

## Euro rallies post ECB, EUR/USD above \$1.14

Yesterday, the markets attention was firmly on monetary policy. The BoE, increased Bank rate by 25bps to 0.5% as expected, and announced that it would start reducing the size of its balance sheet. It struck a more hawkish tone than anticipated, with 4 out of 9 MPC members in favour of a larger 50bps rise in interest rates. Following the announcement, sterling rose by circa 0.4% against the euro and the dollar, with EUR/GBP briefly trading below the key 83p support level.

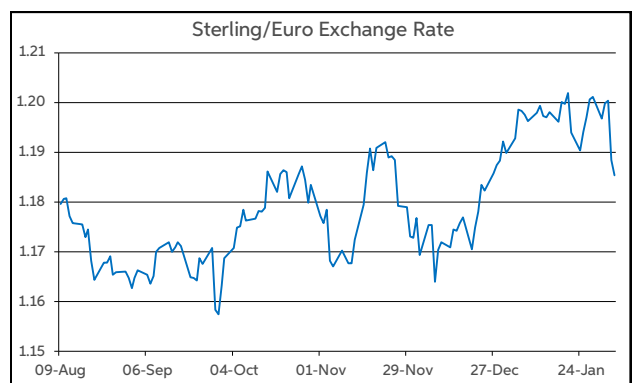
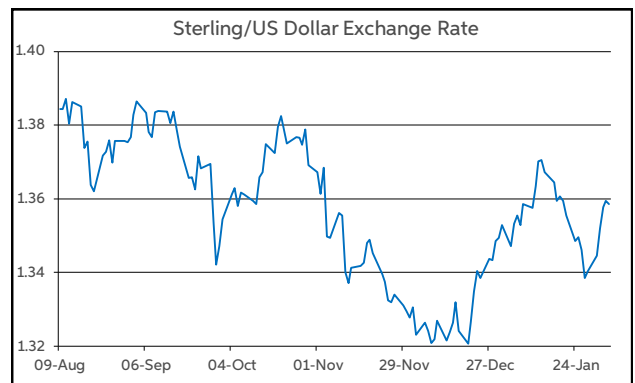
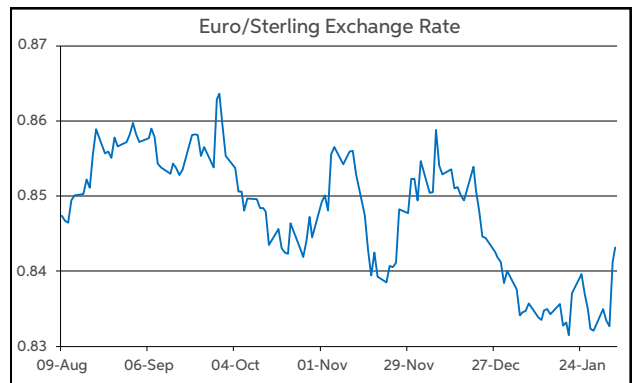
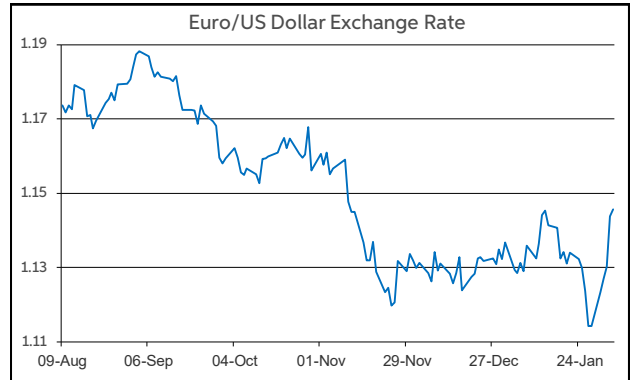
However, the move in EUR/GBP below 83p quickly dissipated, as the ECB opened the door for rate hikes later this year. Although the ECB left policy on hold, in line with the consensus, President Lagarde did not push back on market expectations of rate hikes in late 2022. The refusal to re-affirm that interest rates will not rise this year caught markets by surprise. The euro rose by over 1% against the dollar and sterling.

Elsewhere, risk appetite soured yesterday, with the S&P 500 and the Euro Stoxx 50 falling by circa 2-2.5%. Meanwhile, bond yields jumped by 10-25bps in the UK and Eurozone due to the more hawkish rates outlook following the central bank updates.

In level terms, the firmer tone to the euro sees EUR/USD open this morning above the midpoint of \$1.14-1.15, having been below the \$1.13 mark 24 hours ago. Meantime, EUR/GBP is changing hands above the 84p handle. GBP/USD is operating just shy of \$1.36.

Ahead today, US labour market data for January are the main highlight. The release poses some event risk for the dollar. The consensus is for a modest 150k rise in payrolls, while the jobless rate is projected to be unchanged at 3.9%.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.1459	1.42	0.80
EUR/GBP	0.8434	1.15	0.40
GBP/USD	1.3586	0.24	0.42
GBP/EUR	1.1853	-1.14	-0.40
USD/JPY	114.99	0.41	-0.08
EUR/JPY	131.79	1.83	0.70

\* 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	0.31	0.88	1.39	1.76
EUR	0.00	-0.56	-0.55	-0.30	0.12	0.49
GBP	0.25	0.47	0.65	1.51	1.71	1.73

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

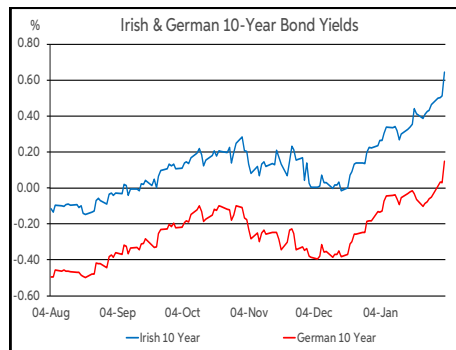
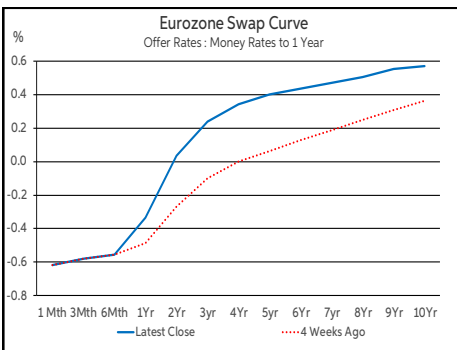
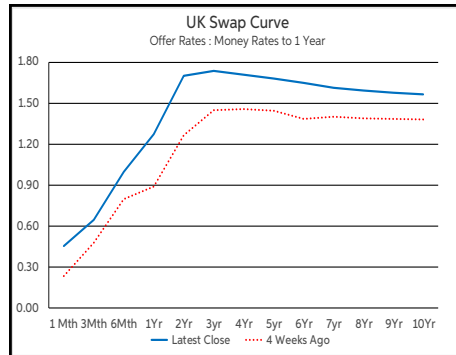
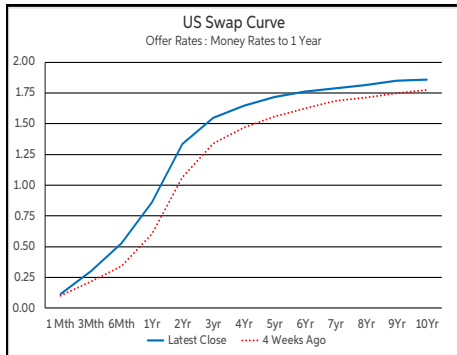
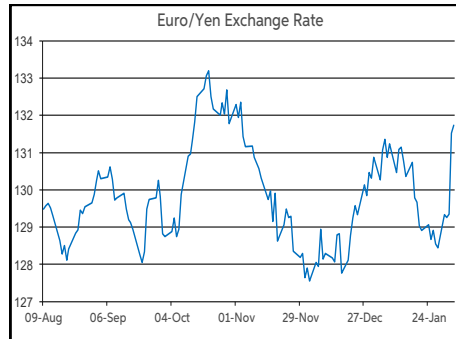
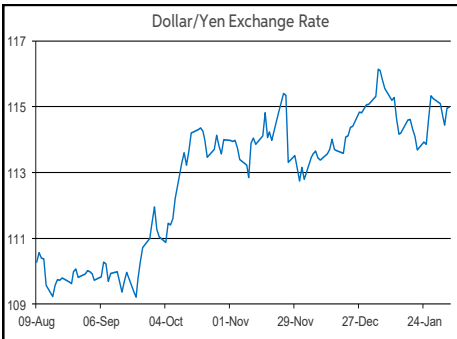
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

Friday 04 February 2022  
07:46 am



Euro		Sterling		Dollar	
EUR/GBP	0.8434	GBP/EUR	1.1853	USD/JPY	114.99
EUR/USD	1.1459	GBP/USD	1.3586	USD/CAD	1.2693
EUR/JPY	131.79	GBP/CAD	1.7245	USD/CHF	0.9208
EUR/SEK	10.4171	GBP/NZD	2.0402	USD/CNY	6.3605
EUR/DKK	7.4408	GBP/JPY	156.23	USD/BRL	5.2839
EUR/NOK	9.9794	GBP/SEK	12.3483	USD/RUB	76.036
EUR/CHF	1.0554	GBP/DKK	8.8197	USD/INR	74.725
EUR/AUD	1.6101	GBP/NOK	11.8298	AUD/USD	0.7116
EUR/HKD	8.928	GBP/CHF	1.2511	NZD/USD	0.6658
EUR/CAD	1.4546	GBP/AUD	1.9088		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
<b>10 Year Yield %</b>				
US	1.84	+6	+11	+32
Germany	0.16	+12	+22	+33
UK	1.38	+12	+22	+41
<b>5 Year Swap %</b>				
US	1.72	+8	+18	+38
Eurozone	0.40	+12	+35	+39
UK	1.68	+10	+24	+41
<b>2 Year Swap %</b>				
US	1.34	+7	+29	+39
Eurozone	0.04	+13	+32	+34
UK	1.70	+15	+44	+51
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	51	+1	+12	+8
Belgium	35	+2	+3	-1
France	43	+2	+11	+6
Italy	152	+13	+18	+15
Spain	80	+4	+10	+3
Portugal	73	+5	+12	+7
Greece	171	-4	+24	+22

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	91.11	+1.83	+11.12	+17.14
West Texas Oil	90.17	+2.28	+13.46	+19.70
Gold \$	1804.4	-0.12	+0.88	-1.31

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