

Dollar continues to hold the upper hand

There was an upbeat tone to investor sentiment on markets yesterday as earnings season continued in the US. At the closing bell on Wall Street the S&P 500 was up 1.4%, while the Eurostoxx 50 gained 1.7% yesterday. Currency-wise, the dollar continued to hold the upper hand, although its gains were relatively muted.

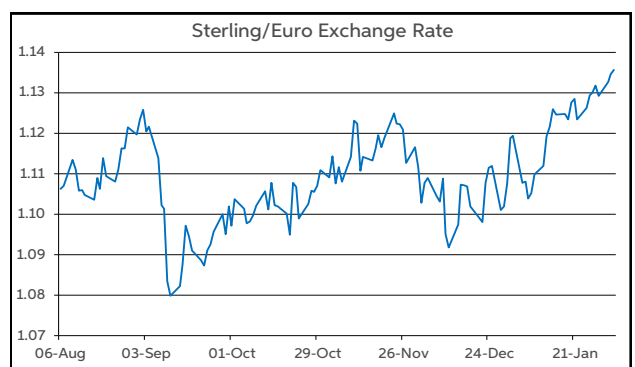
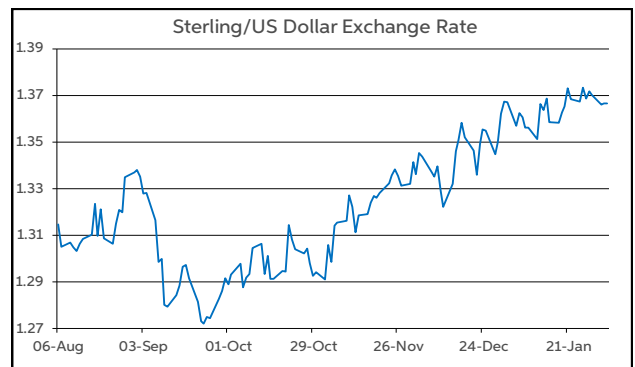
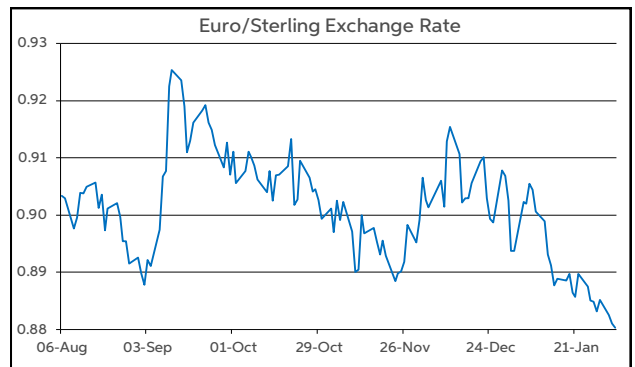
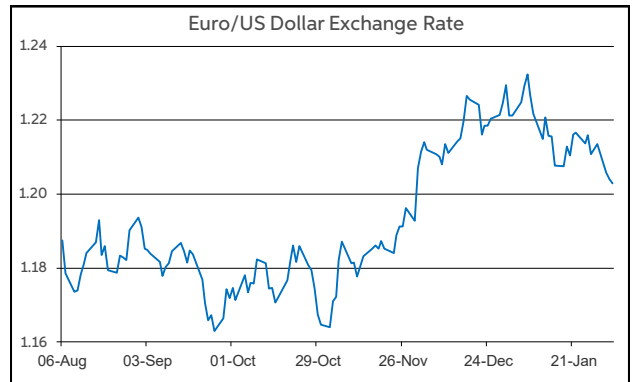
Data-wise, the main release yesterday was the first reading of Eurozone GDP for Q4. It beat expectations, with output falling by just 0.7% in the quarter (vs. -1% f'cast). This means that GDP contracted by 5.4% in the Eurozone in 2020, much less than was initially feared. However, renewed restrictions so far in Q1 is likely to see the Euro-area economy contract again in the first three months of this year.

The slightly firmer dollar saw EUR/USD move back to the \$1.20 handle yesterday. However, overnight the euro edged off its lows, coinciding with reports that former ECB President Mario Draghi is being tapped to head the next Italian government.

As trading gets underway this morning, EUR/USD is changing hands in the bottom half of \$1.20-\$1.21. Meanwhile, GBP/USD is operating above the halfway point of the \$1.36-1.37 range. EUR/GBP continues to trade just above the 88p handle.

Today, the main release will be the flash reading of Eurozone inflation for January. The forecast is for the newly weighted index to surge to 0.5% from -0.2% as the cut to VAT in Germany ended in December. Elsewhere, in the US the non-manufacturing ISM is expected to have moved lower to 57.3 from 59.4 in January. However, barring any major surprises, the releases are unlikely to impact on currency markets.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.203	-0.40	-1.50
EUR/GBP	0.8802	-0.24	-1.51
GBP/USD	1.3667	-0.14	-0.04
GBP/EUR	1.1356	0.24	1.53
USD/JPY	105.05	0.09	1.75
EUR/JPY	126.4	-0.31	0.19

* 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	0.12	0.19	0.17	0.20	0.56
EUR	0.00	-0.56	-0.54	-0.53	-0.52	-0.40
GBP	0.10	0.03	0.04	0.01	0.12	0.31

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

Wednesday 03 February 2021
08:22 am



Euro

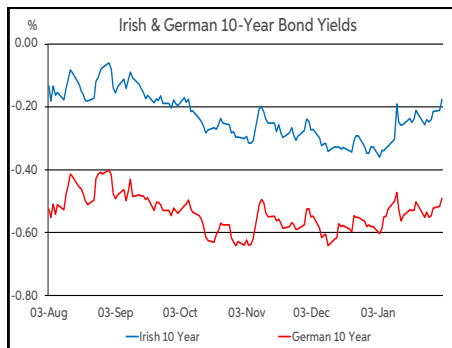
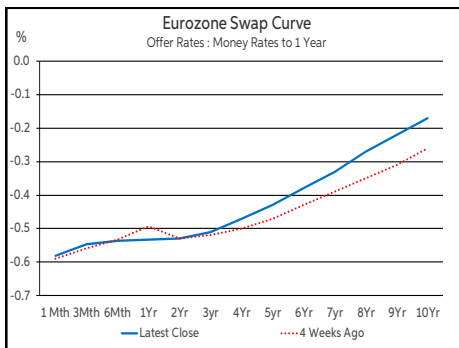
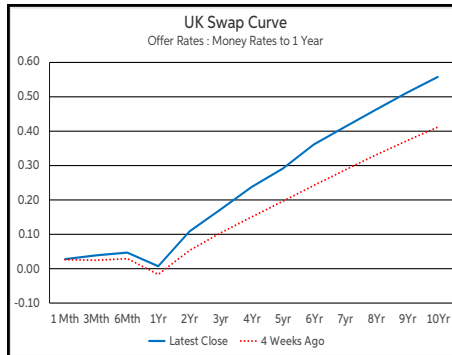
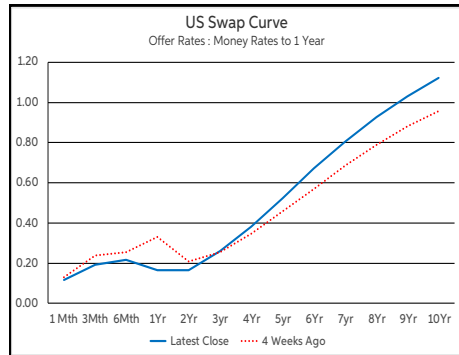
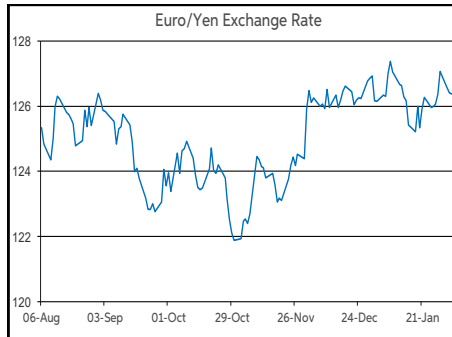
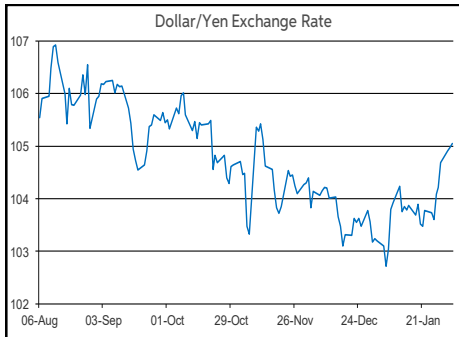
EUR/GBP	0.8802
EUR/USD	1.203
EUR/JPY	126.4
EUR/SEK	10.1105
EUR/DKK	7.4375
EUR/NOK	10.3449
EUR/CHF	1.0815
EUR/AUD	1.5788
EUR/HKD	9.3249
EUR/CAD	1.5363

Sterling

GBP/EUR	1.1356
GBP/USD	1.3667
GBP/CAD	1.7459
GBP/NZD	1.8944
GBP/JPY	143.56
GBP/SEK	11.4809
GBP/DKK	8.4477
GBP/NOK	11.748
GBP/CHF	1.2283
GBP/AUD	1.7937

Dollar

USD/JPY	105.05
USD/CAD	1.2774
USD/CHF	0.899
USD/CNY	6.4552
USD/BRL	5.368
USD/RUB	75.958
USD/INR	72.9068
AUD/USD	0.7615
NZD/USD	0.721



Debt Markets				
	Close	Day	Change bps	
			4 Weeks	End 20
10 Year Yield %				
US	1.09	+2	+14	+18
Germany	-0.49	+3	+10	+9
UK	0.35	+3	+14	+16
Ireland	-0.16	+3	+15	+14
Belgium	-0.30	+2	+8	+8
France	-0.23	+2	+10	+11
Italy	0.66	+3	+12	+14
Spain	0.12	+2	+8	+7
Portugal	0.06	+2	+5	-1
Greece	0.68	-0	+5	+5
5 Year Swap %				
US	0.52	+3	+11	+10
Eurozone	-0.43	+1	+5	+3
UK	0.29	+1	+10	+10
2 Year Swap %				
US	0.17	-1	-1	-3
Eurozone	-0.53	+0	+1	-0
UK	0.11	+1	+7	+8
10 Year Government Bond Spreads to Benchmark bps				
Ireland	33	+0	+5	+6
Belgium	19	-0	-2	-0
France	26	-1	+0	+2
Italy	114	+1	+3	+5
Spain	61	-0	-2	-2
Portugal	54	-1	-5	-9
Greece	117	-3	-4	-4

Commodities				
	Close	Day	% Change	
			4 Weeks	End 20
Brent Oil	57.46	+1.97	+7.20	+10.93
West Texas Oil	54.77	+2.28	+10.02	+13.28
Gold \$	1837.4	-1.23	-5.75	-3.12

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