

EUR/USD back below \$1.08

Investor sentiment was somewhat mixed yesterday. The Euro Stoxx 50 gained 0.9%, while on Wall Street, the S&P 500 finished flat for the day. In terms of fixed income, yields moved lower across the board. Notably, German Bund and UK Gilt yields fell by 5-17bps, as Eurozone and UK futures contracts softened. US Treasury yields declined by 3-9bps, with US futures holding steady.

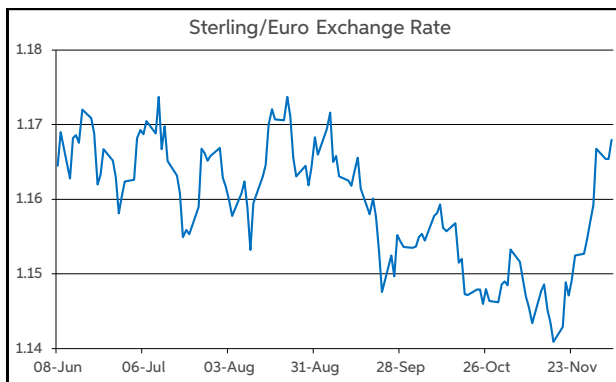
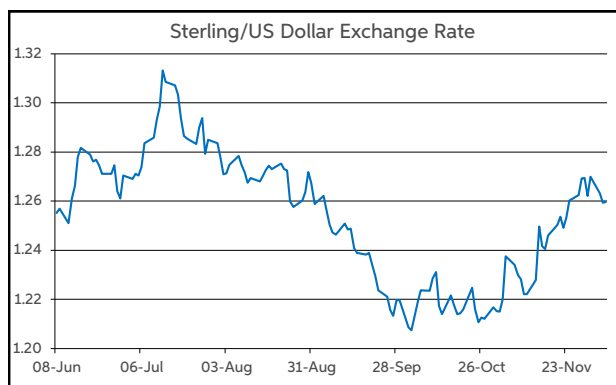
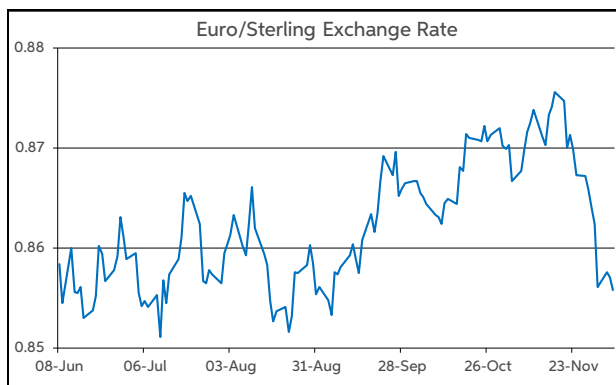
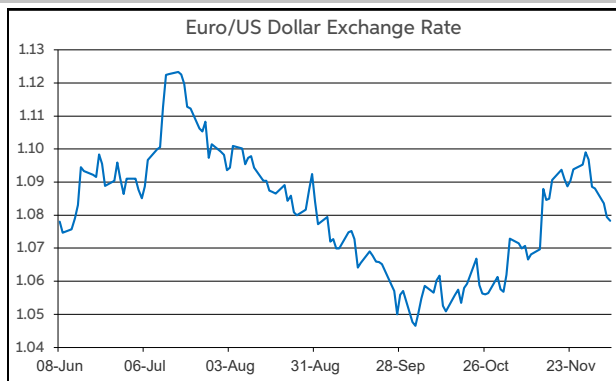
Remarks from ECB Governing Council member Schnabel coincided with the softening in Eurozone rates. Schnabel, a noted hawk, stated that a further rate hike was “unlikely”, and refused to rule out a rate cut in the first half of next year. The market is now pricing in a first rate cut in March 2024, and a total of 140bps of cuts next year. The softening in Eurozone rates spilled over to the UK, with markets now pricing in up to 85bps of rate cuts in 2024.

Data-wise, the US non-manufacturing ISM for November printed slightly above the consensus, rising to 52.7 (vs. 52.0 f'cast). Meantime, JOLTS job openings fell to 8.7m in October (vs. 9.3m f'cast). Against this backdrop, the dollar was holding a firmer tone yesterday. Elsewhere on currency markets, the euro was under some downward pressure, amid the softening in Eurozone rates.

In level terms, the firmer dollar and softer euro sees EUR/USD open this morning below the \$1.08 threshold. EUR/GBP is back close to the midpoint of the 85-86p corridor. Meanwhile, GBP/USD is operating down in and around the \$1.26 handle.

Turning to the day ahead, there is a relatively sparse data schedule on both sides of the Atlantic. The main release of note will be Eurozone retail sales for October. Barring any major surprises though, the release is unlikely to impact on currency markets.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0782	-0.58	0.75
EUR/GBP	0.8559	-0.24	-3.22
GBP/USD	1.2597	-0.32	4.13
GBP/EUR	1.1679	0.25	3.33
USD/JPY	147	-0.01	12.12
EUR/JPY	158.53	-0.60	12.99

* 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	5.46	5.62	5.30	4.69	4.16
EUR	4.50	3.86	3.96	3.61	3.08	2.71
GBP	5.25	5.19	5.21	5.07	4.84	4.32

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

Wednesday 06 December 2023
07:41 am



Euro

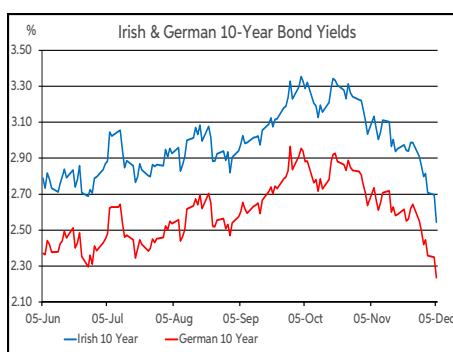
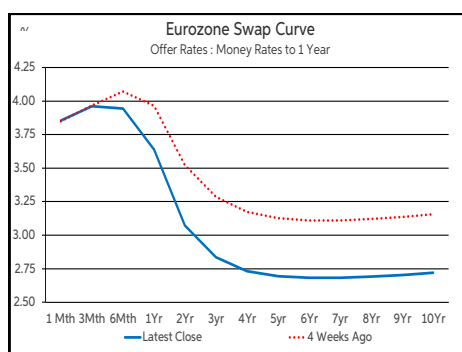
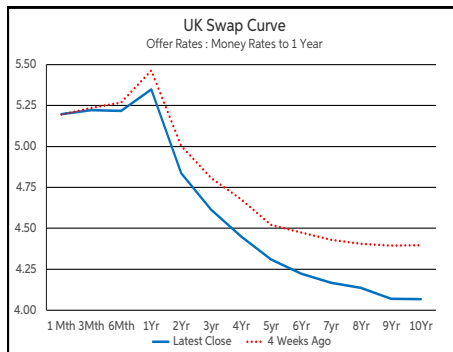
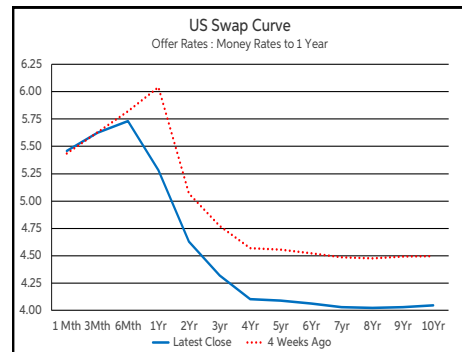
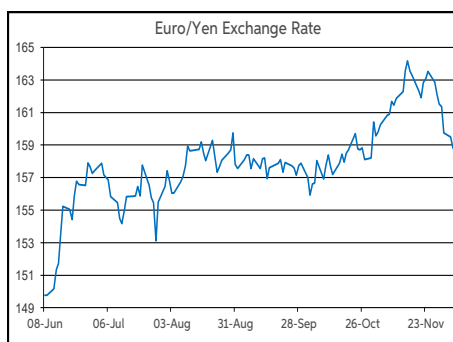
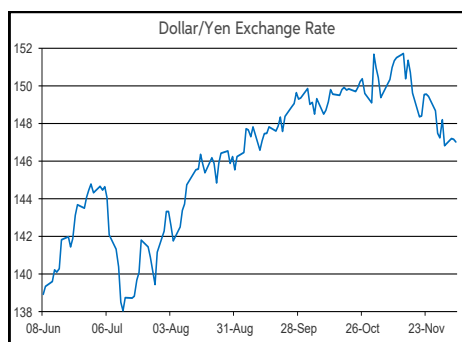
EUR/GBP	0.8559
EUR/USD	1.0782
EUR/JPY	158.53
EUR/SEK	11.3017
EUR/DKK	7.4559
EUR/NOK	11.7781
EUR/CHF	0.9433
EUR/AUD	1.6368
EUR/HKD	8.4231
EUR/CAD	1.4628

Sterling

GBP/EUR	1.1679
GBP/USD	1.2597
GBP/CAD	1.7092
GBP/NZD	2.0418
GBP/JPY	185.18
GBP/SEK	13.2019
GBP/DKK	8.7092
GBP/NOK	13.7595
GBP/CHF	1.1022
GBP/AUD	1.9123

Dollar

USD/JPY	147
USD/CAD	1.3566
USD/CHF	0.8748
USD/CNY	7.158
USD/BRL	4.9282
USD/RUB	92.89
USD/INR	83.283
AUD/USD	0.6587
NZD/USD	0.6167



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	4.17	-9	-40	+29
Germany	2.24	-11	-43	-33
UK	4.03	-17	-25	+36
5 Year Swap %				
US	4.09	-7	-42	+9
Eurozone	2.69	-9	-42	-54
UK	4.31	-13	-16	+1
2 Year Swap %				
US	4.63	-5	-40	-5
Eurozone	3.07	-7	-44	-32
UK	4.84	-10	-16	+15
10 Year Government Bond Spreads to Benchmark bps				
Ireland	33	-4	-10	-25
Belgium	60	-4	-3	-4
France	56	-1	-3	+1
Italy	176	-1	-7	-38
Spain	102	+0	-4	-8
Portugal	69	+1	-5	-35
Greece	119	+1	-12	-84

Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	77.2	-1.06	-5.40	-10.14
West Texas Oil	71.95	-1.07	-7.71	-10.24
Gold \$	2019.4	-0.51	+2.59	+10.69

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