

US CPI inflation generates big market reactions

The release of US CPI inflation for October had a noticeable impact on markets yesterday, with both the headline and core rates slowing by more than expected. The headline rate printed at 7.7%, down from 8.3% and versus a 8% forecast. Meanwhile, the core slowed to 6.3%, from 6.6% and versus a 6.5% forecast. Falls in used vehicles, apparel, household furnishings, health insurance and a more modest increase in rents all contributed to the slower pace of inflation, albeit it still remains at very elevated levels.

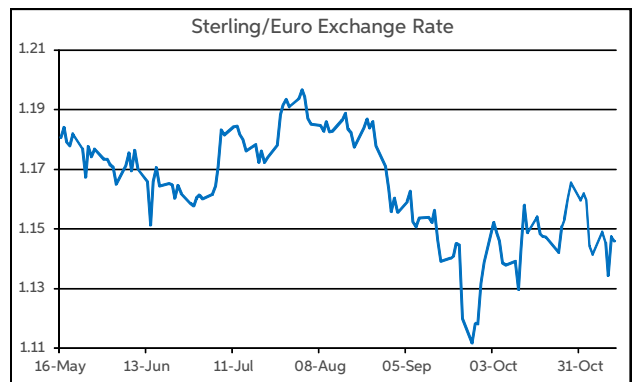
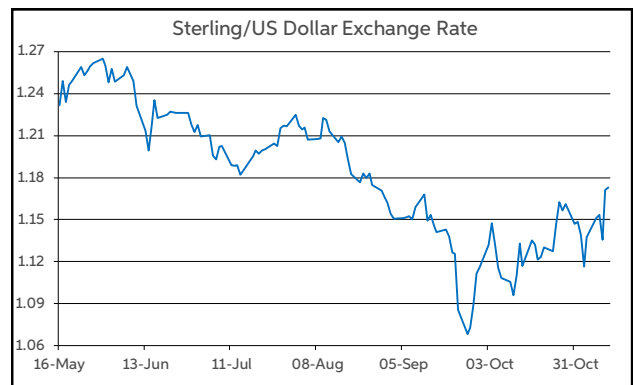
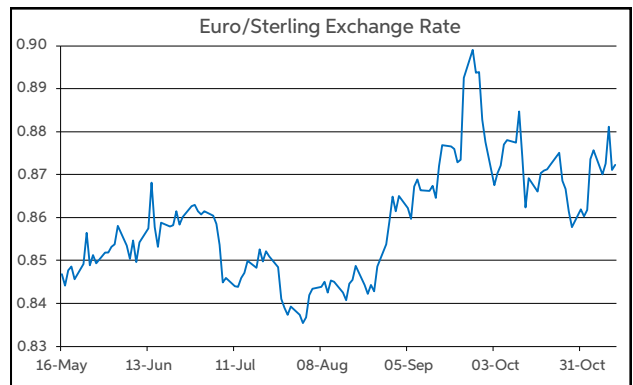
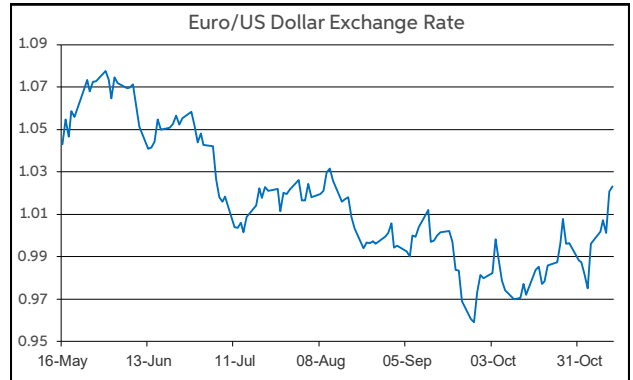
In terms of market reactions, there was a softening in US rate hike expectations. The peak for US rates is now seen as being below 5%, at closer to 4.9%. The softening in rate expectation was not just confined to the US. UK rate expectations moved closer to 4.5% (from 4.75%), while the peak in the ECB Depo rate softened, to nearer 2.9% (from 3%).

Bond yields also registered sharp falls across geographies and their respective curves. The policy sensitive 2-year US Treasury yield fell by over 25bps to 4.33%. Equity markets rallied. At the close last night on Wall Street, the S&P 500 was up 5.5%, which seems like an over-reaction to just one data print.

Currency-wise, the dollar weakened. In level terms, this was reflected in EUR/USD moving up into \$1.02 territory, GBP/USD trading up to the \$1.17 threshold and USD/JPY falling sharply to below ¥142. Elsewhere, EUR/GBP was unable to hold above 88p amid a generally firmer tone to sterling.

Already this morning, we have got today's main data highlight. UK Q3 GDP fell by -0.2% in the quarter, which was somewhat better than consensus forecasts (-0.5%).

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0231	1.97	-10.00
EUR/GBP	0.8722	-0.82	3.83
GBP/USD	1.1727	2.81	-13.32
GBP/EUR	1.1461	0.83	-3.69
USD/JPY	141.18	-3.39	22.68
EUR/JPY	144.46	-1.48	10.38

* 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	3.875	3.87	4.65	5.06	4.72	4.01
EUR	2.00	1.42	1.80	2.70	2.87	2.78
GBP	3.00	2.96	3.47	4.39	4.47	4.16

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

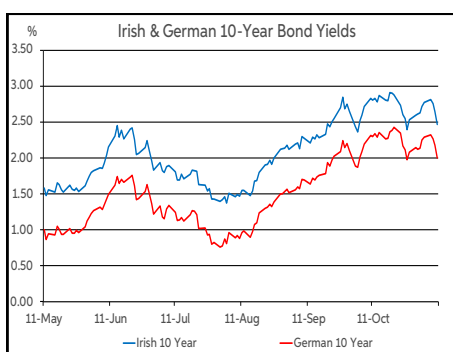
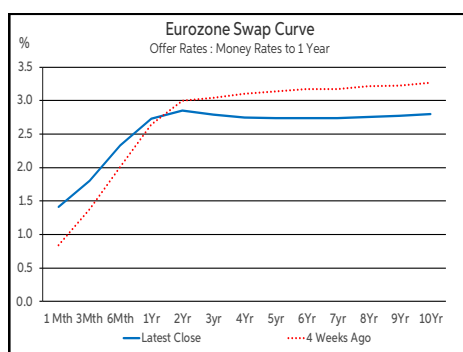
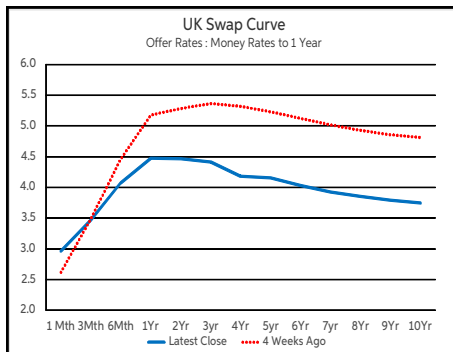
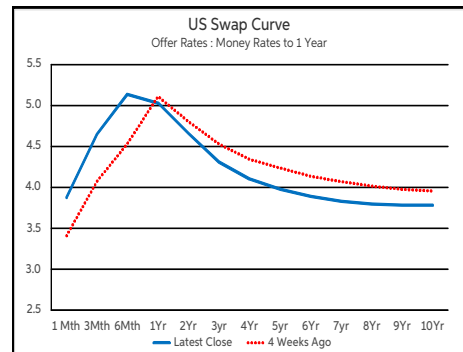
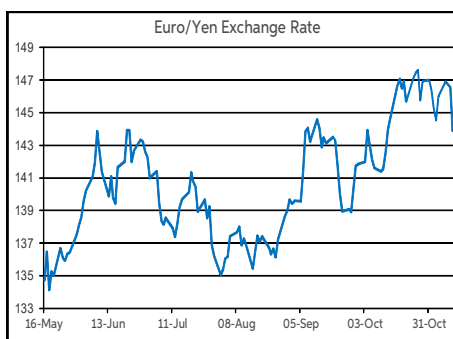
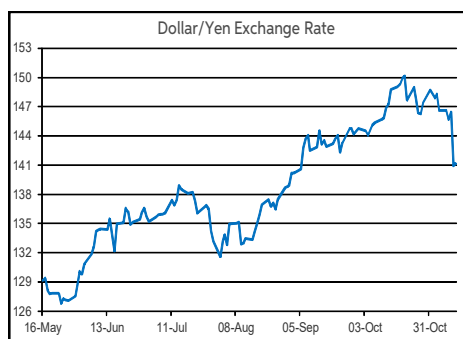
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

Friday 11 November 2022
07:25 am



Euro		Sterling		Dollar	
EUR/GBP	0.8722	GBP/EUR	1.1461	USD/JPY	141.18
EUR/USD	1.0231	GBP/USD	1.1727	USD/CAD	1.3297
EUR/JPY	144.46	GBP/CAD	1.5594	USD/CHF	0.9626
EUR/SEK	10.8024	GBP/NZD	1.9431	USD/CNY	7.0985
EUR/DKK	7.4393	GBP/JPY	165.56	USD/BRL	5.3449
EUR/NOK	10.2712	GBP/SEK	12.3822	USD/RUB	60.2
EUR/CHF	0.985	GBP/DKK	8.5254	USD/INR	80.76
EUR/AUD	1.5387	GBP/NOK	11.7736	AUD/USD	0.6646
EUR/HKD	8.0177	GBP/CHF	1.129	NZD/USD	0.6034
EUR/CAD	1.3605	GBP/AUD	1.7637		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.81	-29	-14	+230
Germany	2.00	-17	-30	+218
UK	3.29	-16	-89	+232
Ireland	2.50	-17	-33	+225
Belgium	2.58	-17	-35	+240
France	2.50	-19	-37	+231
Italy	4.01	-27	-67	+282
Spain	3.03	-18	-42	+244
Portugal	2.97	-19	-43	+248
Greece	4.51	-19	-42	+320
5 Year Swap %				
US	3.98	-27	-22	+264
Eurozone	2.74	-15	-39	+273
UK	4.15	-15	-107	+288
2 Year Swap %				
US	4.65	-26	-11	+371
Eurozone	2.85	-11	-14	+315
UK	4.46	-13	-82	+327
10 Year Government Bond Spreads to Benchmark bps				
Ireland	50	+0	-4	+7
Belgium	58	+0	-5	+22
France	50	-1	-7	+13
Italy	200	-10	-37	+64
Spain	103	-1	-12	+26
Portugal	96	-1	-13	+30
Greece	251	-2	-13	+102

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	93.67	+1.10	-0.95	+20.43
West Texas Oil	86.52	+0.85	-3.43	+14.85
Gold \$	1754.8	+2.84	+5.34	-4.03

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