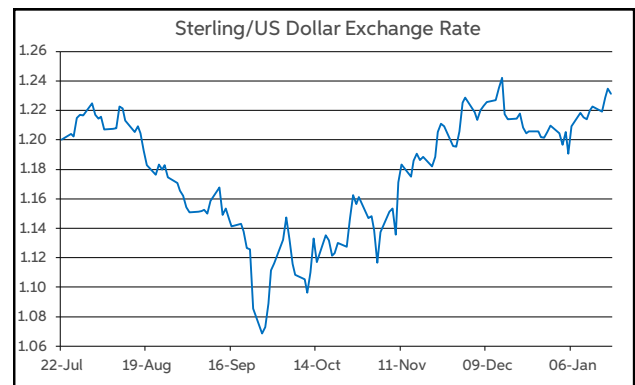
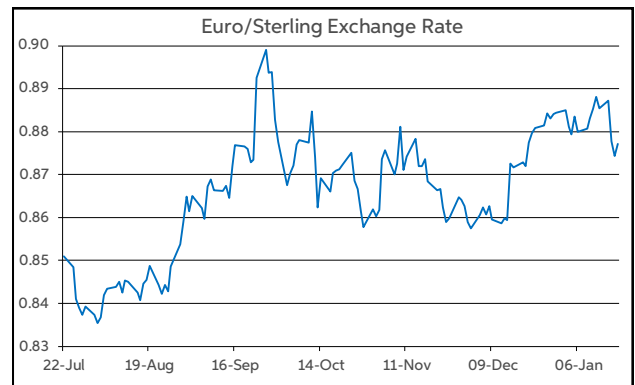
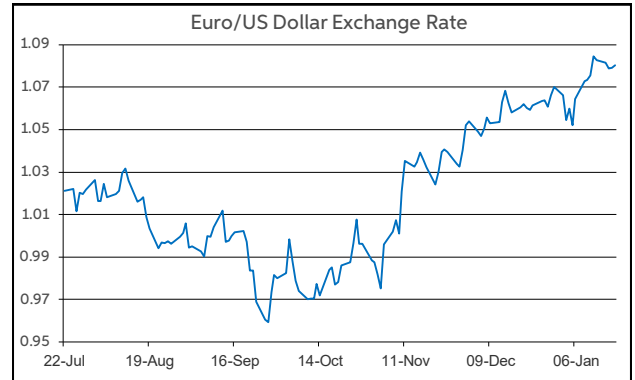
Data-wise, US retail sales and industrial production both fell by more than anticipated in December. The decline in retail sales was broad-based, with 11 of 14 subcomponents contracting. Overall, retail sales fell by 1.1% (vs. -0.8% f'cast). Industrial output was down by 0.7% (vs. -0.1% f'cast). Meantime, PPI inflation declined to 6.2% in December (vs. 6.8% f'cast), in a sign that pipeline inflationary pressures are easing. US rate expectations softened by circa 10bps following the data dump.

Amid the weaker than expected US data, and the fall in US rates, the dollar was on the defensive. This was evidenced by the dollar index falling to its lowest level since last May. However, the US currency did recoup some of its losses late on. Elsewhere, the yen was on the front-foot, despite the previous day's BoJ decision to leave policy unchanged.

In level terms, EUR/USD opens this morning at the \$1.08 threshold. Meanwhile, GBP/USD is operating in the lower half of \$1.23-1.24, having tested above \$1.24 yesterday. EUR/GBP is changing hands in the top half of 87-88p. USD/JPY is trading back near ¥128.

Today, the latest ECB policy meeting account will be of interest. Remarks from ECB President Lagarde, ECB official Schnabel, as well as, the Fed's Brainard and Williams will garner attention also.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0801	0.20	0.93
EUR/GBP	0.877	-0.06	-0.84
GBP/USD	1.2316	0.28	1.81
GBP/EUR	1.1398	0.06	0.84
USD/JPY	128.11	-2.06	-2.29
EUR/JPY	138.41	-1.84	-1.35

\* 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	4.47	4.80	4.96	4.32	3.47
EUR	2.50	1.98	2.34	3.18	3.09	2.69
GBP	3.50	3.68	4.02	4.59	4.34	3.88

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

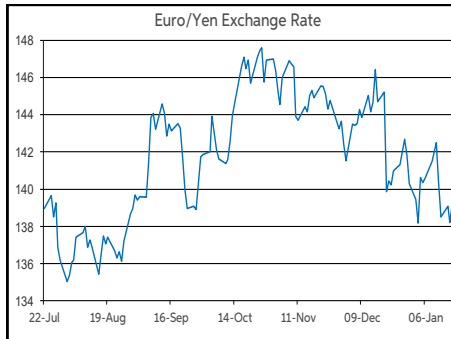
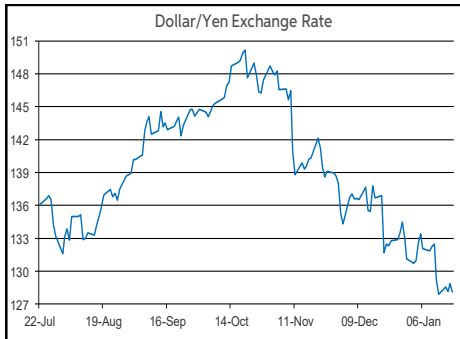
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

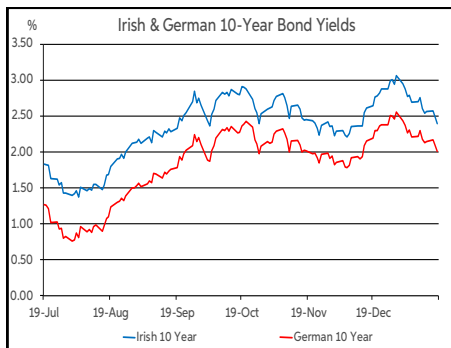
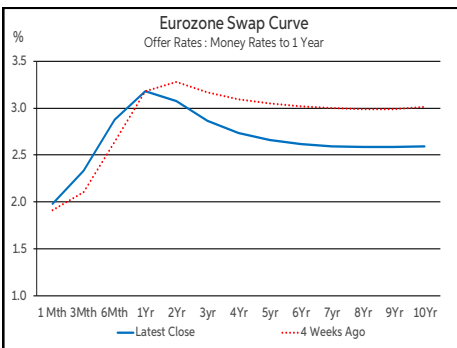
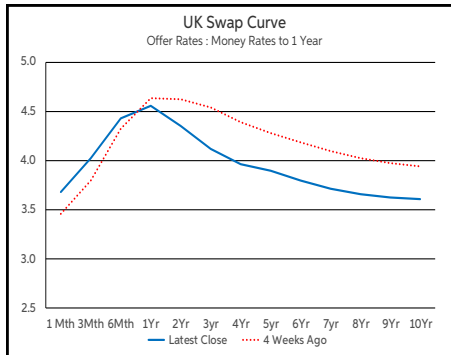
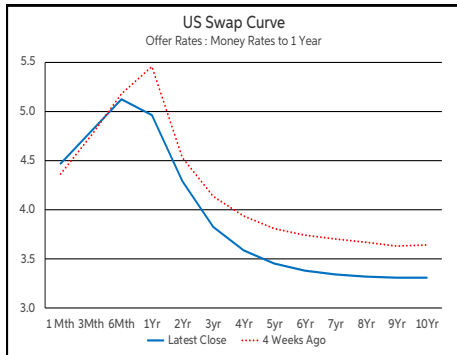
Thursday 19 January 2023  
07:46 am



Euro		Sterling		Dollar	
EUR/GBP	0.877	GBP/EUR	1.1398	USD/JPY	128.11
EUR/USD	1.0801	GBP/USD	1.2316	USD/CAD	1.3503
EUR/JPY	138.41	GBP/CAD	1.6631	USD/CHF	0.9162
EUR/SEK	11.173	GBP/NZD	1.9242	USD/CNY	6.7818
EUR/DKK	7.4404	GBP/JPY	157.77	USD/BRL	5.1863
EUR/NOK	10.7524	GBP/SEK	12.7407	USD/RUB	68.85
EUR/CHF	0.9897	GBP/DKK	8.4811	USD/INR	81.332
EUR/AUD	1.5687	GBP/NOK	12.2588	AUD/USD	0.6885
EUR/HKD	8.4575	GBP/CHF	1.1286	NZD/USD	0.6398
EUR/CAD	1.4587	GBP/AUD	1.7884		



	Close	Change bps		
		Day	4 Weeks	End 22
<b>10 Year Yield %</b>				
US	3.37	-18	-30	-51
Germany	2.01	-7	-29	-55
UK	3.32	-1	-26	-35
<b>5 Year Swap %</b>				
US	3.45	-17	-32	-54
Eurozone	2.66	-1	-38	-57
UK	3.89	+1	-33	-41
<b>2 Year Swap %</b>				
US	4.29	-12	-20	-38
Eurozone	3.08	+0	-20	-31
UK	4.35	+2	-27	-33
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	41	-1	-13	-18
Belgium	53	-1	-8	-11
France	44	-1	-10	-11
Italy	175	-5	-38	-40
Spain	95	-3	-14	-14
Portugal	87	-4	-16	-17
Greece	198	-12	-18	-5



	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	84.98	-1.09	+3.38	-1.08
West Texas Oil	79.53	-0.90	+1.74	-0.79
Gold \$	1903.8	-0.24	+4.94	+4.35

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