

Monetary policy spotlight turns to ECB/BoE

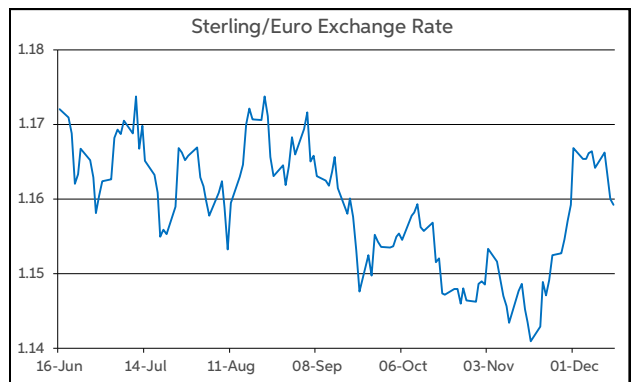
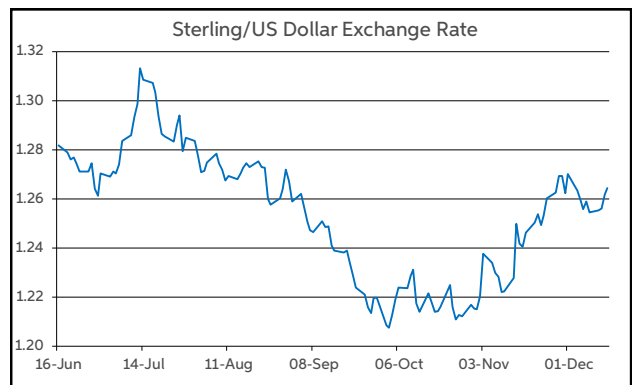
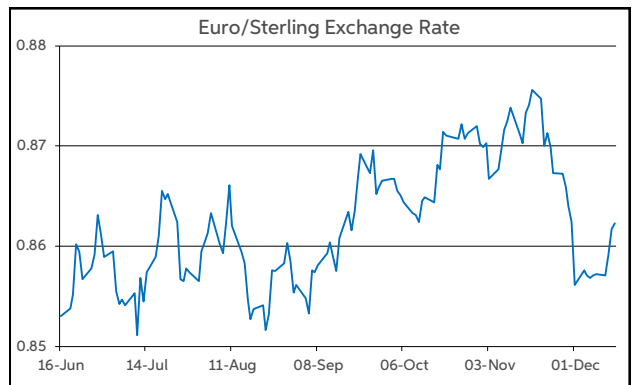
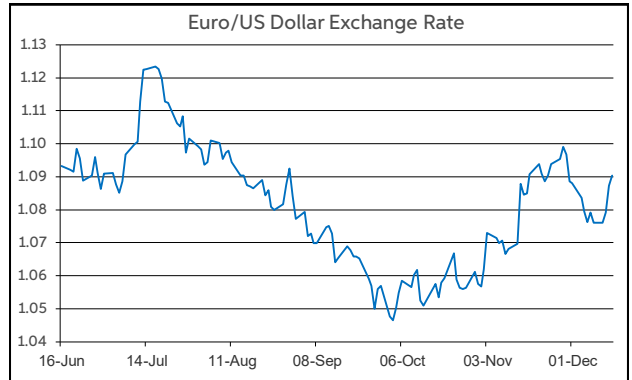
Investors kept their powder dry yesterday, ahead of the Fed policy announcement due after the close in Europe. Against this backdrop the Euro Stoxx 50 edged 0.1% lower. Meantime, futures contracts softened, particularly in the UK, following weak GDP data for October. This saw sterling weaken somewhat.

Overnight, the Fed left monetary policy on hold, as expected. At the press conference, Chair Powell acknowledged that further rate hikes are unlikely, and signalled that discussions on the possibility of cutting rates are coming onto the horizon. Furthermore, the updated interest rate dotplot shows the median projection is for rates to be lowered by 75bps next year, to 4.50-4.75%, down from 5.00-5.25% previously. This led to a marked softening in US futures contracts. Markets are now pricing in 150bps of US rate cuts next year, compared to circa 115bps before the policy announcement.

Elsewhere on markets, 10-year US Treasury yields fell by 20bps, and the S&P 500 rose by 1.4%. Currency-wise, the dollar was on the defensive overnight, amid the significant softening in US rates. This is evidenced by EUR/USD opening this morning up at the \$1.09 threshold. GBP/USD is operating near the midpoint of the \$1.26-1.27 range. Meantime, USD/JPY is down near the halfway mark of ¥141-142. EUR/GBP is just above the 86p handle.

Today, the monetary policy spotlight turns to the ECB and the BoE. Both central banks are expected to hold rates at their current levels. However, the updated ECB macro forecasts and the post-meeting press conference with President Lagarde will be of keen interest. From a BoE perspective, the MPC vote breakdown and meeting statement will be in focus. Markets are currently pricing in rate cuts next year worth 120bps in the UK, and 150bps in the Eurozone.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.09	1.04	1.85
EUR/GBP	0.8621	0.36	-2.52
GBP/USD	1.2642	0.69	4.51
GBP/EUR	1.1593	-0.36	2.59
USD/JPY	141.53	-2.78	7.95
EUR/JPY	154.28	-1.76	9.96

* 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	5.48	5.65	5.09	4.46	3.90
EUR	4.50	3.86	3.93	3.54	2.95	2.52
GBP	5.25	5.19	5.22	4.98	4.67	4.10

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

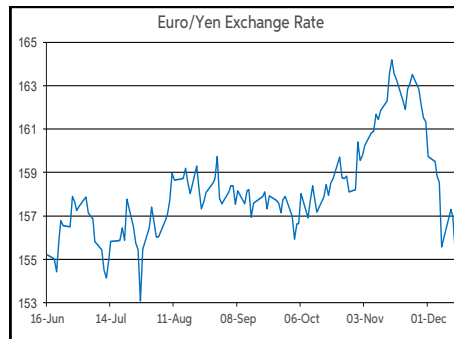
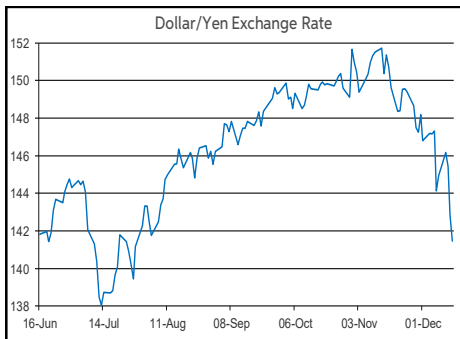
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
---------	----------------------------	------------	------------	------------------	---------------------------	-----------------	-----------------------------------

Opening Levels

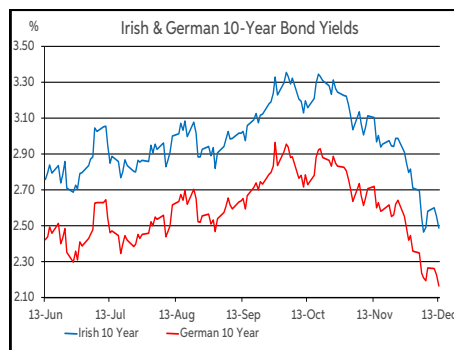
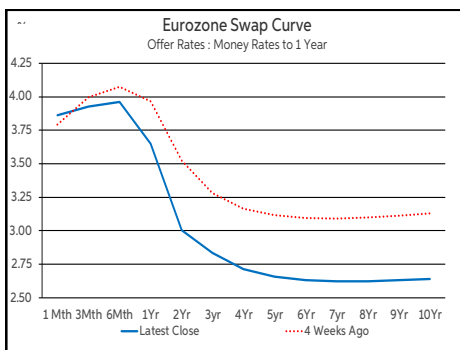
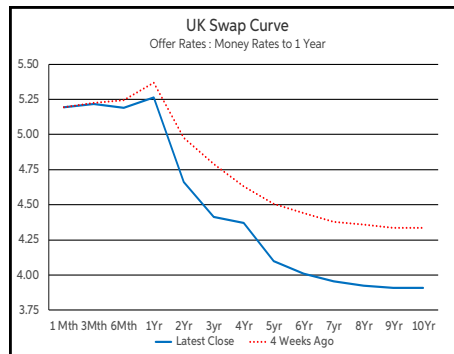
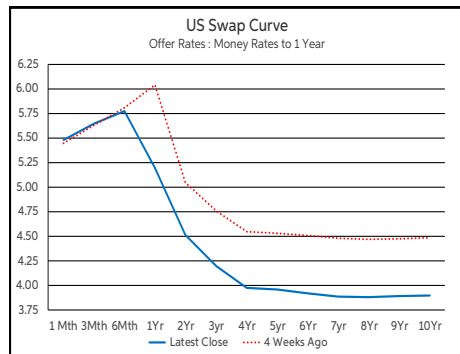
Thursday 14 December 2023
07:03 am



Euro		Sterling		Dollar	
EUR/GBP	0.8621	GBP/EUR	1.1593	USD/JPY	141.53
EUR/USD	1.09	GBP/USD	1.2642	USD/CAD	1.3477
EUR/JPY	154.28	GBP/CAD	1.7038	USD/CHF	0.869
EUR/SEK	11.1875	GBP/NZD	2.0274	USD/CNY	7.1357
EUR/DKK	7.4553	GBP/JPY	178.92	USD/BRL	4.9197
EUR/NOK	11.7012	GBP/SEK	12.9712	USD/RUB	89.425
EUR/CHF	0.9474	GBP/DKK	8.6444	USD/INR	83.323
EUR/AUD	1.6218	GBP/NOK	13.5707		
EUR/HKD	8.5132	GBP/CHF	1.0988	AUD/USD	0.6721
EUR/CAD	1.4692	GBP/AUD	1.8808	NZD/USD	0.6233



	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	4.02	-19	-51	+15
Germany	2.17	-6	-46	-40
UK	3.83	-14	-40	+16
5 Year Swap %				
US	3.96	-22	-53	-4
Eurozone	2.66	-5	-45	-57
UK	4.10	-15	-36	-21
2 Year Swap %				
US	4.51	-25	-50	-16
Eurozone	3.00	-13	-51	-38
UK	4.66	-12	-31	-2
10 Year Government Bond Spreads to Benchmark bps				
Ireland	34	-0	-6	-25
Belgium	67	+1	+5	+3
France	55	+0	-3	-0
Italy	177	-0	-5	-37
Spain	101	-0	-3	-9
Portugal	78	-1	+9	-26
Greece	126	+1	+1	-77



	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	74.26	+1.39	-8.52	-13.56
West Texas Oil	69	+0.03	-9.61	-13.92
Gold \$	2026.4	+2.37	+3.44	+11.07

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.