

## Dollar higher as Fed tees-up March rate hike

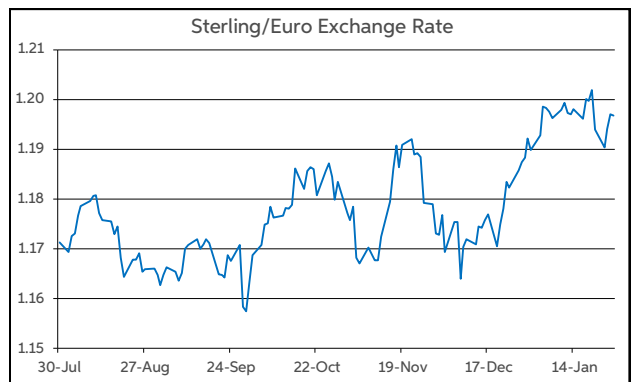
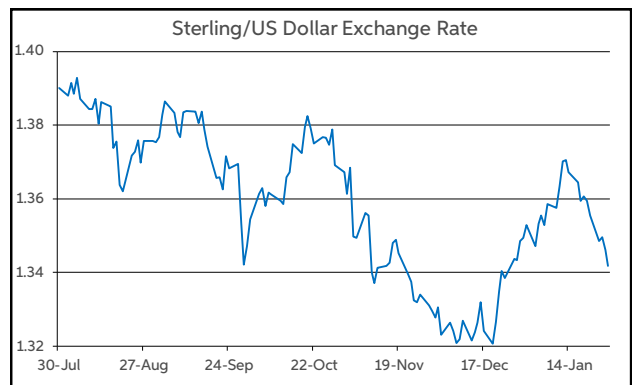
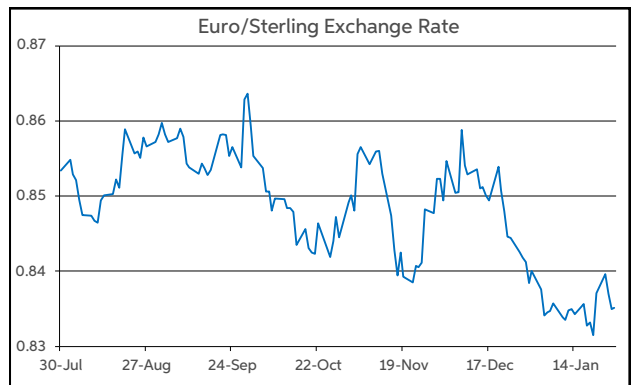
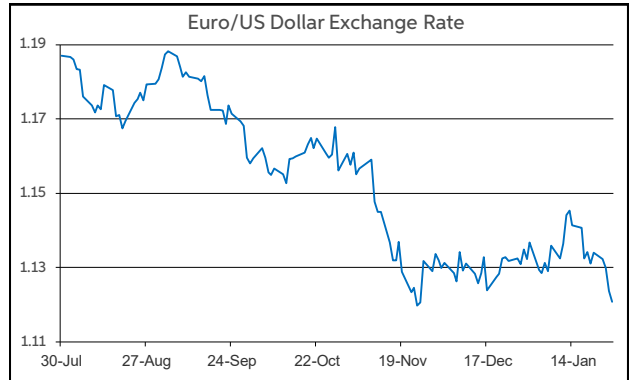
Risk appetite was somewhat firmer yesterday ahead of the conclusion of the Fed policy meeting, which occurred after the close in Europe. The Euro Stoxx 50 finished up by 2.1%. Meanwhile, oil prices continued to rise, gaining circa 2% on the day. Currency-wise, the main pairs remained range bound ahead of the aforementioned Fed policy meeting.

As expected, the Fed left interest rates unchanged. However, the policy statement noted that QE will end in March. The statement also noted that “it will soon be appropriate to raise”, the federal funds rate. This indicates that a March rate hike is likely. At the press conference, a hawkish tone from Chair Powell reinforced the view that a March hike can be expected. There is also the potential for a more aggressive pace of rate increases this year than had previously been envisaged. Discussions regarding the Fed’s balance sheet continued, although, the central bank is unlikely to start reducing its size until the summer months at the earliest.

US Treasury yields moved higher, and equity markets lower after the Fed announcement. Elsewhere, the dollar held the upper hand on the exchanges following the hawkish tone at the press conference. This is reflected in EUR/USD opening down near \$1.12. Meanwhile, GBP/USD is operating in the bottom half of the \$1.34-1.35 range, having opened yesterday at \$1.35. EUR/GBP is changing hands at the midpoint of 83-84p.

Today, there is a sparse data schedule on the Eurozone. Across the Atlantic though, the first reading of Q4 GDP is due in the US. The economy is projected to have regained some momentum in Q4, expanding by 5.6% in annualised terms. The Q4 reading of core-PCE inflation will also garner close attention.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.1211	-0.81	-1.38
EUR/GBP	0.8353	-0.18	-0.56
GBP/USD	1.3423	-0.61	-0.78
GBP/EUR	1.1969	0.18	0.56
USD/JPY	114.71	0.73	-0.32
EUR/JPY	128.64	-0.09	-1.70

\* 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	0.27	0.81	1.32	1.74
EUR	0.00	-0.56	-0.55	-0.44	-0.19	0.17
GBP	0.25	0.39	0.58	1.19	1.42	1.51

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

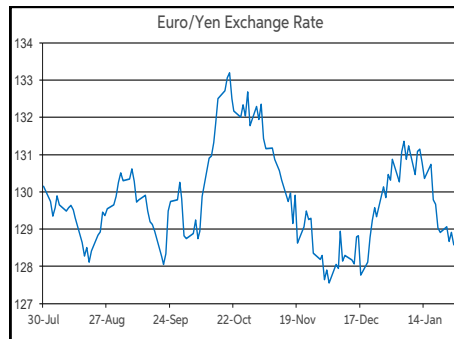
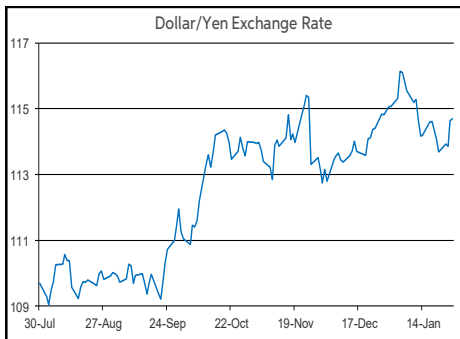
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

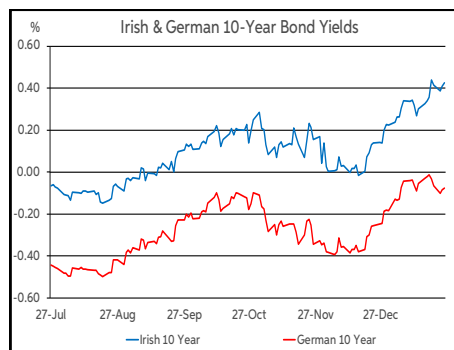
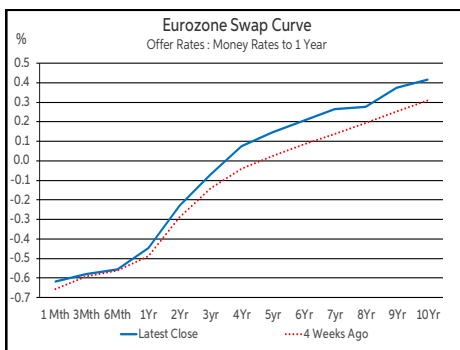
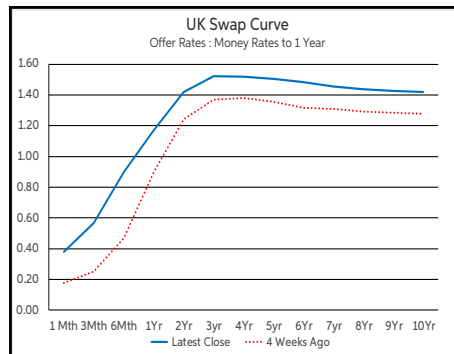
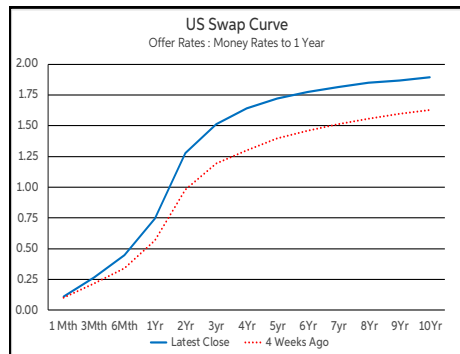
Thursday 27 January 2022  
07:26 am



Euro		Sterling		Dollar	
EUR/GBP	0.8353	GBP/EUR	1.197	USD/JPY	114.71
EUR/USD	1.1213	GBP/USD	1.3423	USD/CAD	1.2717
EUR/JPY	128.64	GBP/CAD	1.7073	USD/CHF	0.9251
EUR/SEK	10.489	GBP/NZD	2.0329	USD/CNY	6.3564
EUR/DKK	7.442	GBP/JPY	153.98	USD/BRL	5.4324
EUR/NOK	10.093	GBP/SEK	12.5545	USD/RUB	79.3467
EUR/CHF	1.0377	GBP/DKK	8.9062	USD/INR	75.235
EUR/AUD	1.5856	GBP/NOK	12.0805	AUD/USD	0.707
EUR/HKD	8.7362	GBP/CHF	1.2418	NZD/USD	0.6601
EUR/CAD	1.4261	GBP/AUD	1.898		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
<b>10 Year Yield %</b>				
US	1.87	+10	+32	+36
Germany	-0.07	+1	+11	+11
UK	1.20	+3	+19	+23
<b>5 Year Swap %</b>				
US	1.72	+11	+35	+39
Eurozone	0.15	+5	+13	+13
UK	1.50	+3	+18	+23
<b>2 Year Swap %</b>				
US	1.28	+14	+33	+33
Eurozone	-0.23	+1	+7	+7
UK	1.42	+0	+19	+23
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	51	+0	+6	+8
Belgium	34	-0	-2	-2
France	42	+0	+4	+4
Italy	148	+4	+14	+11
Spain	76	+2	-0	-2
Portugal	68	+2	+4	+1
Greece	176	+3	+21	+26



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	89.96	+2.00	+13.54	+15.66
West Texas Oil	88.33	+1.99	+15.34	+17.26
Gold \$	1818.1	-1.59	+0.80	-0.56

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