

## EUR/GBP remains below 88p

Investor sentiment was generally in an upbeat mood last week. Risk appetite was supported by corporate earnings newsflow and US stimulus package developments. At the close on Wall Street on Friday, the S&P 500 was up over 4% on the week.

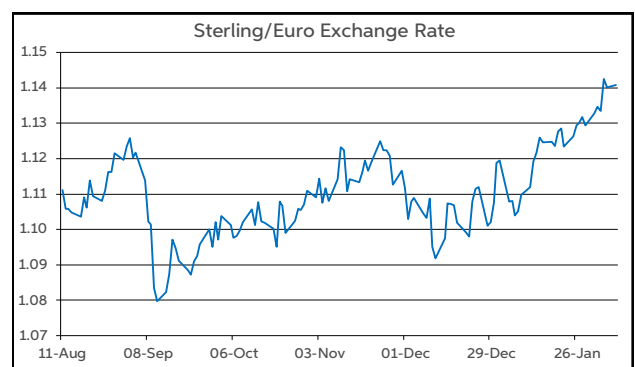
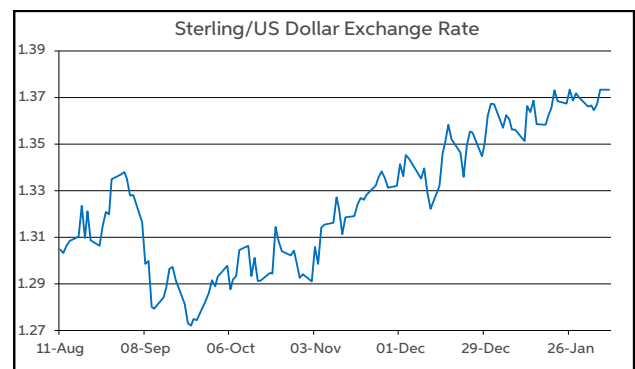
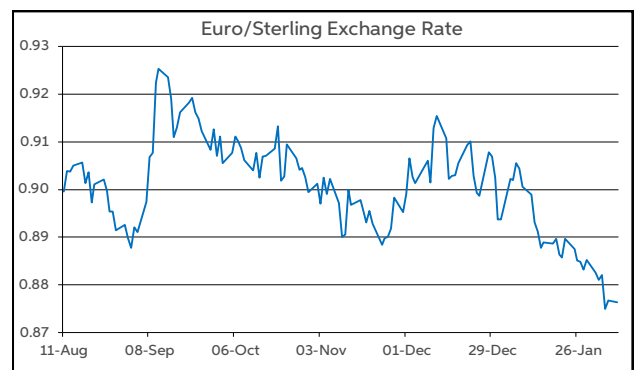
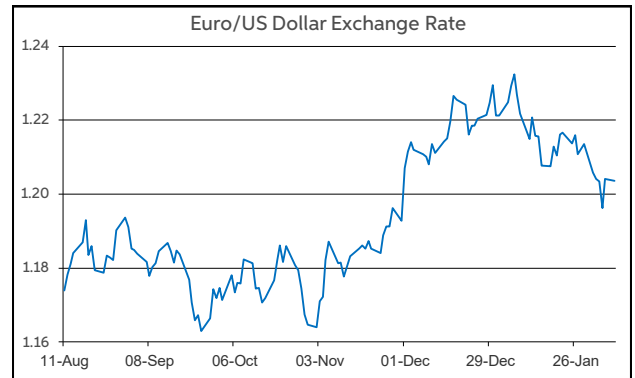
Currency-wise, the recent downward pressure on some of the main euro pairs gathered further momentum last week. This resulted in the single currency testing below some significant support levels. EUR/GBP dropped below the 88p threshold, while EUR/USD tested below the \$1.20 mark. There was no euro specific reason for these moves, although the problems with the various vaccine programmes in the region have created somewhat of an unhelpful backdrop for the currency recently.

Instead, the moves lower in EUR/GBP and EUR/USD appear to have had more to do with the non-euro side of these pairs. From a sterling viewpoint, the currency has been supported by increased optimism regarding the UK's roll-out of vaccines, which improves the potential for a strong rebound in the economy this year. The pound was also helped by last week's less dovish BoE.

Meanwhile, from a dollar perspective, the currency had come into the year on a weakened footing. However, some unwinding of extreme short positioning, as well as rising US Treasury yields, have coincided with some upward momentum for the currency over the last month.

In terms of the week ahead, the macro data/event calendar is very sparse. Therefore, it is unlikely to have much impact on the main currency pairs. In level terms, EUR/GBP starts the week below 88p, while EUR/USD opens back up in the \$1.20-1.21 trading band.

**John Fahey, Senior Economist, AIB**



| Today's Opening FX Rates |        |          |          |
|--------------------------|--------|----------|----------|
|                          |        | % Change |          |
|                          |        | Day *    | End 2020 |
| EUR/USD                  | 1.2035 | 0.62     | -1.46    |
| EUR/GBP                  | 0.8762 | 0.21     | -1.96    |
| GBP/USD                  | 1.3733 | 0.39     | 0.44     |
| GBP/EUR                  | 1.1409 | -0.21    | 2.00     |
| USD/JPY                  | 105.5  | 0.00     | 2.19     |
| EUR/JPY                  | 126.99 | 0.63     | 0.66     |

\* v Previous Day's European Open  
See Next Page for More Rates

| Opening Interest Rates |           |              |       |            |       |       |
|------------------------|-----------|--------------|-------|------------|-------|-------|
|                        |           | Money Market |       | Swap Rates |       |       |
|                        | Base Rate | 1-Mth        | 3-Mth | 1-Yr       | 2-Yr  | 5-Yr  |
| USD                    | 0.125     | 0.12         | 0.19  | 0.17       | 0.23  | 0.59  |
| EUR                    | 0.00      | -0.55        | -0.54 | -0.52      | -0.51 | -0.39 |
| GBP                    | 0.10      | 0.03         | 0.05  | 0.06       | 0.18  | 0.42  |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

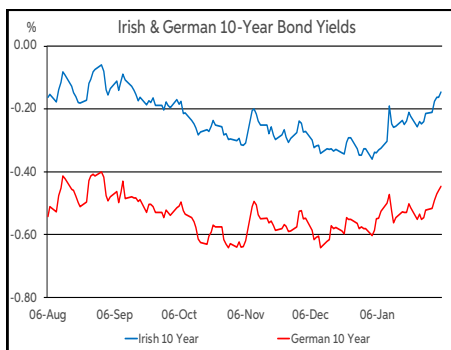
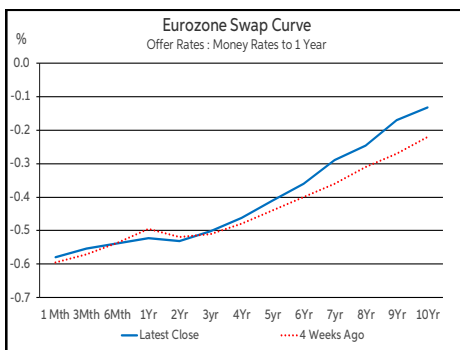
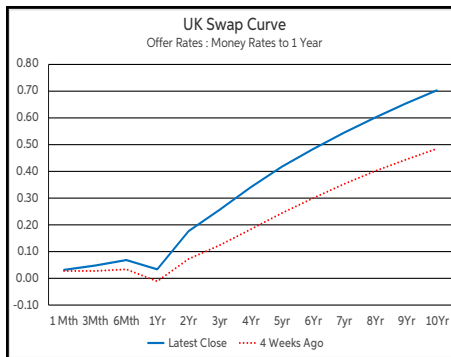
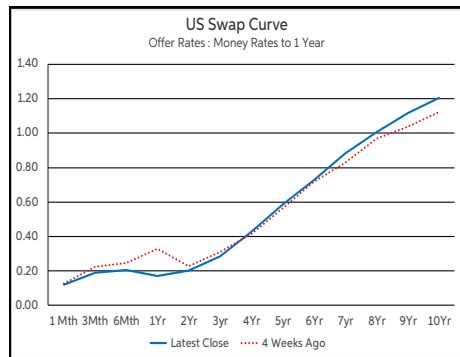
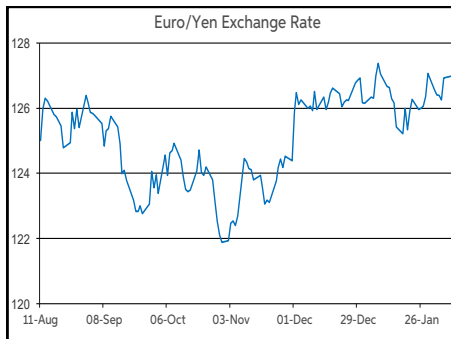
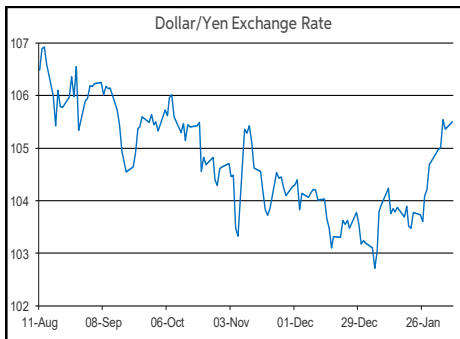
|         |  |                |            |                  |                           |                 |                                   |
|---------|--|----------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot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

# Opening Levels

Monday 08 February 2021  
07:26 am



| Euro    |         | Sterling |         | Dollar  |        |
|---------|---------|----------|---------|---------|--------|
| EUR/GBP | 0.8762  | GBP/EUR  | 1.1409  | USD/JPY | 105.5  |
| EUR/USD | 1.2035  | GBP/USD  | 1.3733  | USD/CAD | 1.2759 |
| EUR/JPY | 126.99  | GBP/CAD  | 1.7521  | USD/CHF | 0.8997 |
| EUR/SEK | 10.0856 | GBP/NZD  | 1.9062  | USD/CNY | 6.4568 |
| EUR/DKK | 7.4365  | GBP/JPY  | 144.88  | USD/BRL | 5.3704 |
| EUR/NOK | 10.2636 | GBP/SEK  | 11.504  | USD/RUB | 74.21  |
| EUR/CHF | 1.0828  | GBP/DKK  | 8.4838  | USD/INR | 72.845 |
| EUR/AUD | 1.5678  | GBP/NOK  | 11.7069 | AUD/USD | 0.7673 |
| EUR/HKD | 9.3297  | GBP/CHF  | 1.2354  | NZD/USD | 0.72   |
| EUR/CAD | 1.5355  | GBP/AUD  | 1.7892  |         |        |



| Debt Markets  |       |            |         |        |
|---|-------|------------|---------|--------|
|   | Close | Change bps |         |        |
|   |       | Day        | 4 Weeks | End 20 |
| <b>10 Year Yield %</b>                                  |       |            |         |        |
| US  | 1.17  | +3         | +5      | +25    |
| Germany   | -0.44 | +1         | +7      | +13    |
| UK  | 0.49  | +5         | +20     | +29    |
| Ireland   | -0.12 | +2         | +16     | +18    |
| Belgium   | -0.27 | +2         | +10     | +12    |
| France  | -0.23 | +1         | +9      | +12    |
| Italy   | 0.54  | -1         | +5      | +2     |
| Spain   | 0.13  | +1         | +9      | +8     |
| Portugal  | 0.06  | +0         | +8      | +0     |
| Greece  | 0.68  | +2         | +8      | +5     |
| <b>5 Year Swap %</b>                                    |       |            |         |        |
| US  | 0.59  | +2         | +4      | +16    |
| Eurozone  | -0.41 | -0         | +4      | +5     |
| UK  | 0.42  | +5         | +18     | +23    |
| <b>2 Year Swap %</b>                                    |       |            |         |        |
| US  | 0.20  | +1         | +0      | +1     |
| Eurozone  | -0.53 | -1         | -0      | -1     |
| UK  | 0.18  | +2         | +11     | +15    |
| <b>10 Year Government Bond Spreads to Benchmark bps</b> |       |            |         |        |
| Ireland   | 32    | +0         | +9      | +5     |
| Belgium   | 18    | +1         | +2      | -2     |
| France  | 22    | -0         | +2      | -2     |
| Italy   | 99    | -2         | -3      | -11    |
| Spain   | 57    | -1         | +1      | -6     |
| Portugal  | 50    | -1         | +1      | -13    |
| Greece  | 112   | +1         | +1      | -8     |

| Commodities    |          |       |         |        |
|----------------|----------|-------|---------|--------|
|                | % Change |       |         |        |
|                | Close    | Day   | 4 Weeks | End 20 |
| Brent Oil      | 59.34    | +0.85 | +5.98   | +14.56 |
| West Texas Oil | 56.8     | +1.09 | +8.94   | +17.48 |
| Gold \$        | 1811.6   | +1.08 | -1.98   | -4.48  |

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