

Euro on the defensive so far in 2024

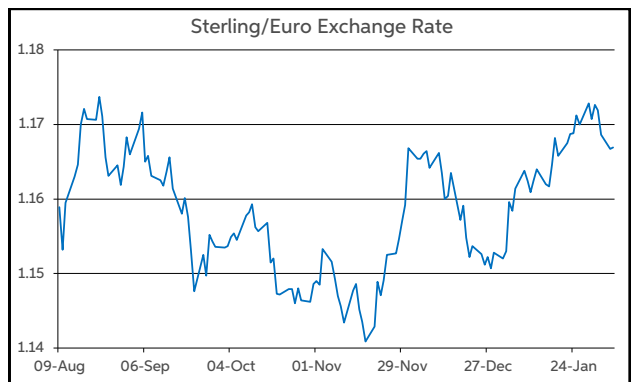
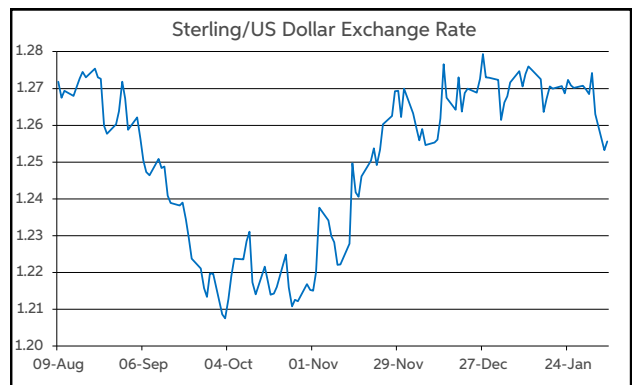
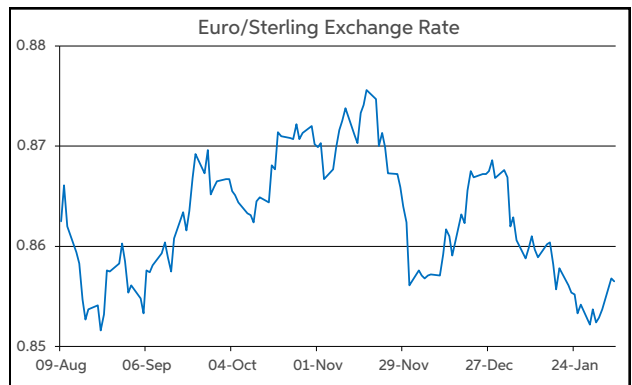
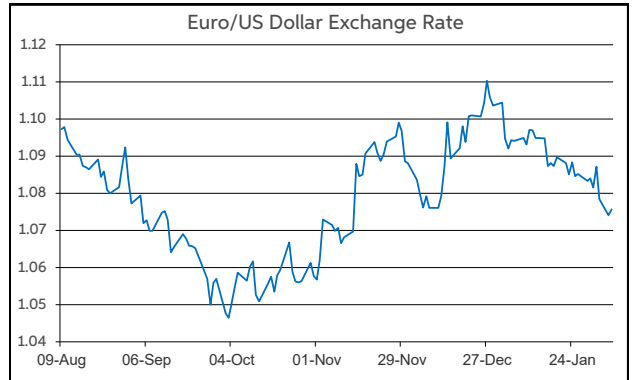
Looking back on the currency market action over the first few weeks of 2024, the euro has generally been on the defensive against the dollar and sterling. Eurozone economic data has remained relatively soft, which has created an unhelpful backdrop for the euro. At the same time, US data has remained an outperformer versus expectations, including last Friday's much stronger than forecast payroll data. The US macro newsflow has been a source of on-going support to the dollar. Meanwhile, from a sterling viewpoint, the market is anticipating a less aggressive pace of rate hikes from the BoE compared to the ECB.

All of the above is reflected in EUR/USD trading below the \$1.08 threshold compared to where it started the year above \$1.10. EUR/GBP has been unable to hold its January opening position above 86p and instead is trading within 85-86p. Elsewhere, GBP/USD has over recent days fallen below the \$1.26 level, as the strong US data put downward pressure on the pair.

Monetary policy has been a key driver of FX markets over the past 3 years. The focus now is on the timing and extent of rate cuts from the main central banks. The ECB, Fed and BoE all emphasised in their recent meetings the important role that incoming macro data will play in informing their decision about when to cut rates.

In this context, the remainder of this week's macro diary might not provide much new insight with a sparse data schedule. Eurozone retail sales (Dec), German industrial production (Dec) and US weekly jobless claims are the few releases of any note. Therefore, the FX majors may not encounter much directional impact from macro data over the coming days. However, remarks from a number of central bank officials may influence markets.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0757	-0.21	-2.53
EUR/GBP	0.8565	0.21	-1.19
GBP/USD	1.2556	-0.41	-1.36
GBP/EUR	1.167	-0.21	1.20
USD/JPY	148.44	0.08	5.23
EUR/JPY	159.7	-0.14	2.62

* 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	5.44	5.58	5.15	4.59	4.12
EUR	4.50	3.86	3.90	3.59	3.03	2.67
GBP	5.25	5.18	5.19	4.95	4.68	4.16

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

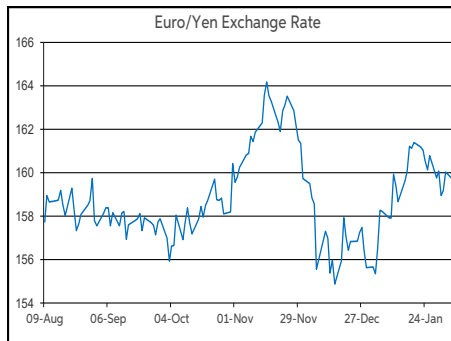
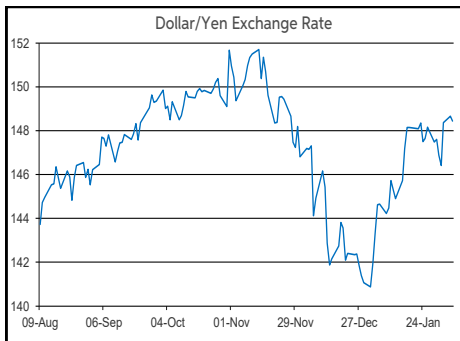
FX Spot	Karl Cooke Shane Gargan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

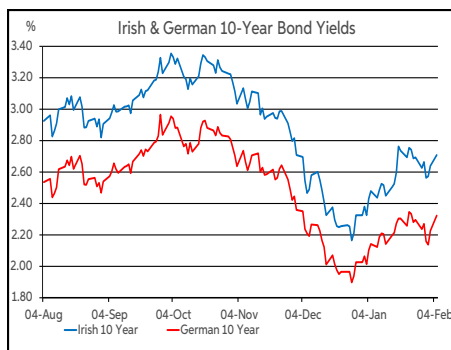
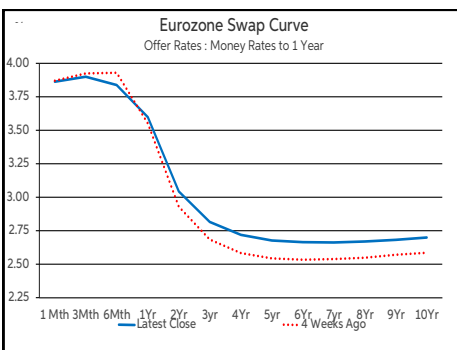
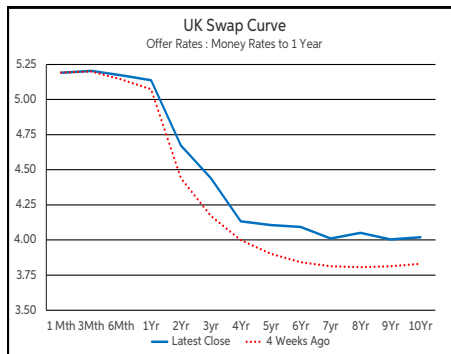
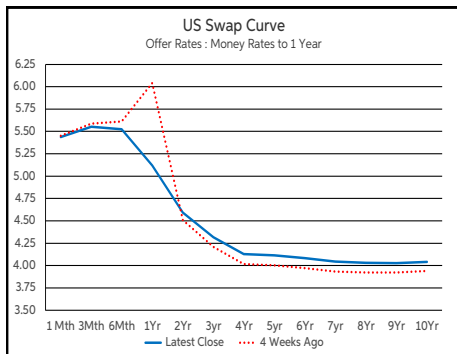
Tuesday 06 February 2024
07:24 am



Euro		Sterling		Dollar	
EUR/GBP	0.8565	GBP/EUR	1.167	USD/JPY	148.44
EUR/USD	1.0756	GBP/USD	1.2557	USD/CAD	1.3508
EUR/JPY	159.7	GBP/CAD	1.6962	USD/CHF	0.8692
EUR/SEK	11.368	GBP/NZD	2.0671	USD/CNY	7.1892
EUR/DKK	7.4586	GBP/JPY	186.4	USD/BRL	4.9854
EUR/NOK	11.4576	GBP/SEK	13.2669	USD/RUB	90.455
EUR/CHF	0.9353	GBP/DKK	8.704	USD/INR	83.045
EUR/AUD	1.6511	GBP/NOK	13.368	AUD/USD	0.6513
EUR/HKD	8.4153	GBP/CHF	1.0915	NZD/USD	0.6072
EUR/CAD	1.4532	GBP/AUD	1.9275		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	4.16	+14	+14	+30
Germany	2.32	+9	+20	+30
UK	3.92	+17	+15	+38
5 Year Swap %				
US	4.11	+12	+15	+32
Eurozone	2.68	+7	+14	+25
UK	4.11	+11	+21	+46
2 Year Swap %				
US	4.59	+11	+12	+26
Eurozone	3.04	+6	+13	+25
UK	4.67	+10	+24	+41
10 Year Government Bond Spreads to Benchmark bps				
Ireland	44	-2	+11	+8
Belgium	60	-1	-5	-5
France	50	-2	-4	-3
Italy	157	-2	-13	-11
Spain	91	-3	-8	-5
Portugal	70	-2	-6	-5
Greece	106	+1	-14	+2



Commodities				
	Close	% Change		
		Day	4 Weeks	End 23
Brent Oil	77.99	+0.85	+2.46	+1.23
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2024.7	-0.68	-0.16	-1.84

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