

ECB meeting headlines a busy week ahead

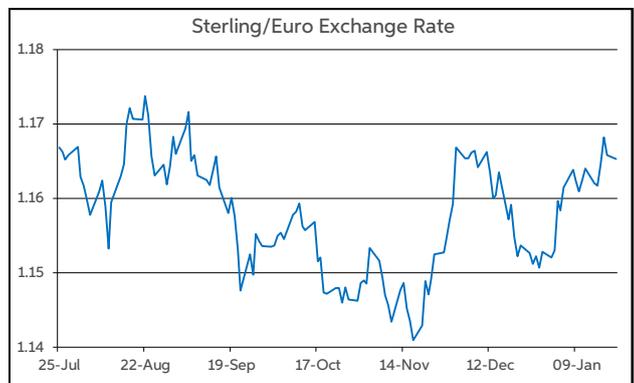
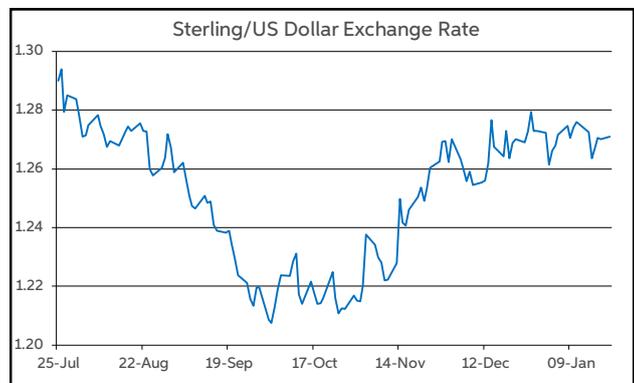
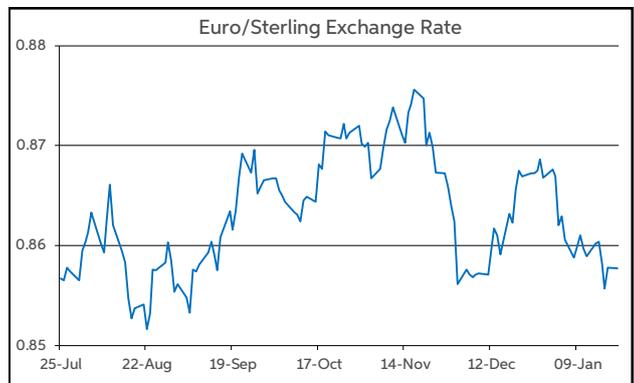
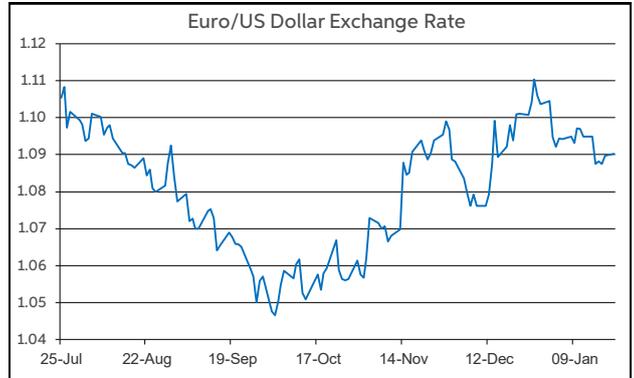
Last week, central bank rhetoric, sticky UK inflation, and strong US data impacted market sentiment. A slew of ECB officials, including President Lagarde pushed back on market expectations for rate cuts in the early part of this year. In the UK, both headline and core CPI rates printed above the consensus. Meanwhile, US retail sales and initial jobless claims were stronger than forecast, suggesting the US consumer and labour market remain in rude health.

Against this backdrop futures contracts hardened across the board. Investors have reduced bets that the Fed will cut rates in March. In total, policy easing worth 135bps is priced in by year end in the US, compared to 165bps last Monday. Similarly, a rate cut from the BoE is no longer expected in May, with rates now seen as being scaled back by just 105bps this year. Elsewhere, futures contracts indicate that the ECB will lower its official rates by around 130bps in 2024, compared to expectations for 150bps of cuts a week ago.

Amid the firming in market rate expectations, bond yields rose by 10-25bps in the US, UK and Eurozone. On equity markets, the Euro Stoxx 50 fell by 0.7% on the week, while the S&P 500 gained 1.2%, supported by a rally in tech shares. Currency-wise, the dollar was holding a firmer tone, boosted by a larger move in US yields versus elsewhere. This sees EUR/USD open today back at \$1.09. Meantime, EUR/GBP is in the top half of 85-86p.

This week, a busy calendar includes some key data and a number of central bank meetings. Notably, the ECB is expected to leave policy unchanged. However, the post-meeting press conference will garner attention. Data-wise, the flash PMIs for January in the main advanced economies will feature. In the US, the December print of core-PCE, and the first estimate of Q4 GDP are due.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0903	0.22	-1.21
EUR/GBP	0.8577	0.13	-1.05
GBP/USD	1.271	0.10	-0.15
GBP/EUR	1.1653	-0.13	1.06
USD/JPY	148.11	-0.36	5.00
EUR/JPY	161.5	-0.14	3.77

* 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	5.11	4.54	4.09
EUR	4.50	3.85	3.96	3.59	3.05	2.69
GBP	5.25	5.18	5.19	4.89	4.60	4.03

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

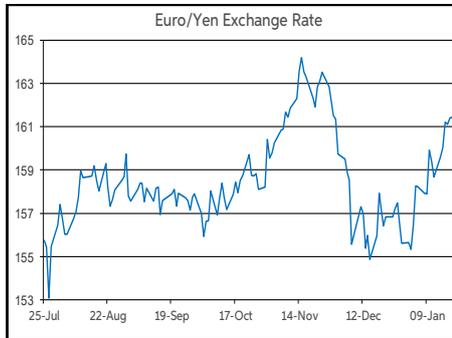
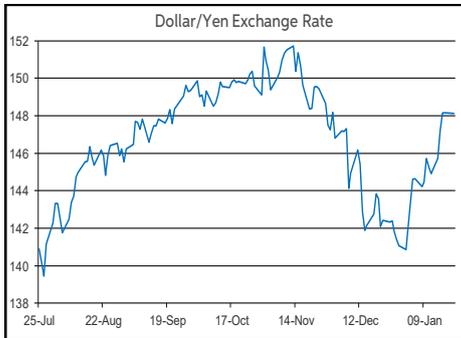
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
---------	----------------------------	------------	------------	------------------	---------------------------	-----------------	-----------------------------------

Opening Levels

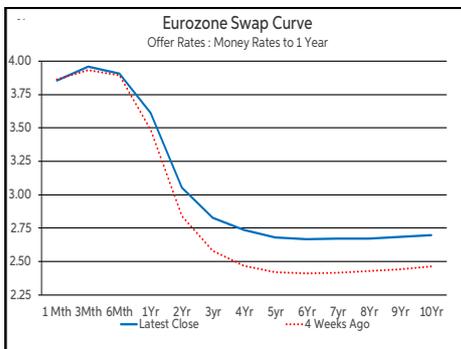
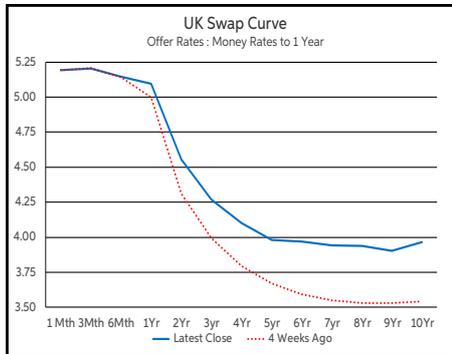
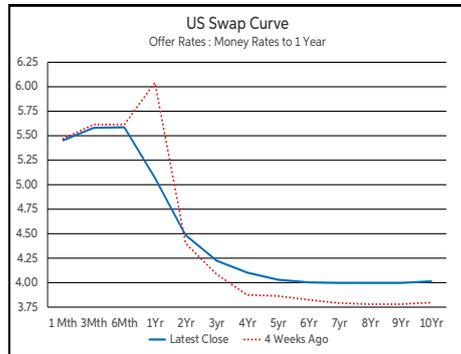
Monday 22 January 2024
07:06 am



Euro		Sterling		Dollar	
EUR/GBP	0.8577	GBP/EUR	1.1653	USD/JPY	148.11
EUR/USD	1.0903	GBP/USD	1.271	USD/CAD	1.3442
EUR/JPY	161.5	GBP/CAD	1.7085	USD/CHF	0.8686
EUR/SEK	11.387	GBP/NZD	2.0822	USD/CNY	7.1963
EUR/DKK	7.4582	GBP/JPY	188.25	USD/BRL	4.931
EUR/NOK	11.4338	GBP/SEK	13.2931	USD/RUB	88.22
EUR/CHF	0.9471	GBP/DKK	8.6911	USD/INR	83.15
EUR/AUD	1.6561	GBP/NOK	13.3306		
EUR/HKD	8.5246	GBP/CHF	1.1039	AUD/USD	0.6583
EUR/CAD	1.4658	GBP/AUD	1.9302	NZD/USD	0.6102



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	4.13	-1	+23	+26
Germany	2.30	-0	+34	+28
UK	3.93	-0	+43	+39
5 Year Swap %				
US	4.04	+1	+21	+24
Eurozone	2.68	+0	+27	+25
UK	3.98	+2	+32	+33
2 Year Swap %				
US	4.49	+3	+12	+15
Eurozone	3.06	+5	+22	+26
UK	4.55	+4	+25	+29
10 Year Government Bond Spreads to Benchmark bps				
Ireland	47	-2	+14	+11
Belgium	63	-1	+0	-2
France	53	-1	+2	-0
Italy	158	-4	-0	-10
Spain	94	-2	+2	-2
Portugal	74	-0	+4	-2
Greece	109	+0	+4	+4



Commodities				
	Close	% Change		
		Day	4 Weeks	End 23
Brent Oil	78.56	-0.68	-0.64	+1.97
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2029.1	+0.32	-1.16	-1.62

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.