

## Softer inflation sends rate expectations/yields lower

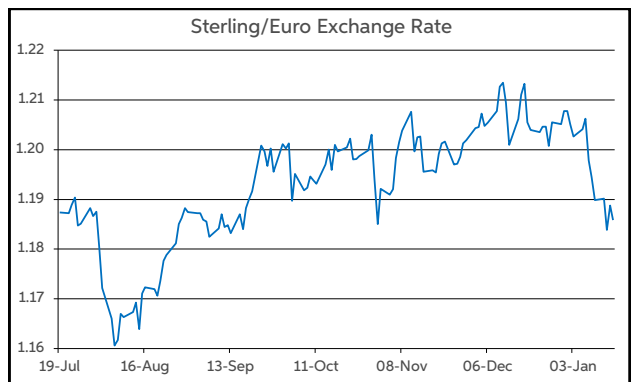
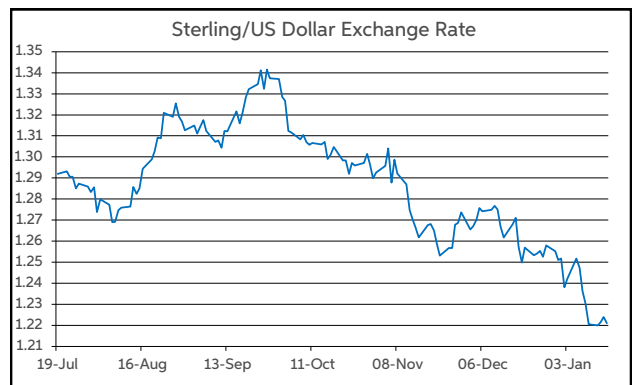
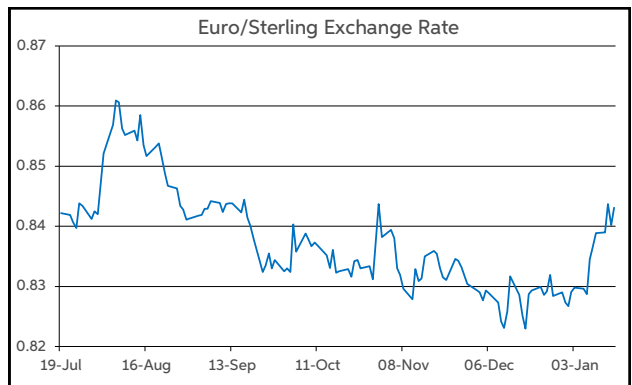
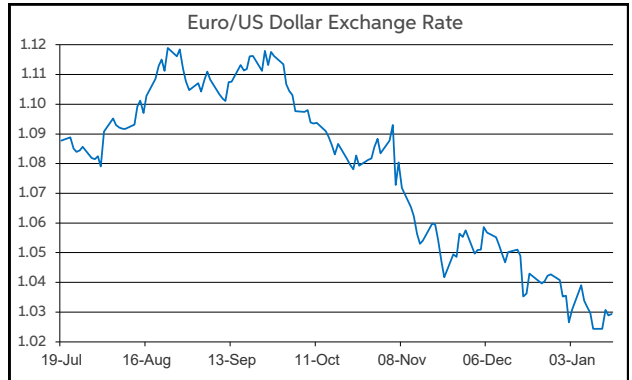
Inflation was front and centre of the market discourse yesterday. The day started off with the early morning release of UK CPI numbers for December. Both the headline at 2.5% and core at 3.2% printed below their respective forecasts (2.6% and 3.4%). Meanwhile, in the US, the headline CPI inflation rate for December was in line with expectations, at 2.9%. However, the core rate came in slightly lower than the consensus at 3.2% (f'cast for 3.3%).

In terms of market reaction to the data, there was some recovery in bond markets (prices rose, yields fell), as rate expectations softened on the back of the lower than anticipated inflation readings. The market is now pricing in around 40bps of easing from the Fed by year end. At the start of the week, this was nearer to 25bps. Against this backdrop the 10-year US Treasury yield fell by 14bps to back below 4.7%. Meanwhile, the UK 10-year Gilt yield fell by 15bps to 4.74%. Elsewhere, the German 10-year Bund yield was 9bps lower, falling to 2.53%. At the same time, there was a notable 'risk-on' tone to investor sentiment, reflected in strong gains (1-2%) on equity markets.

Currency-wise, the action was less eventful with most of the majors operating within narrow ranges. The exception was the yen, which benefitted from BoJ rate hike expectations and falling yields elsewhere. USD/JPY has moved back down to the ¥156 mark. Meantime, EUR/USD continues to trade in and around the \$1.03 threshold, while EUR/GBP remains above 84p.

Today's data calendar has already seen the release of UK GDP for November. GDP rose by 0.1% m/m (f'cast for +0.2%). There is a busy US macro diary ahead, with the highlight being retail sales figures for December. The ECB meeting account is also due.

**John Fahey, Senior Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2024
EUR/USD	1.0294	0.01	-0.57
EUR/GBP	0.8431	-0.06	1.91
GBP/USD	1.2208	0.07	-2.42
GBP/EUR	1.1857	0.06	-1.87
USD/JPY	156.08	-0.78	-0.70
EUR/JPY	160.7	-0.76	-1.26

\* 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	4.38	4.29	4.28	4.21	4.44	4.44
EUR	3.15	2.85	2.76	2.47	2.38	2.41
GBP	4.75	4.62	4.53	4.39	4.51	4.40

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

Thursday 16 January 2025  
07:18 am



## Euro

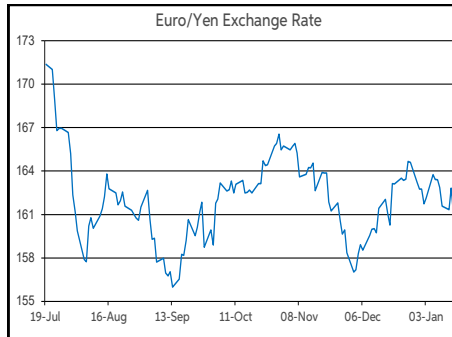
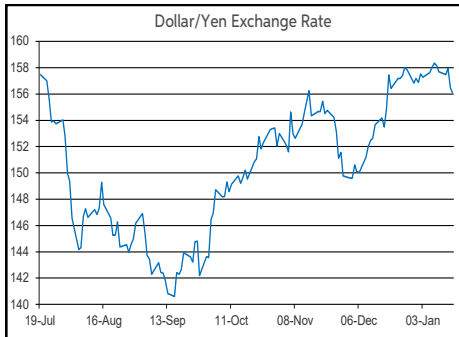
EUR/GBP	0.8431
EUR/USD	1.0294
EUR/JPY	160.7
EUR/SEK	11.4885
EUR/DKK	7.4604
EUR/NOK	11.6737
EUR/CHF	0.9389
EUR/AUD	1.6576
EUR/HKD	8.0177
EUR/CAD	1.4779

## Sterling

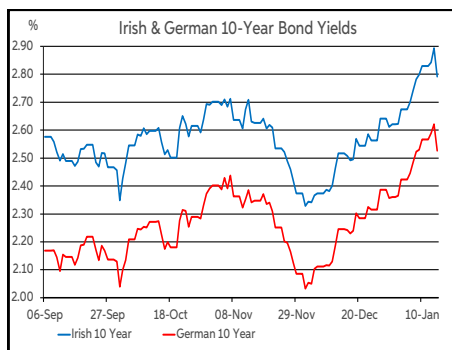
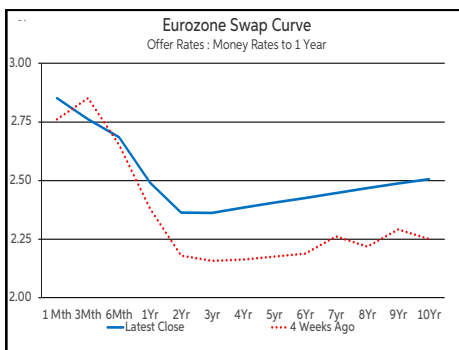
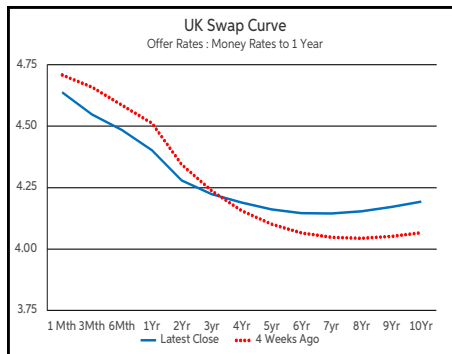
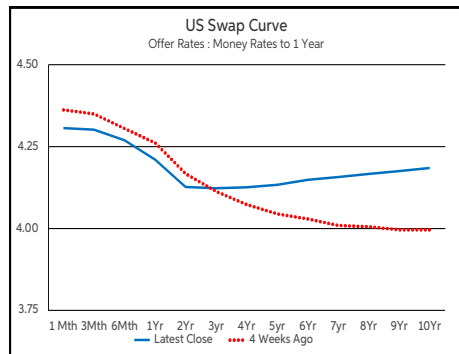
GBP/EUR	1.1857
GBP/USD	1.2208
GBP/CAD	1.7522
GBP/NZD	2.177
GBP/JPY	190.54
GBP/SEK	13.623
GBP/DKK	8.8479
GBP/NOK	13.844
GBP/CHF	1.1131
GBP/AUD	1.9653

## Dollar

USD/JPY	156.08
USD/CAD	1.4356
USD/CHF	0.9119
USD/CNY	7.3316
USD/BRL	6.0126
USD/RUB	102.6
USD/INR	86.4825
AUD/USD	0.621
NZD/USD	0.5606



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 24
<b>10 Year Yield %</b>				
US	4.65	-14	+15	+8
Germany	2.53	-9	+29	+16
UK	4.74	-15	+18	+16
<b>5 Year Swap %</b>				
US	4.40	-14	+8	+11
Eurozone	2.41	-11	+24	+17
UK	4.40	-16	+6	+11
<b>2 Year Swap %</b>				
US	4.38	-9	-5	+4
Eurozone	2.36	-8	+19	+17
UK	4.51	-17	-5	+2
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	31	+1	+1	+2
Belgium	59	-2	-2	-3
France	82	-3	+1	-1
Italy	117	-5	-0	+1
Spain	68	-3	-3	-2
Portugal	47	-1	-2	-2
Greece	84	-2	-3	-5



Commodities				
	Close	% Change		
		Day	4 Weeks	End 24
Brent Oil	82.03	+2.64	+11.77	+9.90
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2695.8	+0.70	+4.18	+2.74

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