

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.

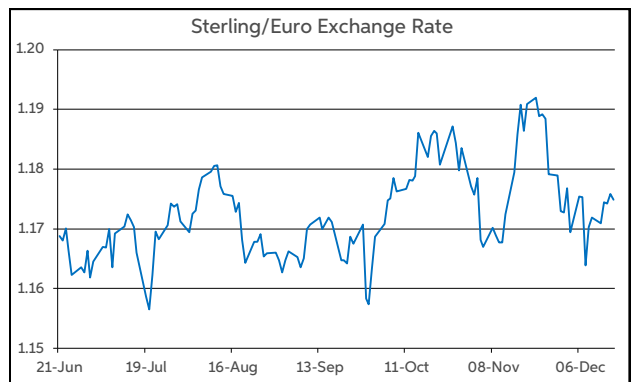
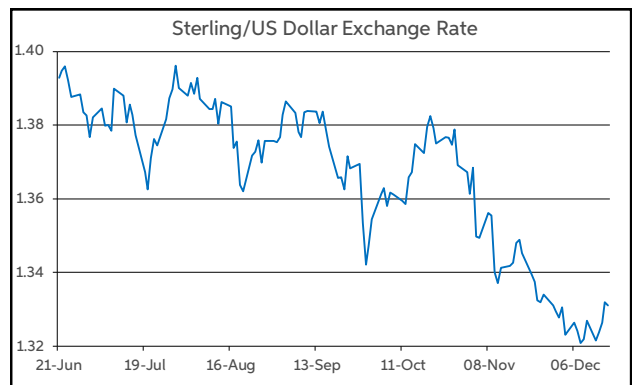
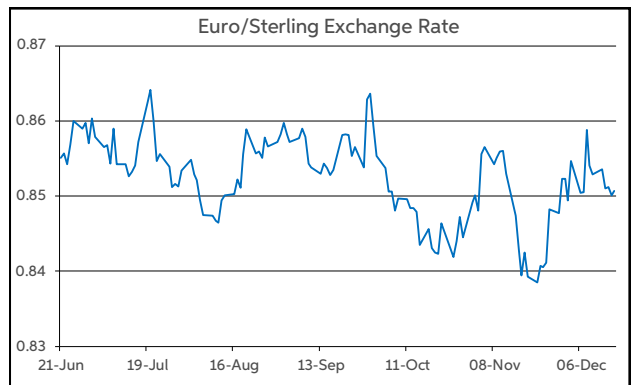
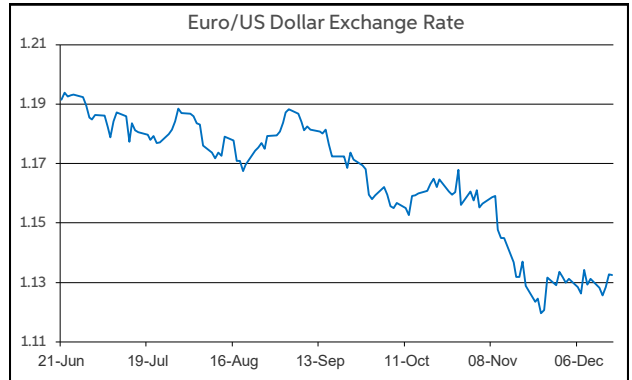
Elsewhere, the ECB provided guidance on its QE initiatives. Bond purchases under PEPP will slow again in Q1, before coming to a halt in March as planned. However, the ECB's other QE programme, APP, will be revised higher to €40bn per month in Q2, and €30bn in Q3, before reverting back to €20bn in October.

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

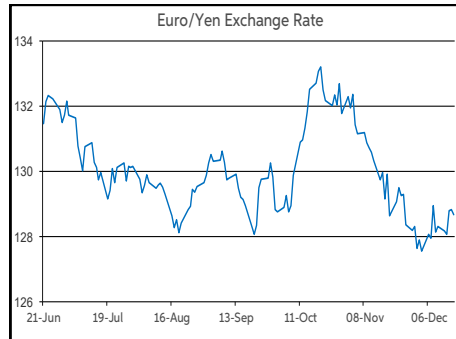
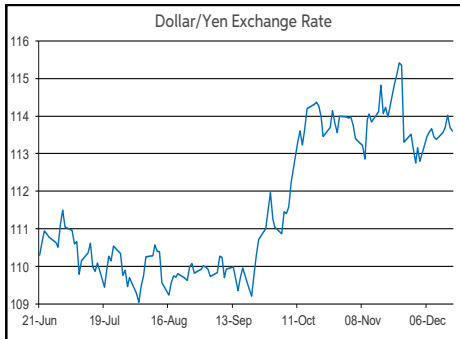
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

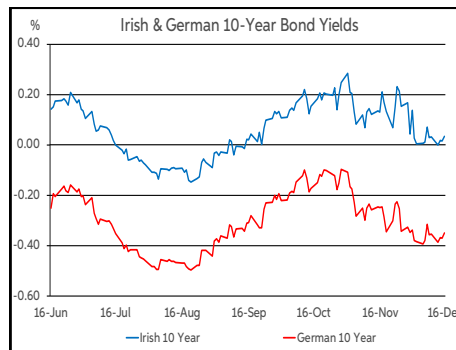
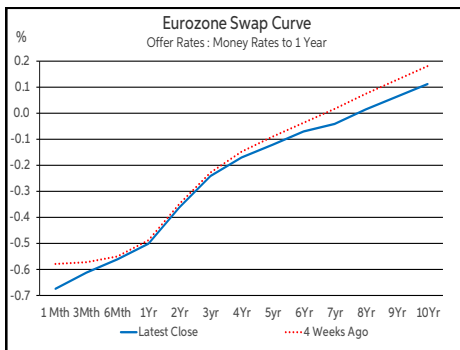
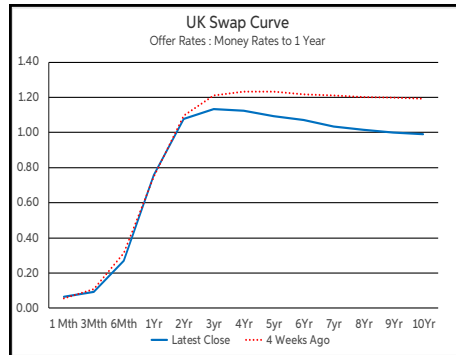
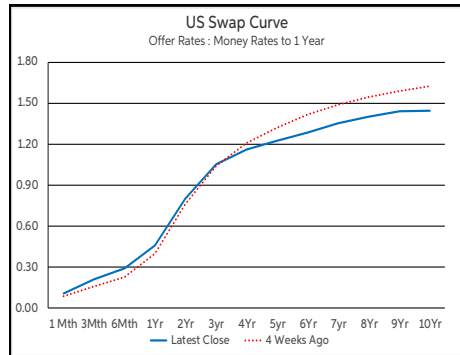
Friday 17 December 2021
07:39 am



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
10 Year Yield %				
US	1.42	-3	-16	+51
Germany	-0.35	+2	-7	+23
UK	0.76	+2	-17	+56
5 Year Swap %				
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
2 Year Swap %				
US	1.23	-7	-5	+81
Eurozone	-0.12	-0	-3	+34
UK	1.09	+1	-13	+90
10 Year Government Bond Spreads to Benchmark bps				
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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