

Fed cuts rates by 25bps. Focus turns to the BoE

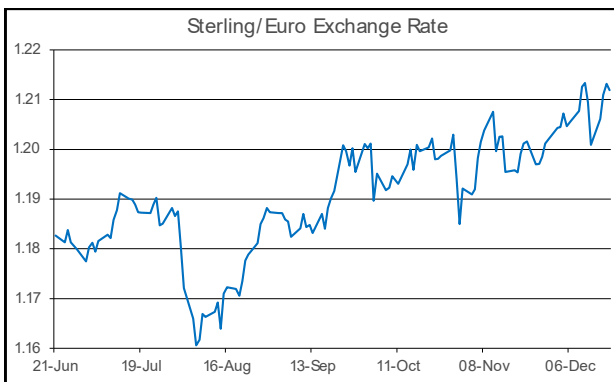
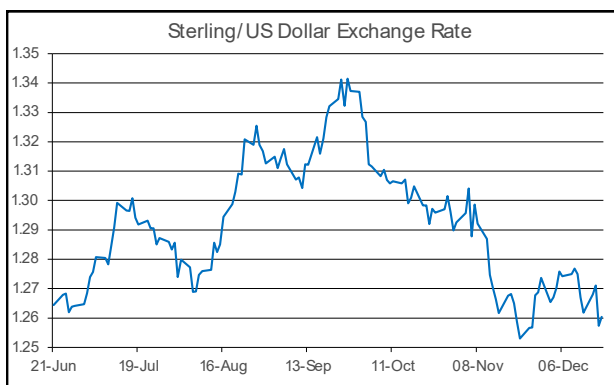
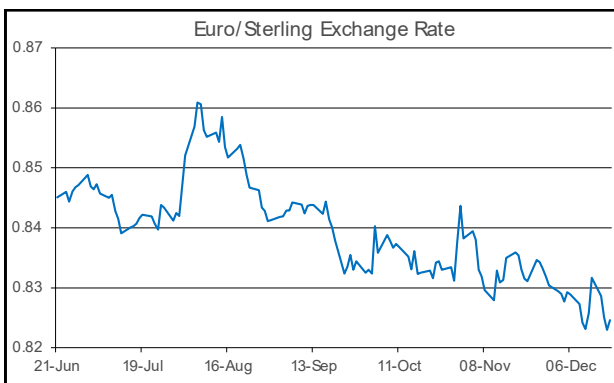
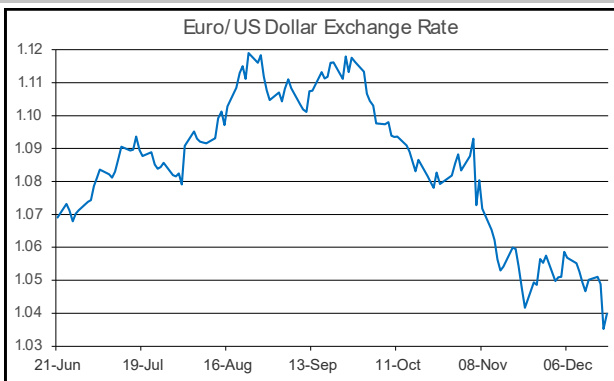
As expected, the Fed cuts rates by 25bps yesterday. The Fed funds target range is now at 4.25-4.50%. Despite cutting rates though, the Fed struck a hawkish tone when assessing the outlook. Notably, the Fed now sees core-PCE inflation at 2.5% by the end of 2025. Furthermore, the median projection is for just two rate cuts next year, compared to four cuts in September. At the press conference, Chair Powell struck a hawkish tone also. Overall, the final FOMC meeting of 2024 set the path for a slower pace of rate cuts from in the US in 2025.

US futures contracts hardened markedly in the aftermath of the Fed meeting outcome. Current pricing is for just 35bps worth of rate cuts next year. Against this backdrop, US Treasury yields rose sharply by 10-15bps along the curve, while equity markets nose-dived, with the S&P down by 2.9% on the day. Meantime, the dollar was firmly in the ascendancy on currency markets.

Before the Fed policy announcement, the euro was under some downward pressure. The single currency lost some ground as the final reading of HICP inflation for November revised both the headline and core rates a touch lower. Elsewhere, the yen was on the defensive overnight, as the BoJ opted to leave rates on hold. As trading gets underway this morning, EUR/USD opens back just below the \$1.04 mark, while GBP/USD is operating down near \$1.26. Meantime, USD/JPY is up at the midpoint of ¥156-157.

Turning to the day ahead, the monetary policy spotlight will turn to the final BoE MPC meeting of 2024. Expectations are that policy will be left on hold. Thus, market participants will be paying close attention to the vote breakdown and the meeting statement for any guidance on the future path of policy.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0398	-0.98	-5.78
EUR/GBP	0.8246	-0.24	-4.87
GBP/USD	1.2604	-0.75	-0.98
GBP/EUR	1.2119	0.24	5.12
USD/JPY	156.47	2.04	10.92
EUR/JPY	162.73	1.04	4.56

* 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	4.34	4.33	4.24	4.45	4.34
EUR	3.15	2.78	2.87	2.38	2.23	2.23
GBP	4.75	4.69	4.64	4.49	4.56	4.33

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

CONTACTS

AIB Customer Treasury Services
business.treasury@aib.ie
aib.corporatetreasury@aib.ie

Customer Treasury Services GB
treasury.gb@aib.ie

Customer Treasury Services NI
TreasuryNI@aib.ie

Opening Levels

Thursday 19 December 2024
07:29 am



Euro

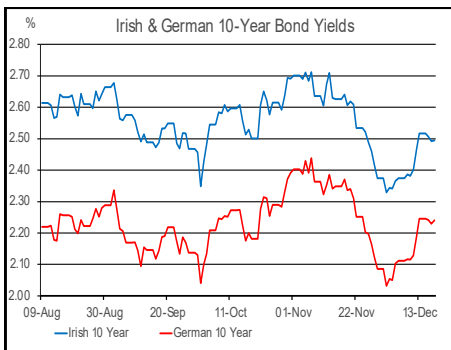
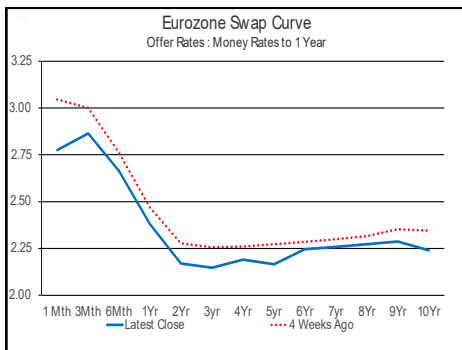
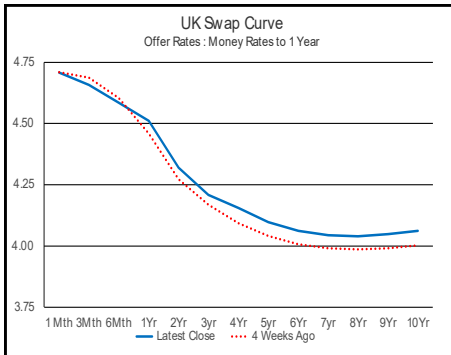
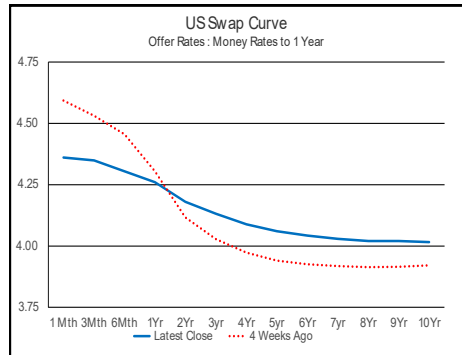
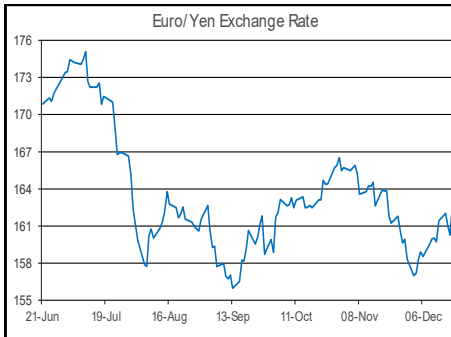
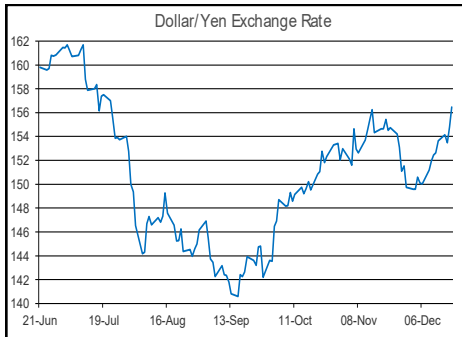
EUR/GBP	0.8246
EUR/USD	1.0398
EUR/JPY	162.73
EUR/SEK	11.5052
EUR/DKK	7.4608
EUR/NOK	11.775
EUR/CHF	0.9343
EUR/AUD	1.667
EUR/HKD	8.0783
EUR/CAD	1.4997

Sterling

GBP/EUR	1.2119
GBP/USD	1.2604
GBP/CAD	1.8179
GBP/NZD	2.2345
GBP/JPY	197.21
GBP/SEK	13.9467
GBP/DKK	9.0426
GBP/NOK	14.265
GBP/CHF	1.1325
GBP/AUD	2.0201

Dollar

USD/JPY	156.47
USD/CAD	1.4427
USD/CHF	0.8984
USD/CNY	7.299
USD/BRL	6.2896
USD/RUB	103.9
USD/INR	85.045
AUD/USD	0.6236
NZD/USD	0.564



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	4.50	+11	+9	+64
Germany	2.24	+1	-10	+21
UK	4.56	+4	+9	+102
5 Year Swap %				
Ireland	2.54	+1	-12	+17
Belgium	2.85	+1	-8	+16
France	3.05	+2	-5	+50
Italy	3.41	+2	-17	-29
Spain	2.94	+2	-11	-5
Portugal	2.73	-1	-8	-6
Greece	3.11	+1	-12	+3
2 Year Swap %				
US	4.33	+14	+14	+53
Eurozone	2.17	+1	-10	-26
UK	4.33	+3	+8	+68
10 Year Government Bond Spreads to Benchmark bps				
Ireland	29	+0	-2	-4
Belgium	61	+0	+2	-6
France	81	+1	+5	+28
Italy	117	+1	-7	-50
Spain	70	+1	-1	-26
Portugal	49	-2	+2	-27
Greece	87	+0	-2	-18

Commodities				
	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	73.39	+0.27	+0.80	-4.74
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2587.6	-2.19	-2.36	+25.46

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.