

Stock markets fall sharply on Fed minutes

On equity markets, the Euro Stoxx 50 gained 0.6% yesterday. Meanwhile in the US, the S&P 500 declined by circa 2%, following the release of the latest Fed meeting minutes. The minutes had a more hawkish tone than anticipated, as the FOMC noted that the balance sheet may be shrunk more swiftly than during previous cycles, and hinted at hiking rates early. Stock markets fell in Asia overnight and are set for big declines at the open in Europe also.

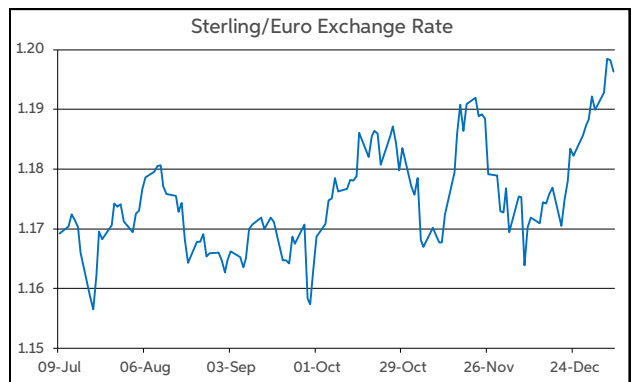
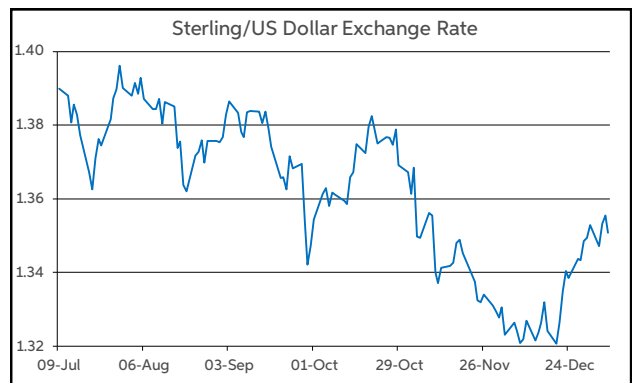
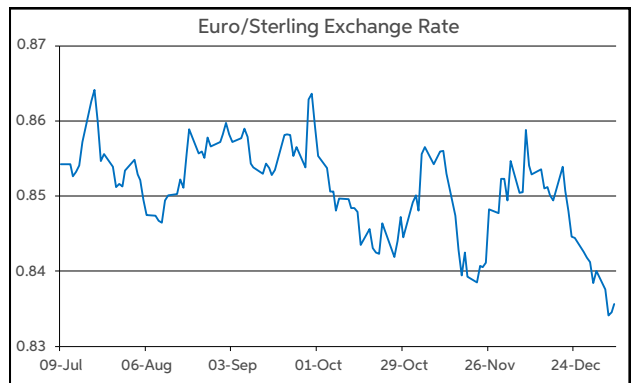
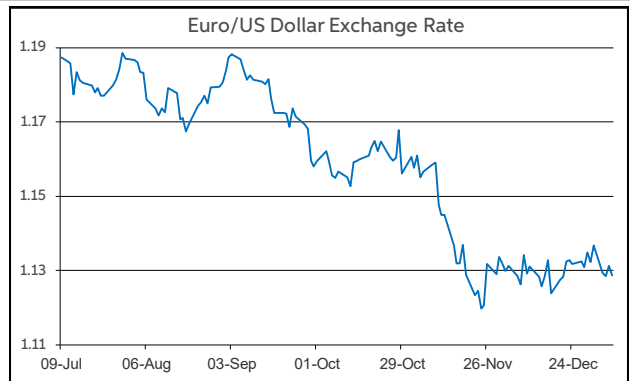
On bond markets, US Treasury yields rose by 5-8bps, with the larger moves concentrated at the front end of the curve. Currency-wise, the main FX pairs were confined to narrow trading ranges. Of the limited moves to register, the dollar was holding a slightly softer tone throughout the European session. The greenback fell by around 0.3% against both the euro and sterling. However, the dollar regained some momentum, wiping out its losses following the release of the Fed minutes.

Data-wise, the main release of note, the ADP employment report for December in the US, printed at 807k, double the 400k consensus and augurs well for a strong non-farm payrolls release on Friday. The data did not impact on currency markets though.

As trading gets underway this morning, EUR/USD opens just below the \$1.13 level. GBP/USD is operating back at the \$1.35 handle. Meantime, EUR/GBP continues to change hands near the midpoint of the 83-84p range.

Turning to the day ahead, the main release of note will be the flash German inflation reading for December. The consensus is that headline HICP will ease slightly to 5.7% from 6%, as effects from the VAT cut a year ago wash out of the annual rate.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.1284	-0.08	-0.74
EUR/GBP	0.8354	0.08	-0.55
GBP/USD	1.3507	-0.15	-0.16
GBP/EUR	1.1966	-0.08	0.55
USD/JPY	115.93	-0.06	0.74
EUR/JPY	130.83	-0.14	-0.03

* 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	0.10	0.22	0.58	1.05	1.54
EUR	0.00	-0.57	-0.57	-0.48	-0.28	0.05
GBP	0.10	0.24	0.48	0.90	1.26	1.39

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

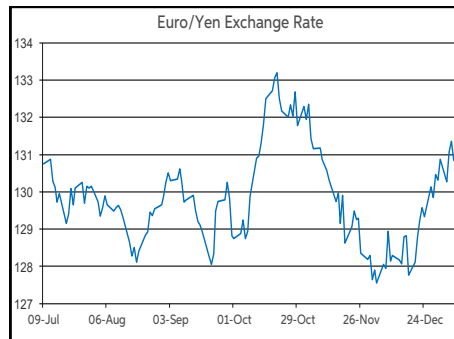
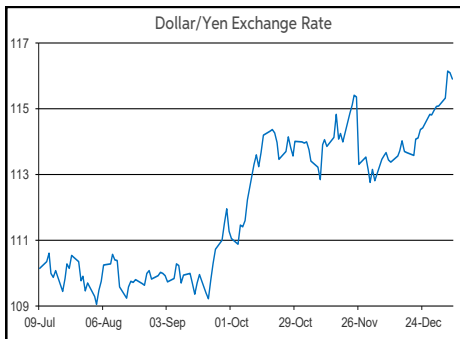
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

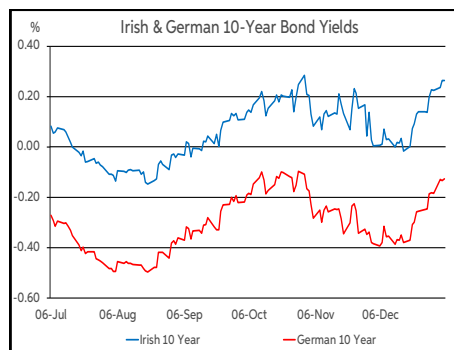
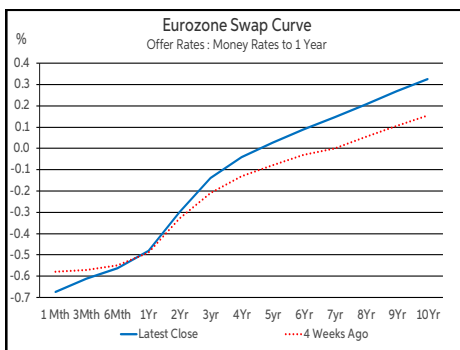
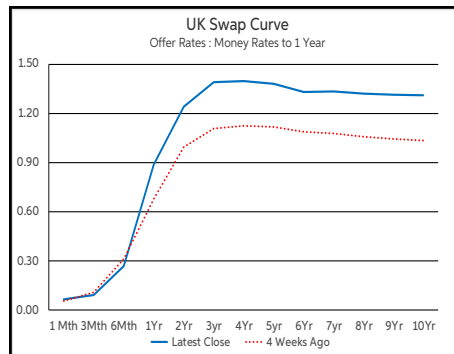
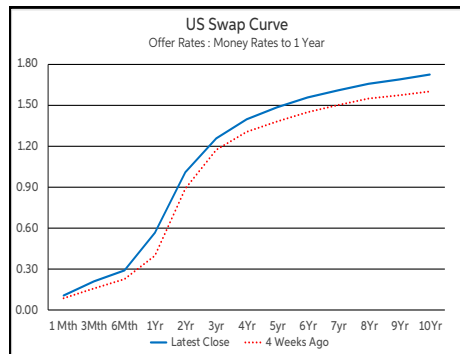
Thursday 06 January 2022
07:43 am



Euro		Sterling		Dollar	
EUR/GBP	0.8354	GBP/EUR	1.1966	USD/JPY	115.93
EUR/USD	1.1284	GBP/USD	1.3507	USD/CAD	1.2794
EUR/JPY	130.83	GBP/CAD	1.7281	USD/CHF	0.9194
EUR/SEK	10.3278	GBP/NZD	2.0029	USD/CNY	6.3743
EUR/DKK	7.4387	GBP/JPY	156.59	USD/BRL	5.7087
EUR/NOK	10.0398	GBP/SEK	12.356	USD/RUB	76.8075
EUR/CHF	1.0377	GBP/DKK	8.9016	USD/INR	74.375
EUR/AUD	1.5764	GBP/NOK	12.0148	AUD/USD	0.7159
EUR/HKD	8.8018	GBP/CHF	1.2423	NZD/USD	0.6742
EUR/CAD	1.4438	GBP/AUD	1.8865		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	1.70	+5	+17	+19
Germany	-0.12	+0	+19	+6
UK	1.09	+0	+31	+12
Ireland				
Ireland	0.28	-1	+15	+4
Belgium	0.22	-1	+19	+4
France	0.24	+0	+19	+4
Italy	1.24	+2	+21	+6
Spain	0.61	+1	+19	+1
Portugal	0.51	+1	+16	+3
Greece	1.38	+7	+0	+6
5 Year Swap %				
US	1.48	+7	+13	+15
Eurozone	0.03	-1	+12	+2
UK	1.38	+4	+27	+11
2 Year Swap %				
US	1.01	+8	+14	+7
Eurozone	-0.30	-1	+4	+0
UK	1.24	-6	+26	+5
10 Year Government Bond Spreads to Benchmark bps				
Ireland	41	-1	-4	-2
Belgium	34	-1	+1	-1
France	36	-0	+1	-1
Italy	137	+2	+3	+0
Spain	73	+0	+0	-4
Portugal	64	+1	-2	-3
Greece	150	+7	-18	+1



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	80.8	+1.00	+6.57	+3.88
West Texas Oil	77.83	+1.08	+7.46	+3.32
Gold \$	1809.5	-0.28	+1.54	-1.03

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