

## All about monetary policy this week

Investor sentiment exhibited a more positive mindset last week. This was amid an easing in concerns over the Omicron variant. The 'risk on' mood was reflected in healthy gains on equity markets. In Europe, the Euro Stoxx 50 was up around 3% on the week. Meanwhile, on Wall Street, the S&P 500 was nearly 4% higher from where it started on Monday.

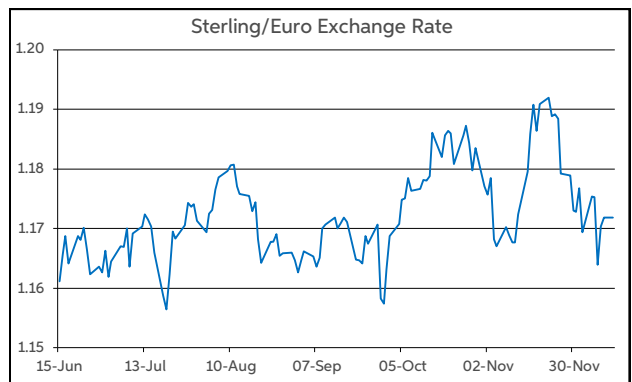
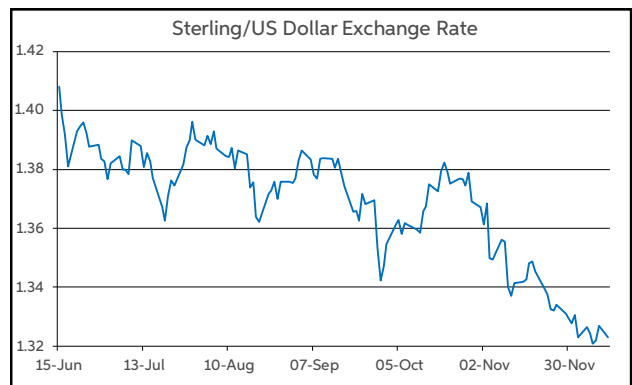
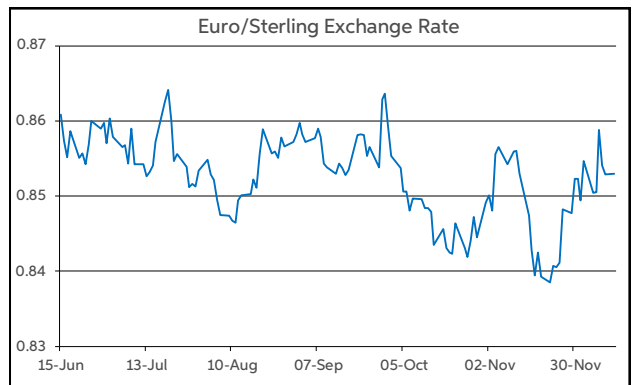
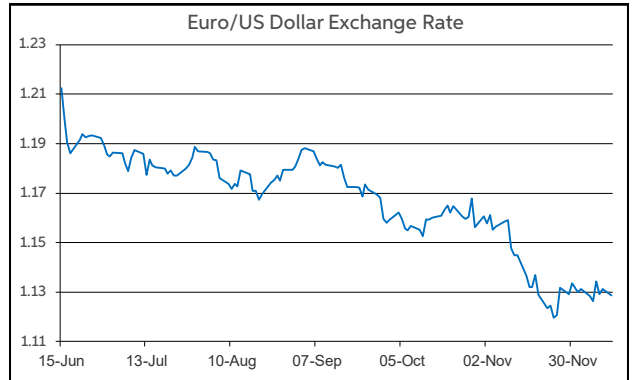
On the currency front, the action was confined to relatively narrow ranges. Sterling did find itself under some modest downward pressure at different stages over the week. This included EUR/GBP briefly edging up to 86p and GBP/USD trading as low as \$1.317. Overall, though EUR/GBP operated within a 84.9p-86p band and GBP/USD moved in a \$1.317-1.329 range. EUR/USD traded between \$1.123-1.135.

For the week ahead, while there are some important data releases (incl. flash PMI's, UK CPI, unemployment and US retail sales), the focus will be very much on monetary policy, with the Fed, BoE and ECB all due to hold their last policy meetings for 2021. All three meetings provide some event risk for their respective currencies.

In terms of the Fed, given the recent hawkish shift, the market will pay close attention to any changes announced regarding the pace of QE tapering, as well as the updated interest rate projections. The market is currently expecting a hike by mid-2022.

Elsewhere, the ECB is likely to continue to emphasise that rate hikes are unlikely next year. Meanwhile, the market is no longer anticipating a rate hike from the BoE this month. If it keeps policy unchanged, attention will be focused on what guidance the BoE gives regarding the potential for a rate hike in early 2022.

**John Fahey, Senior Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.1288	-0.04	-7.57
EUR/GBP	0.8531	-0.14	-4.54
GBP/USD	1.3229	0.07	-3.25
GBP/EUR	1.1717	0.14	4.76
USD/JPY	113.51	0.06	9.95
EUR/JPY	128.13	-0.02	1.56

\* 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	0.125	0.11	0.20	0.43	0.88	1.37
EUR	0.00	-0.58	-0.59	-0.49	-0.36	-0.12
GBP	0.10	0.06	0.08	0.67	0.98	1.07

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

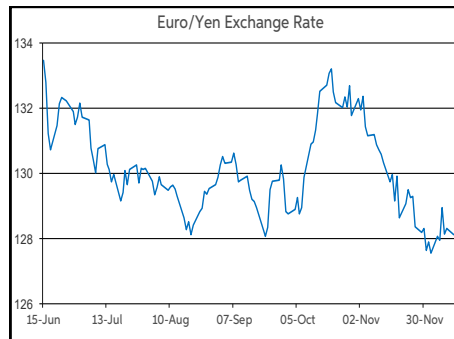
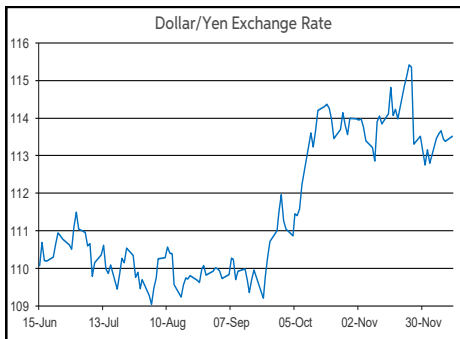
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

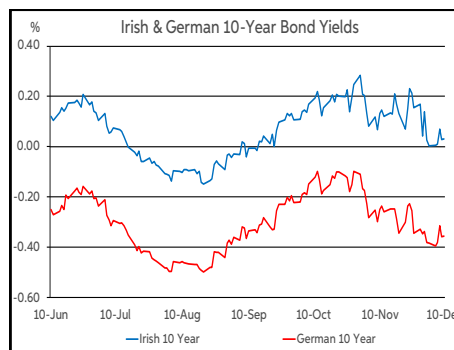
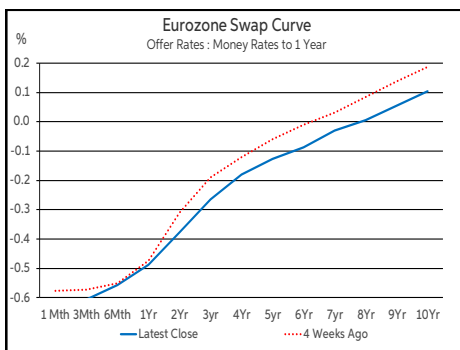
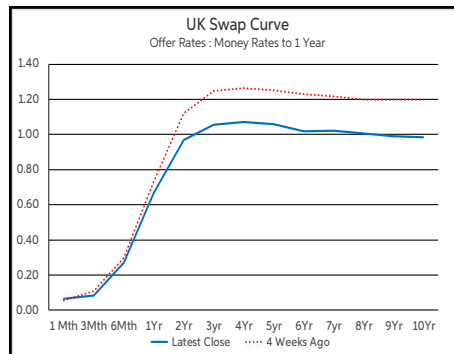
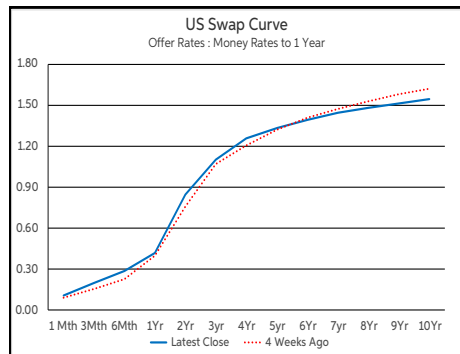
Monday 13 December 2021  
07:25 am



Euro		Sterling		Dollar	
EUR/GBP	0.8531	GBP/EUR	1.1717	USD/JPY	113.51
EUR/USD	1.1288	GBP/USD	1.3229	USD/CAD	1.2742
EUR/JPY	128.13	GBP/CAD	1.6856	USD/CHF	0.9224
EUR/SEK	10.2431	GBP/NZD	1.9517	USD/CNY	6.3628
EUR/DKK	7.4361	GBP/JPY	150.16	USD/BRL	5.6127
EUR/NOK	10.1202	GBP/SEK	12.003	USD/RUB	73.4603
EUR/CHF	1.0411	GBP/DKK	8.7157	USD/INR	75.705
EUR/AUD	1.5781	GBP/NOK	11.855	AUD/USD	0.7152
EUR/HKD	8.8025	GBP/CHF	1.2203	NZD/USD	0.6778
EUR/CAD	1.438	GBP/AUD	1.8495		



Debt Markets				
	Close	Day	4 Weeks	End 20
<b>10 Year Yield %</b>				
US	1.48	-2	-9	+57
Germany	-0.35	+0	-9	+23
UK	0.74	-2	-17	+55
<b>5 Year Swap %</b>				
US	1.33	-1	+4	+91
Eurozone	-0.13	+0	-6	+33
UK	1.06	-3	-18	+87
<b>2 Year Swap %</b>				
US	0.84	-3	+11	+65
Eurozone	-0.38	-2	-6	+15
UK	0.97	-1	-14	+94
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	45	+0	+1	+18
Belgium	33	-0	+1	+14
France	35	-4	-1	+12
Italy	132	-4	+10	+22
Spain	73	-1	+0	+10
Portugal	66	-1	+2	+2
Greece	173	+0	+24	+53



Commodities				
	Close	Day	4 Weeks	End 20
Brent Oil	75.15	+0.98	-8.54	+45.08
West Texas Oil	71.71	+1.19	-11.33	+48.31
Gold \$	1782.5	+0.45	-4.37	-6.01

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