

Sterling falls back from recent highs

Equity markets registered losses yesterday amid concerns over rising bond yields. The S&P 500 was down by over 2% at the close on Wall Street last night. The 10-year US Treasury yield rose by 16bps to go above 1.5%, its highest level in over a year and above the dividend yield of the S&P 500. This 'reflation' theme on fixed income markets reflects expectations of stronger economic growth and risk of higher inflation. Overall, longer dated benchmark sovereign bond yields were up 8-16bps yesterday.

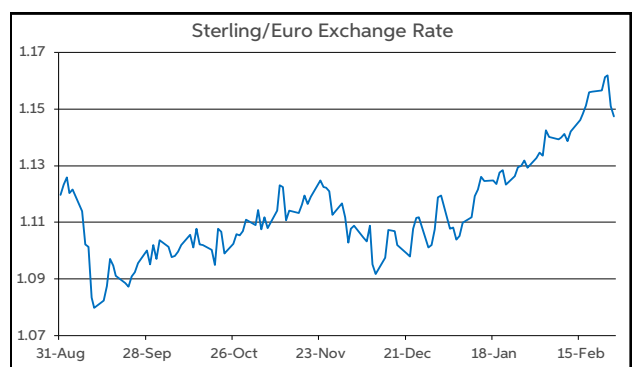
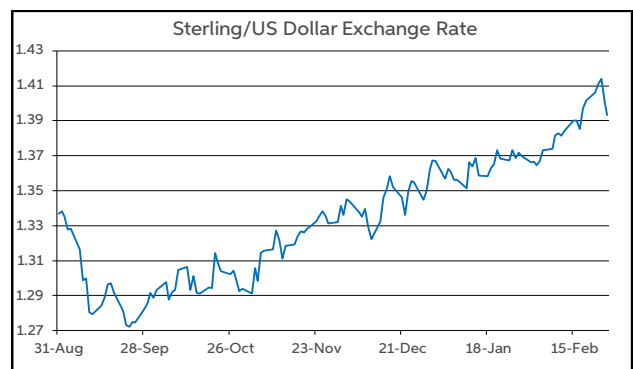
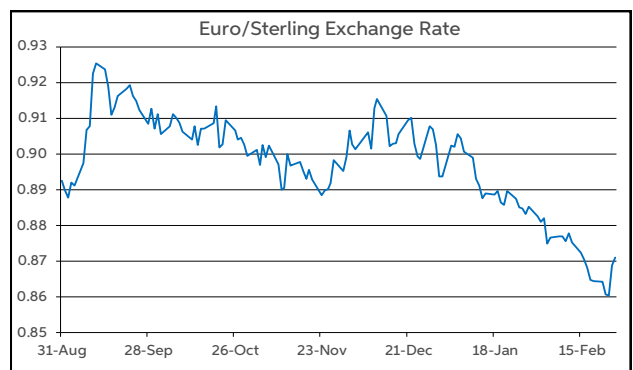
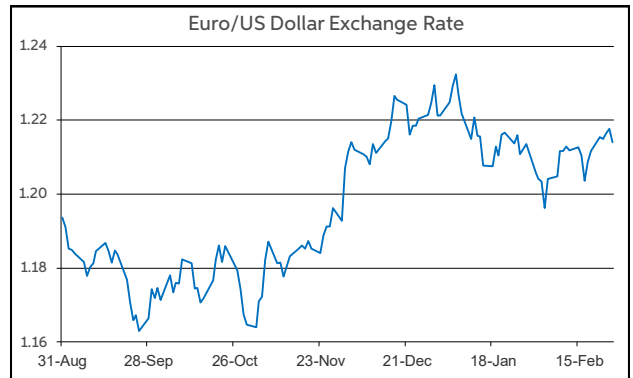
Data-wise, most of yesterday's main releases surprised to the upside of forecasts, helping to support the aforementioned expectations of a strong macro growth outlook. This included the Eurozone EC economic sentiment index (Feb) and US durable goods orders (Jan) printing ahead of expectations.

On the currency front yesterday, sterling experienced some downward pressure heading into the European close. There was no standout UK specific catalyst for this. It coincided with the strengthening risk averse tone to investor sentiment, which has seen the dollar make some gains.

As FX trading gets underway this morning, the weaker tone to sterling is reflected in EUR/GBP back up at the 87p level. Meanwhile, cable (GBP/USD) has fallen below the \$1.40 threshold to trade in the lower half of \$1.39-1.40. Elsewhere, the EUR/USD pair was unable to sustain its attempt of the \$1.22 level yesterday and opens today at the midpoint of \$1.21-1.22.

The week comes to a conclusion with a quiet data calendar. The main highlight being US personal income/spending/PCE inflation figures for January.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.2142	-0.28	-0.58
EUR/GBP	0.8712	1.33	-2.52
GBP/USD	1.3934	-1.60	1.91
GBP/EUR	1.1473	-1.31	2.58
USD/JPY	106.11	0.22	2.78
EUR/JPY	128.83	-0.08	2.12

* 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	0.18	0.24	0.89
EUR	0.00	-0.55	-0.54	-0.51	-0.46	-0.25
GBP	0.10	0.04	0.06	0.10	0.26	0.60

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

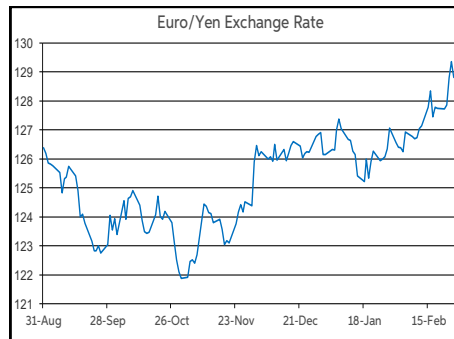
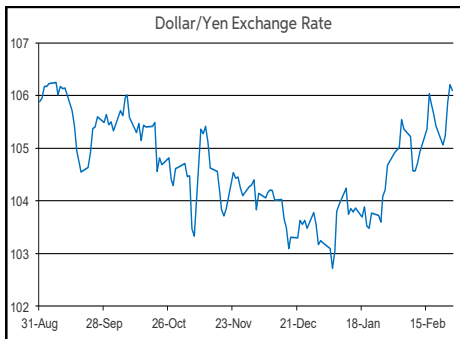
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

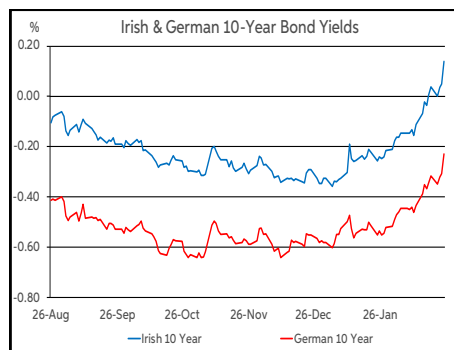
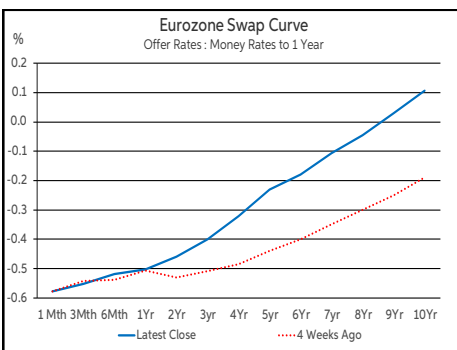
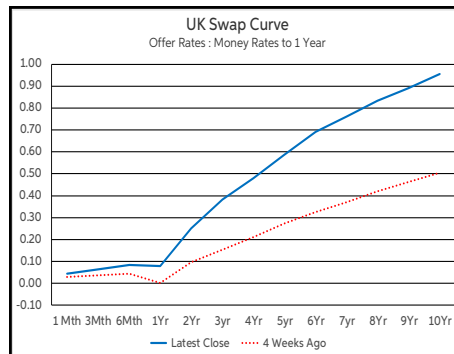
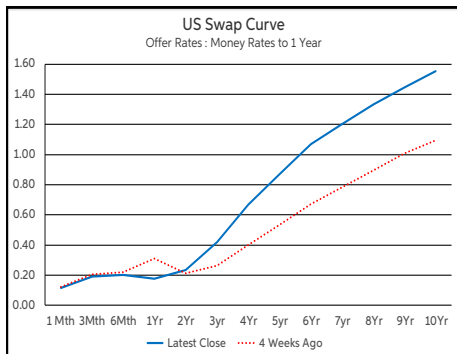
Friday 26 February 2021
07:21 am



Euro		Sterling		Dollar	
EUR/GBP	0.8712	GBP/EUR	1.1473	USD/JPY	106.11
EUR/USD	1.2142	GBP/USD	1.3934	USD/CAD	1.2631
EUR/JPY	128.83	GBP/CAD	1.7598	USD/CHF	0.9048
EUR/SEK	10.1129	GBP/NZD	1.8989	USD/CNY	6.4708
EUR/DKK	7.4361	GBP/JPY	147.84	USD/BRL	5.5308
EUR/NOK	10.3939	GBP/SEK	11.605	USD/RUB	74.4725
EUR/CHF	1.0989	GBP/DKK	8.5318	USD/INR	73.0975
EUR/AUD	1.5531	GBP/NOK	11.9241	AUD/USD	0.7817
EUR/HKD	9.4166	GBP/CHF	1.261	NZD/USD	0.7335
EUR/CAD	1.5338	GBP/AUD	1.7822		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 20
10 Year Yield %				
US	1.53	+16	+48	+61
Germany	-0.23	+8	+32	+35
UK	0.79	+5	+50	+59
5 Year Swap %				
US	0.87	+17	+38	+45
Eurozone	-0.23	+11	+22	+23
UK	0.59	+6	+32	+40
2 Year Swap %				
US	0.23	+3	+5	+4
Eurozone	-0.46	+4	+8	+7
UK	0.25	+5	+16	+22
10 Year Government Bond Spreads to Benchmark bps				
Ireland	39	+1	+6	+12
Belgium	32	-1	+14	+13
France	25	-1	+2	+2
Italy	103	+3	-15	-7
Spain	71	+0	+9	+8
Portugal	60	+1	+3	-4
Greece	135	+3	+11	+14



Commodities				
	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	66.88	-0.24	+20.44	+29.11
West Texas Oil	63.43	+0.35	+21.37	+31.19
Gold \$	1769.9	-1.91	-3.83	-6.68

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