

## Muted action on FX markets

There was a cautious tone to investor sentiment yesterday. The Eurostoxx 50 finished flat for the day, while across the Atlantic, the S&P 500 lost 1.3%. On bond markets the recent “reflation trade” continued to play out, with most benchmark European sovereign yields rising by 5-9bps. The 10Yr Treasury yield ended the day just below 1.5% also. Currency-wise, the main pairs were range bound.

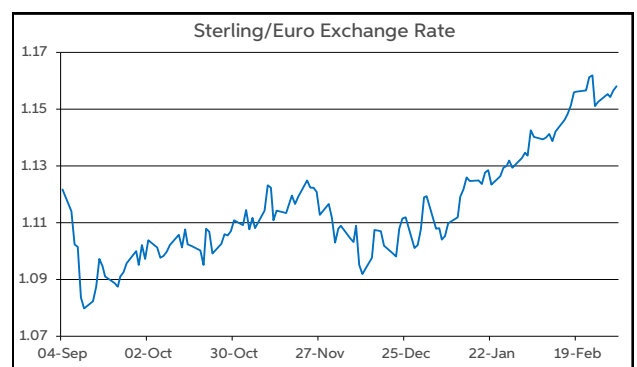
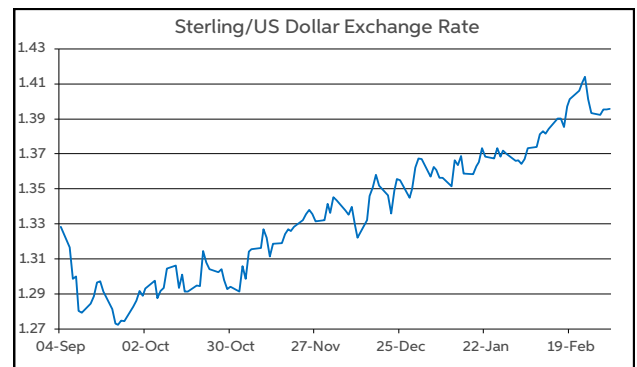
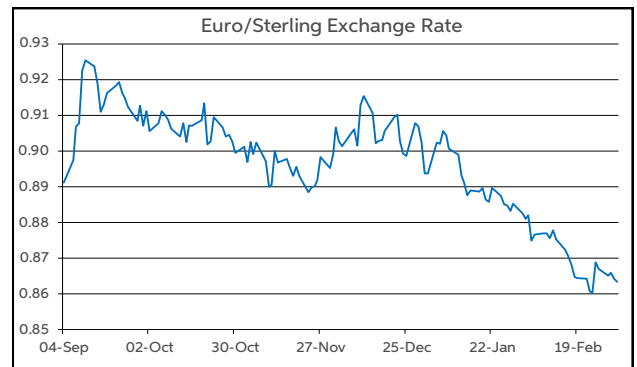
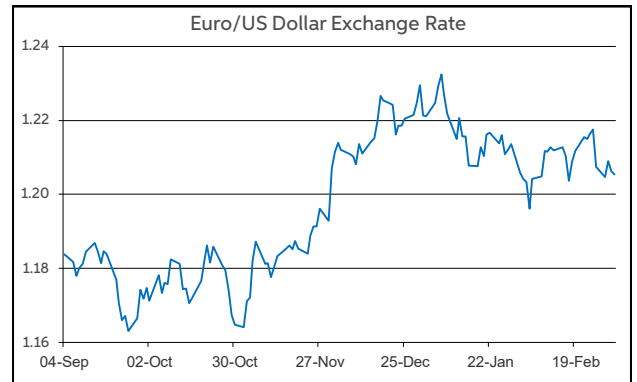
The main highlight of the schedule yesterday was the UK Budget. Chancellor Sunak outlined a plan that keeps supports in place for workers and businesses in the near term. He also introduced measures to incentivise firms to invest, to counteract the fallout from the pandemic and Brexit. However, in order to reduce the deficit in the future, a rise in corporation tax rate and a freeze on income tax thresholds will be introduced over the next few years. Elsewhere, in the US, the non-manufacturing ISM remained above 50, but printed below expectations at 55.3.

Meanwhile, late yesterday evening the UK government moved to unilaterally extend the grace period for food imports into Northern Ireland from Great Britain. The EU claims that this is in violation of the Withdrawal Agreement, as tensions between both parties rise.

On the currency front, the muted action over the past 24 hours is reflected in EUR/USD opening at the midpoint of \$1.20-1.21. Cable (GBP/USD) is operating near the halfway mark of the \$1.39-1.40 range. Meanwhile, EUR/GBP continues to trade between 86-87p.

Today’s data highlights are Eurozone retail sales and jobless rate for January. However, the lagged nature of both releases suggests they are unlikely to impact the euro. For the dollar, Fed Chair Powell’s appearance may pose some event risk for the currency.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.2053	-0.24	-1.31
EUR/GBP	0.8633	-0.30	-3.40
GBP/USD	1.3959	0.06	2.09
GBP/EUR	1.1579	0.30	3.52
USD/JPY	107.15	0.28	3.79
EUR/JPY	129.15	0.02	2.37

\* 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	0.18	0.18	0.25	0.83
EUR	0.00	-0.55	-0.54	-0.51	-0.48	-0.32
GBP	0.10	0.05	0.07	0.09	0.25	0.62

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

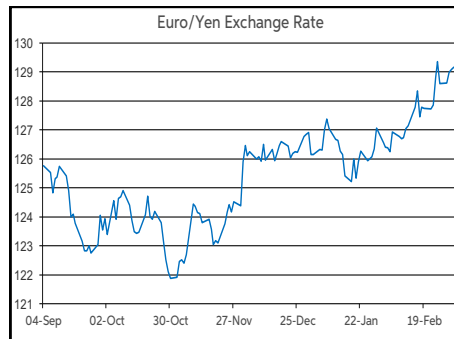
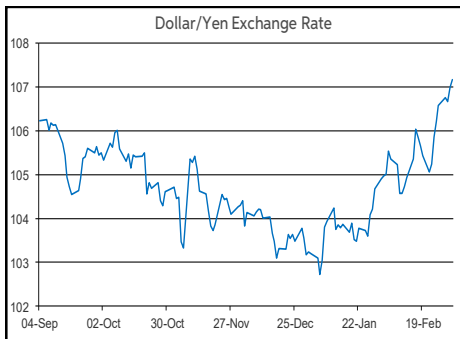
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

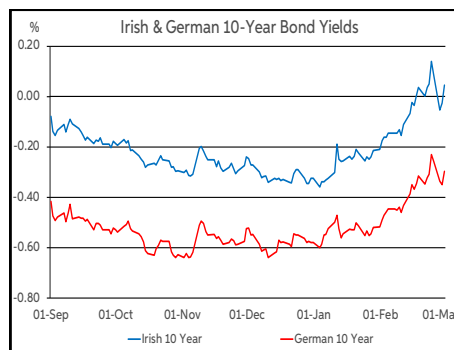
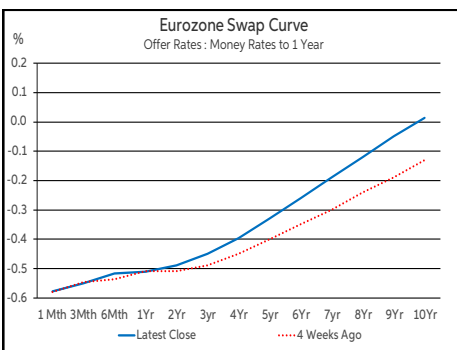
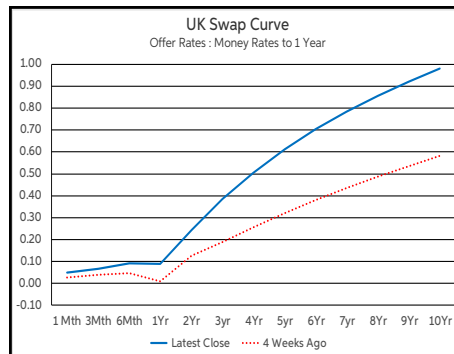
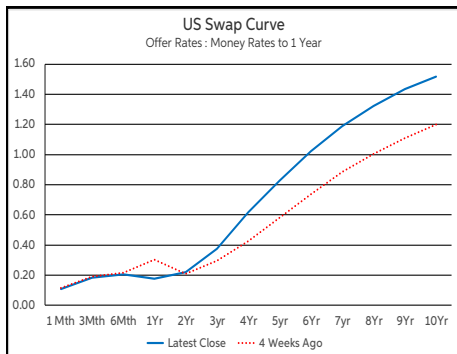
Thursday 04 March 2021  
07:26 am



Euro		Sterling		Dollar	
EUR/GBP	0.8634	GBP/EUR	1.1578	USD/JPY	107.15
EUR/USD	1.2053	GBP/USD	1.3959	USD/CAD	1.2639
EUR/JPY	129.14	GBP/CAD	1.7641	USD/CHF	0.9195
EUR/SEK	10.1532	GBP/NZD	1.9205	USD/CNY	6.4676
EUR/DKK	7.436	GBP/JPY	149.57	USD/BRL	5.6193
EUR/NOK	10.232	GBP/SEK	11.7543	USD/RUB	73.727
EUR/CHF	1.1084	GBP/DKK	8.6114	USD/INR	72.695
EUR/AUD	1.5439	GBP/NOK	11.8451	AUD/USD	0.7807
EUR/HKD	9.3491	GBP/CHF	1.2837	NZD/USD	0.7266
EUR/CAD	1.5232	GBP/AUD	1.7879		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 20
<b>10 Year Yield %</b>				
US	1.48	+9	+35	+57
Germany	-0.30	+5	+17	+28
UK	0.78	+9	+41	+59
Ireland	0.08	+8	+22	+38
Belgium	0.01	+7	+30	+39
France	-0.04	+6	+20	+30
Italy	0.76	+7	+17	+24
Spain	0.40	+6	+28	+35
Portugal	0.28	+5	+22	+21
Greece	0.99	-2	+34	+36
<b>5 Year Swap %</b>				
US	0.83	+8	+27	+41
Eurozone	-0.33	+3	+8	+13
UK	0.61	+5	+30	+42
<b>2 Year Swap %</b>				
US	0.22	+3	+5	+3
Eurozone	-0.49	+1	+3	+4
UK	0.24	+1	+13	+22
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	37	+3	+5	+10
Belgium	31	+1	+13	+12
France	26	+1	+3	+2
Italy	106	+2	+0	-4
Spain	70	+1	+11	+7
Portugal	57	+0	+5	-6
Greece	128	-7	+17	+8



Commodities				
	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	64.07	+2.19	+9.60	+23.69
West Texas Oil	61.33	+2.73	+10.17	+26.85
Gold \$	1711.0	-1.56	-6.70	-9.78

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