

BoE more hawkish; Markets volatile

Yesterday's main event, the BoE meeting, concluded as expected, with no changes to policy. This decision by the Committee was unanimous. However, the tone of the meeting minutes was more hawkish than expected. While the MPC gave no indication that a rate hike was imminent, it explicitly stated that rates would need to rise "somewhat earlier and by a somewhat greater degree" than envisaged at the time of the November Inflation Report.

This saw UK Swap rates rise on the day. 10-year Gilt yields were up 7bps to 1.61%, their highest level since April 2016. The further reminder that the decade of super loose monetary policy is coming to an end also saw sovereign yields rise elsewhere. German 10-year Bund yields moved up as high as 0.81%, their highest level since September 2015. US yields also rose post-BoE.

Not surprisingly, the latest upward move in yields and interest rate expectations coincided with renewed sharp selling of equities. The Euro Stoxx 50 fell by 2.2%, while in the US, the S&P 500 closed down 3.8%. The Nikkei fell 2.3% in overnight Asia trading. US and Japanese stock markets are now in correction territory, having fallen by more than 10% from their January peaks. European markets are set to open well down this morning.

On the currency front, there was some volatility yesterday. The more hawkish BoE tone see sterling open this morning holding a slightly firmer tone. EUR/GBP has moved back below the 88p level, while GBP/USD is near \$1.397. Elsewhere, EUR/USD opens in the upper half of the \$1.22-1.23 range.

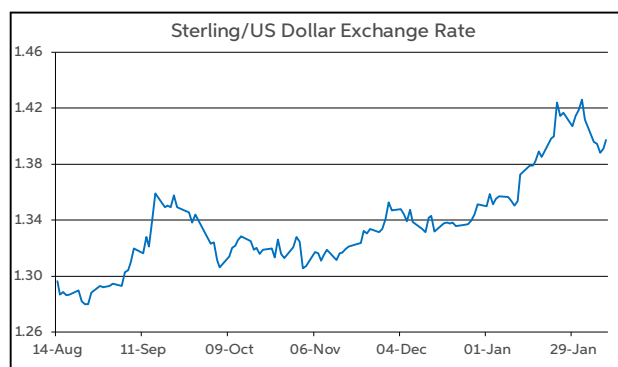
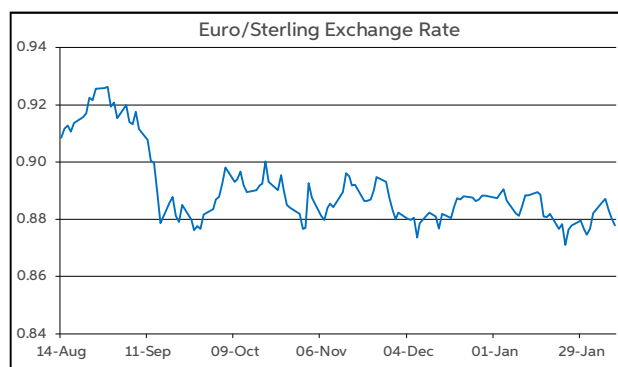
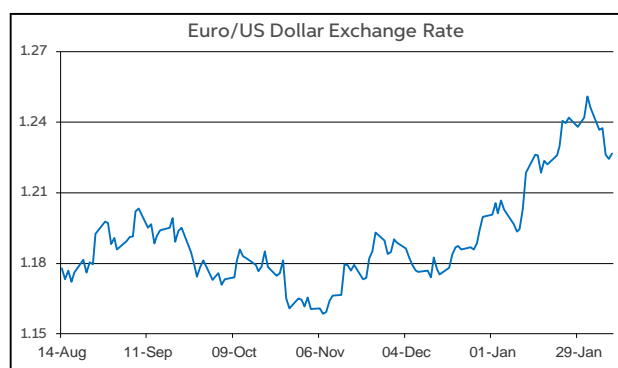
Today, there is a relatively light data/events schedule. As such, we could see FX markets adopt a more subdued tone, with the stock market sell-off the main focus.

Dara Turnbull, Economist, AIB

Today's Opening Rates			
		% Change	
		Day *	End 2017
EUR/USD	1.2266	-0.06	2.25
EUR/GBP	0.8781	-0.51	-1.15
GBP/USD	1.3965	0.45	3.35
GBP/EUR	1.1384	0.51	1.16
USD/JPY	109.15	-0.45	-3.12
EUR/JPY	133.9	-0.51	-0.95

* v Previous Day's European Open

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Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.375	1.58	1.81	2.30	2.37	2.67
EUR	0.00	-0.37	-0.33	-0.19	-0.12	0.50
GBP	0.50	0.49	0.53	0.82	0.98	1.39

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2017 to Date	
Dow Jones	23860.46	-4.15	-3.47	
S&P 500	2581	-3.75	-3.46	
FTSE 100	7170.69	-1.49	-6.73	
DJ Stoxx 50	3377.3	-2.24	-3.61	
ISEQ	6650.86	-1.52	-5.50	
Nikkei	21382.62	-2.32	-6.07	

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

FX Spot	Karl Cooke Shane Gargan Adrian Flanagan Enda Homan	FX Options	Mark Tuite Lenny Hogan	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

Friday 09 February 2018
07:29 am



Euro

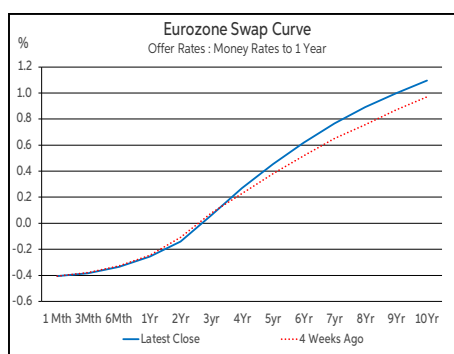
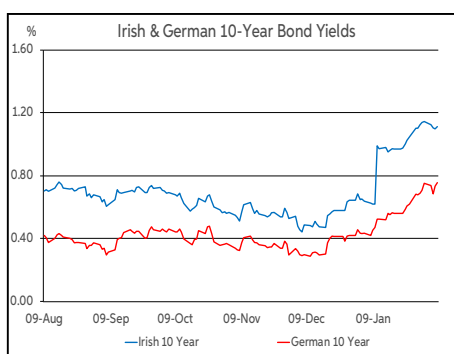
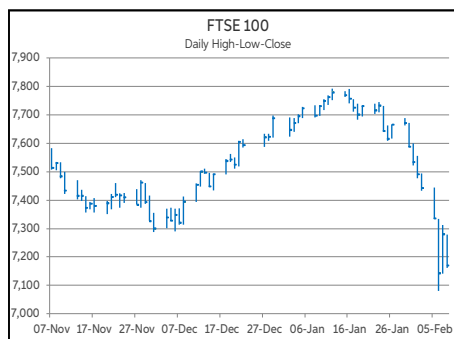
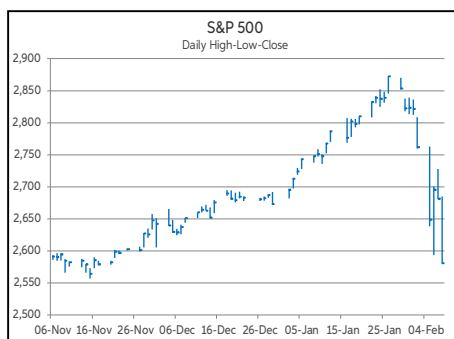
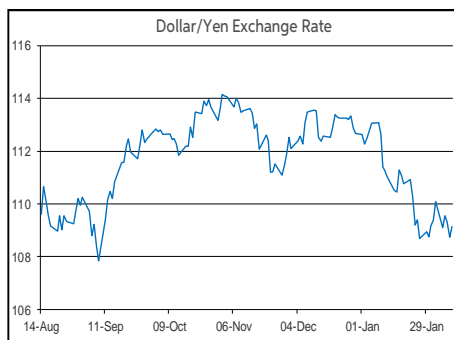
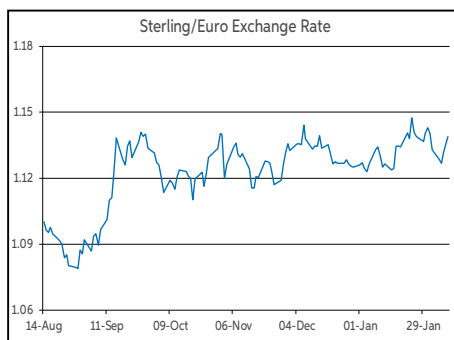
EUR/GBP	0.8781
EUR/USD	1.2266
EUR/JPY	133.9
EUR/SEK	9.952
EUR/DKK	7.4428
EUR/NOK	9.7637
EUR/CHF	1.1512
EUR/AUD	1.5754
EUR/HKD	9.5901
EUR/CAD	1.5449

Sterling

GBP/EUR	1.1384
GBP/USD	1.3965
GBP/CAD	1.759
GBP/NZD	1.9362
GBP/JPY	152.43
GBP/SEK	11.3267
GBP/DKK	8.4729
GBP/NOK	11.1179
GBP/CHF	1.3106
GBP/AUD	1.7937

Dollar

USD/JPY	109.15
USD/CAD	1.2594
USD/CHF	0.9383
USD/CNY	6.3076
USD/BRL	3.2857
USD/RUB	58.194
USD/INR	64.34
AUD/USD	0.7784
NZD/USD	0.7212



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 17
10 Year Yield %				
US	2.83	-1	+29	+42
Germany	0.75	+2	+23	+34
UK	1.61	+7	+30	+43
Ireland	1.11	+2	N/A	N/A
Belgium	0.87	+2	+15	+26
France	1.01	+4	+14	+23
Italy	1.99	+5	-6	-1
Spain	1.44	+4	-9	-11
Portugal	2.02	+3	+20	+13
Greece	3.71	+12	-1	-33
5 Year Swap %				
US	2.59	-4	+23	+35
Eurozone	0.46	-4	+8	+14
UK	1.38	+4	+23	+34
2 Year Swap %				
US	2.31	-4	+14	+23
Eurozone	-0.14	-3	-3	+0
UK	0.97	+4	+12	+17
10 Year Government Bond Spreads to Benchmark bps				
Ireland	36	-1	N/A	N/A
Belgium	12	-1	-8	-7
France	25	+2	-9	-10
Italy	123	+3	-29	-34
Spain	68	+2	-32	-44
Portugal	127	+1	-3	-21
Greece	296	+10	-24	-66

Commodities				
	Close	% Change		
		Day	4 Weeks	End 17
Brent Oil	64.81	-1.07	-6.43	-3.08
West Texas Oil	61.3	-0.99	-3.93	+1.39
CRB - All Commodity	198.35	+0.49	+1.53	+2.31
CRB - Food	344.99	-0.89	+0.49	+2.66
Gold \$	1319.1	+0.01	-0.26	+1.26

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