

Dollar holding the upper hand

Last week was eventful on markets. The volatile trading conditions were amid rising geopolitical tensions and markets contemplating a higher interest rate outlook. At one stage the S&P 500 was down around 10% this year, before recovering some ground on Friday.

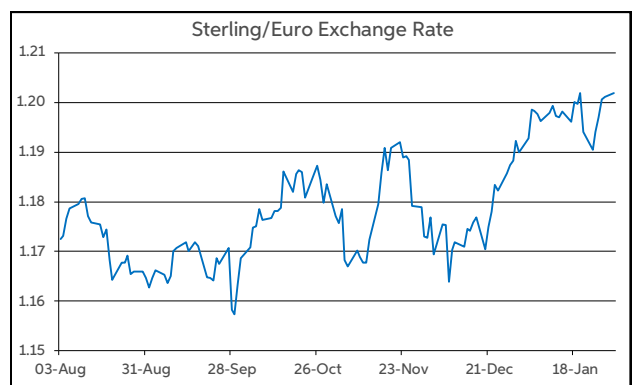
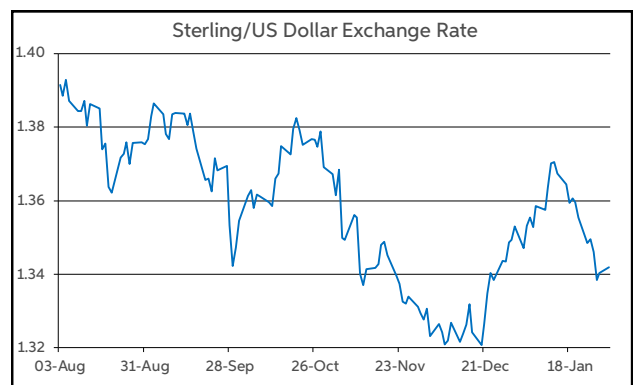
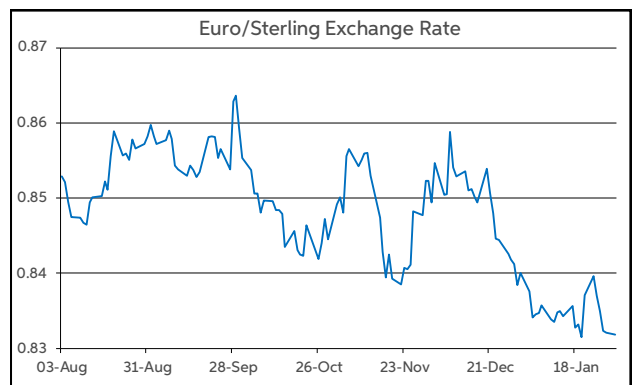
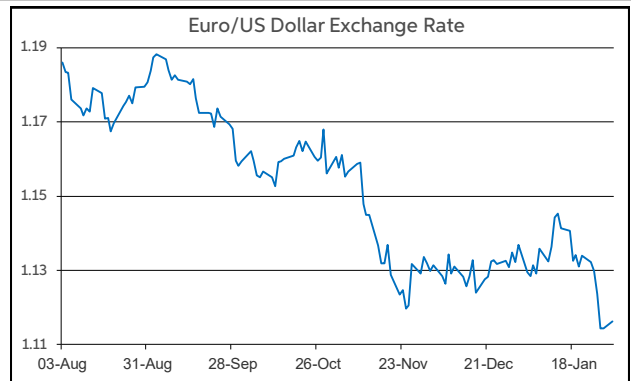
On the currency front, the main mover was the dollar. The currency made gains following the hawkish post-Fed meeting press conference. Fed Chair Powell advised markets to expect a more aggressive pace of rate hikes. The policy sensitive 2-year Treasury yield rose by around 15bps. The evolving interest rate differentials supported the dollar on the exchanges. The currency gained between 1-1.5% against some of the other majors.

This is reflected in EUR/USD opening this morning down near the midpoint of the \$1.11-1.12 band, having started last week above the \$1.13 threshold. Meanwhile, GBP/USD is trading near to the \$1.34 mark. Elsewhere, EUR/GBP has drifted down towards the key 83p support level.

Central bank meetings are very much the key calendar items this week and therefore entail some event risk for FX markets. The BoE is expected to follow its December rate hike, with a 25bps rise this week. However, given this is priced in by markets, the key potential impact for sterling may stem from what guidance the BoE provides regarding further hikes this year.

In contrast, the ECB is not expected to make any policy changes. Indeed, if the central bank continues to emphasise that rate hikes are unlikely this year, the euro could continue to struggle against the dollar and sterling. Data-wise, US payrolls and Eurozone inflation for January are the main releases this week.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.1161	0.06	-1.82
EUR/GBP	0.8318	0.05	-0.98
GBP/USD	1.342	0.07	-0.81
GBP/EUR	1.2021	-0.05	0.99
USD/JPY	115.42	0.00	0.30
EUR/JPY	128.85	0.09	-1.54

* 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	0.32	0.87	1.35	1.72
EUR	0.00	-0.56	-0.55	-0.42	-0.14	0.19
GBP	0.25	0.42	0.61	1.26	1.42	1.56

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

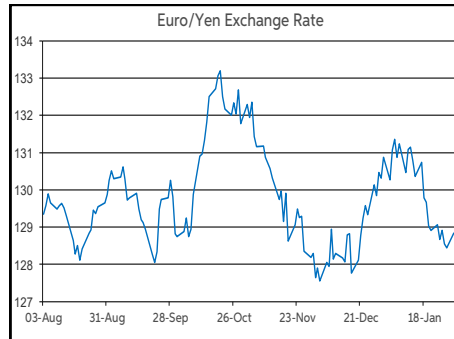
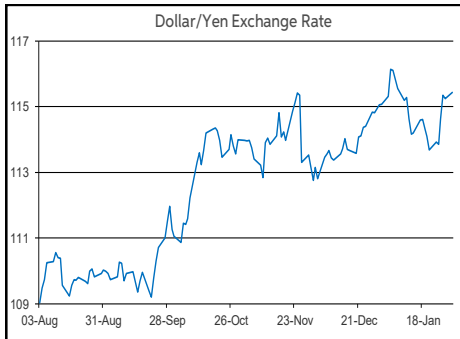
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

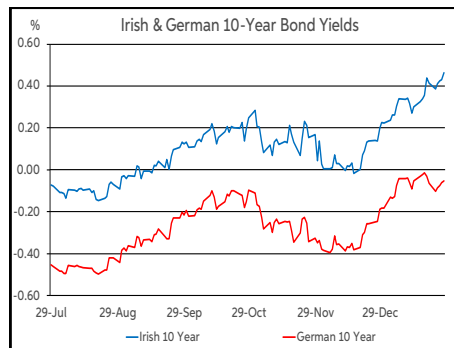
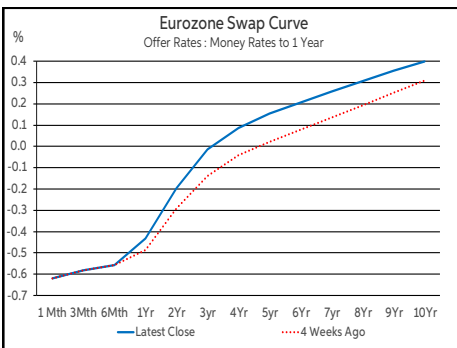
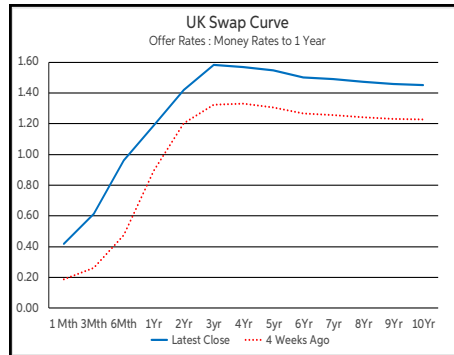
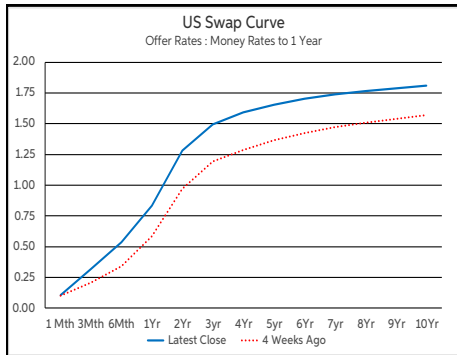
Monday 31 January 2022
07:25 am



Euro		Sterling		Dollar	
EUR/GBP	0.8318	GBP/EUR	1.2021	USD/JPY	115.42
EUR/USD	1.1161	GBP/USD	1.342	USD/CAD	1.2729
EUR/JPY	128.85	GBP/CAD	1.7083	USD/CHF	0.9315
EUR/SEK	10.4963	GBP/NZD	2.0413	USD/CNY	6.3605
EUR/DKK	7.4429	GBP/JPY	154.89	USD/BRL	5.3674
EUR/NOK	10.0013	GBP/SEK	12.6183	USD/RUB	77.5541
EUR/CHF	1.0399	GBP/DKK	8.9456	USD/INR	74.9625
EUR/AUD	1.5868	GBP/NOK	12.0173	AUD/USD	0.7033
EUR/HKD	8.7035	GBP/CHF	1.2499	NZD/USD	0.6572
EUR/CAD	1.4211	GBP/AUD	1.9076		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	1.78	-2	+27	+27
Germany	-0.05	+1	+13	+13
UK	1.24	+1	+27	+27
5 Year Swap %				
US	1.66	-4	+32	+32
Eurozone	0.15	+2	+14	+14
UK	1.55	+2	+27	+27
2 Year Swap %				
US	1.28	-1	+34	+34
Eurozone	-0.20	+1	+11	+11
UK	1.42	+0	+23	+23
10 Year Government Bond Spreads to Benchmark bps				
Ireland	53	+2	+10	+10
Belgium	34	+1	-2	-2
France	41	+1	+4	+4
Italy	140	-2	+4	+4
Spain	75	+2	-2	-2
Portugal	67	+1	+0	+0
Greece	177	+2	+28	+28



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	90.03	+0.77	+15.75	+15.75
West Texas Oil	87.67	+0.07	+16.38	+16.38
Gold \$	1791.0	-0.30	-2.04	-2.04

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