

## BoE hikes, ECB scales back QE

For the second time in two months the Bank of England caught markets by surprise. The MPC voted 8-1 in favour of raising the Bank rate by 15bps to 0.25%. The BoE hiked in response to surging inflation, (which it now sees peaking at 6% next April) and further tightening in the labour market. The decision saw sterling rise sharply in the immediate aftermath. EUR/GBP fall to a low of 84.5p, while GBP/USD rose to a high of \$1.337.

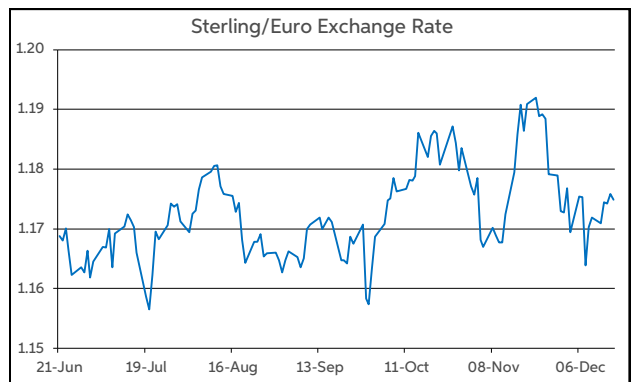
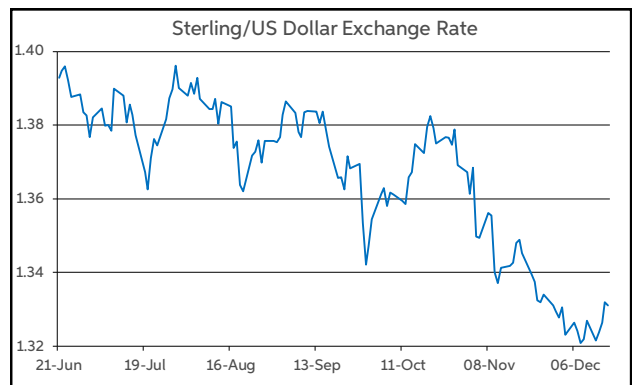
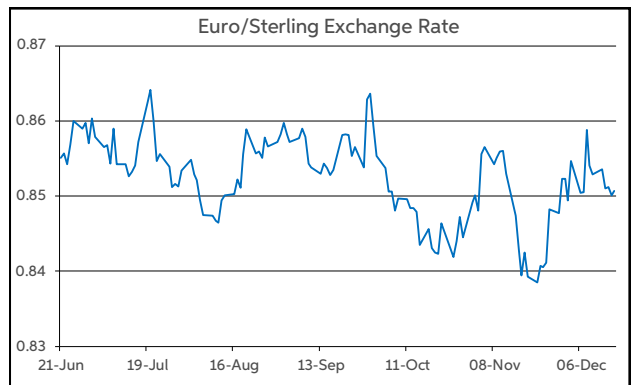
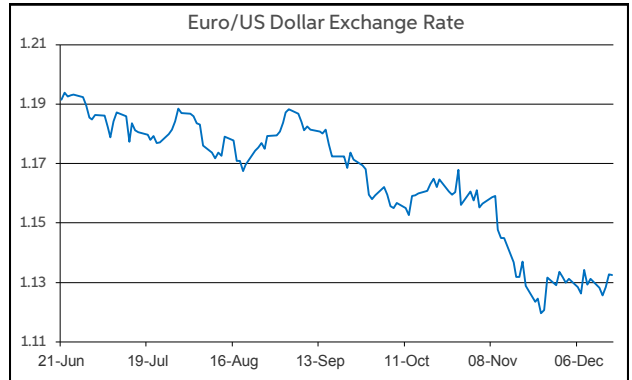
Elsewhere, the ECB provided guidance on its QE initiatives. Bond purchases under PEPP will slow again in Q1, before coming to a halt in March as planned. However, the ECB's other QE programme, APP, will be revised higher to €40bn per month in Q2, and €30bn in Q3, before reverting back to €20bn in October.

Meanwhile, the latest staff projections showed a large upward revision to inflation for 2022, although, President Lagarde reiterated that the ECB is very unlikely to raise rates next year. In terms of currency reaction, the euro firmed a little, with EUR/USD reaching a high of \$1.136 during the press conference, before edging back from this level.

Looking at this mornings opening levels, the moves over the last 24 hours reflect some gains for both the euro and sterling against the dollar. EUR/USD is changing hands above \$1.13. Meantime, GBP/USD is operating at the \$1.33 handle. EUR/GBP is trading in and around the 85p mark, similar to yesterday's open.

Already this morning, UK retail sales have printed better than expected, rising by 1.4% (vs +0.8% f'cast) in November. Later today, the German Ifo (Dec) is the other main release. However, barring any major surprises, the data is unlikely to impact the euro.

**Daniel Noonan, Economist, AIB**



| Today's Opening FX Rates |        |          |          |
|--------------------------|--------|----------|----------|
|                          |        | % Change |          |
|                          |        | Day *    | End 2020 |
| EUR/USD                  | 1.1325 | 0.35     | -7.27    |
| EUR/GBP                  | 0.8507 | -0.16    | -4.81    |
| GBP/USD                  | 1.3309 | 0.50     | -2.66    |
| GBP/EUR                  | 1.1751 | 0.16     | 5.05     |
| USD/JPY                  | 113.61 | -0.47    | 10.04    |
| EUR/JPY                  | 128.68 | -0.10    | 2.00     |

\* 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                    | 0.125     | 0.11         | 0.22  | 0.46       | 0.83  | 1.27  |
| EUR                    | 0.00      | -0.60        | -0.60 | -0.50      | -0.35 | -0.12 |
| GBP                    | 0.10      | 0.09         | 0.10  | 0.76       | 1.09  | 1.11  |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

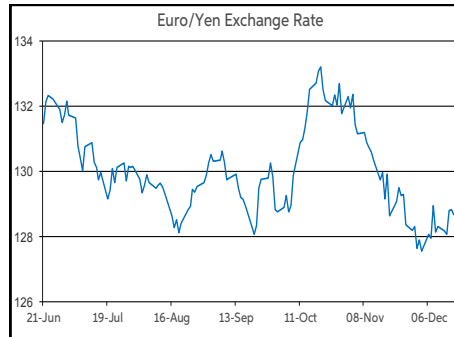
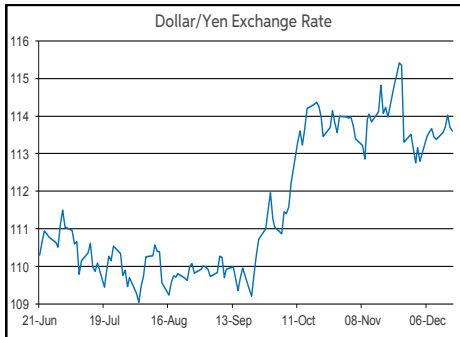
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# Opening Levels

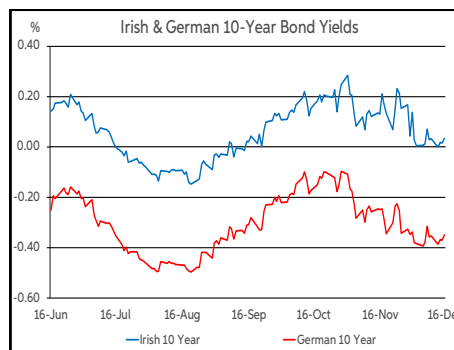
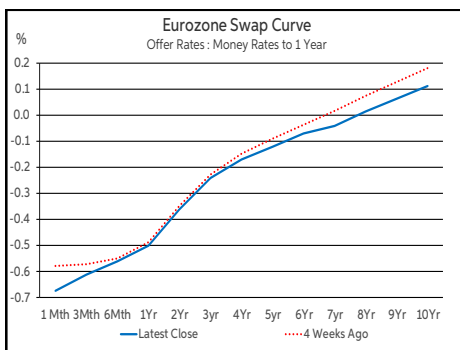
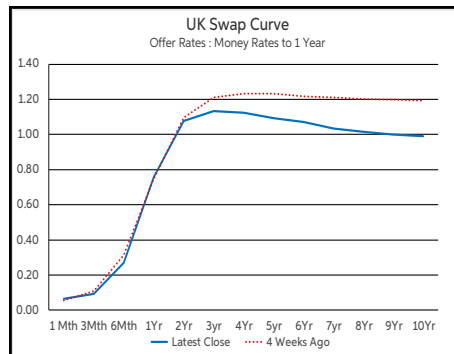
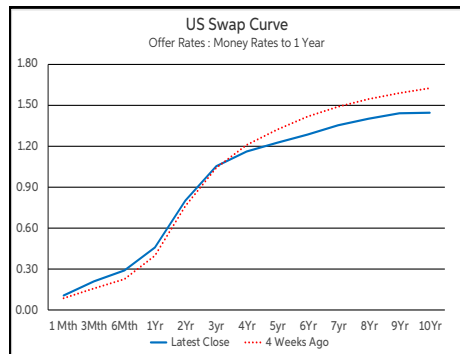
Friday 17 December 2021  
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| Euro    |         | Sterling |         | Dollar  |         |
|---------|---------|----------|---------|---------|---------|
| EUR/GBP | 0.8507  | GBP/EUR  | 1.1751  | USD/JPY | 113.61  |
| EUR/USD | 1.1325  | GBP/USD  | 1.3309  | USD/CAD | 1.2796  |
| EUR/JPY | 128.68  | GBP/CAD  | 1.7032  | USD/CHF | 0.9187  |
| EUR/SEK | 10.2293 | GBP/NZD  | 1.9646  | USD/CNY | 6.3716  |
| EUR/DKK | 7.4359  | GBP/JPY  | 151.21  | USD/BRL | 5.6884  |
| EUR/NOK | 10.1854 | GBP/SEK  | 12.021  | USD/RUB | 73.6999 |
| EUR/CHF | 1.0406  | GBP/DKK  | 8.7373  | USD/INR | 76.12   |
| EUR/AUD | 1.5814  | GBP/NOK  | 11.9704 | AUD/USD | 0.7161  |
| EUR/HKD | 8.8361  | GBP/CHF  | 1.2231  | NZD/USD | 0.6772  |
| EUR/CAD | 1.4494  | GBP/AUD  | 1.8584  |         |         |



| Debt Markets  |       |            |         |        |
|---|-------|------------|---------|--------|
|   | Close | Change bps |         |        |
|   |       | Day        | 4 Weeks | End 20 |
| <b>10 Year Yield %</b>                                  |       |            |         |        |
| US  | 1.42  | -3         | -16     | +51    |
| Germany   | -0.35 | +2         | -7      | +23    |
| UK  | 0.76  | +2         | -17     | +56    |
| <b>5 Year Swap %</b>                                    |       |            |         |        |
| Ireland   | 0.10  | +2         | -9      | +40    |
| Belgium   | -0.01 | +2         | -6      | +38    |
| France  | 0.01  | +2         | -6      | +35    |
| Italy   | 0.98  | +6         | +6      | +46    |
| Spain   | 0.39  | +4         | -5      | +33    |
| Portugal  | 0.32  | +5         | -3      | +26    |
| Greece  | 1.20  | -4         | -0      | +57    |
| <b>2 Year Swap %</b>                                    |       |            |         |        |
| US  | 1.23  | -7         | -5      | +81    |
| Eurozone  | -0.12 | -0         | -3      | +34    |
| UK  | 1.09  | +1         | -13     | +90    |
| <b>10 Year Government Bond Spreads to Benchmark bps</b> |       |            |         |        |
| Ireland   | 45    | +0         | -2      | +18    |
| Belgium   | 34    | +0         | +1      | +15    |
| France  | 35    | +0         | +0      | +12    |
| Italy   | 133   | +4         | +13     | +23    |
| Spain   | 73    | +2         | +2      | +10    |
| Portugal  | 67    | +4         | +3      | +3     |
| Greece  | 154   | -6         | +6      | +34    |



| Commodities    |          |       |         |        |
|----------------|----------|-------|---------|--------|
|                | % Change |       |         |        |
|                | Close    | Day   | 4 Weeks | End 20 |
| Brent Oil      | 75.02    | +1.54 | -7.66   | +44.83 |
| West Texas Oil | 72.34    | +2.05 | -8.34   | +49.62 |
| Gold \$        | 1799.0   | +1.24 | -3.20   | -5.14  |

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