

War in Ukraine weighs on the euro

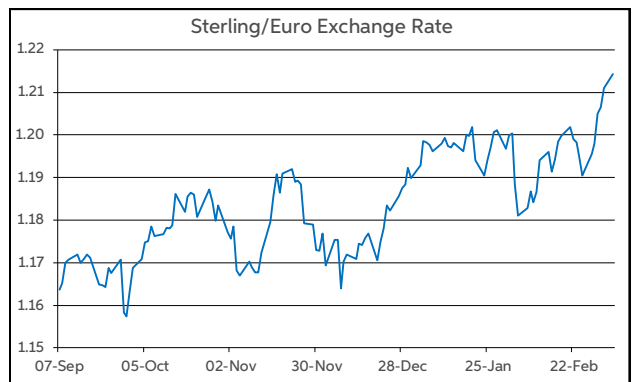
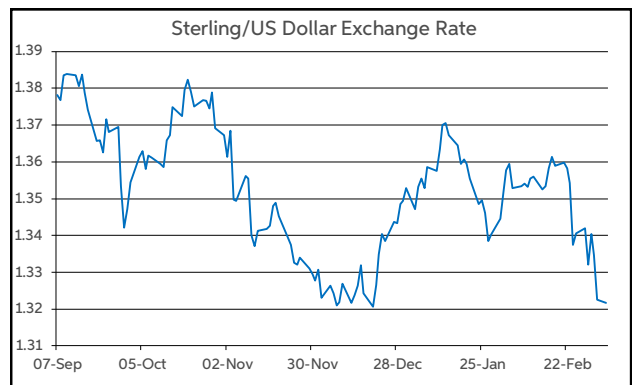
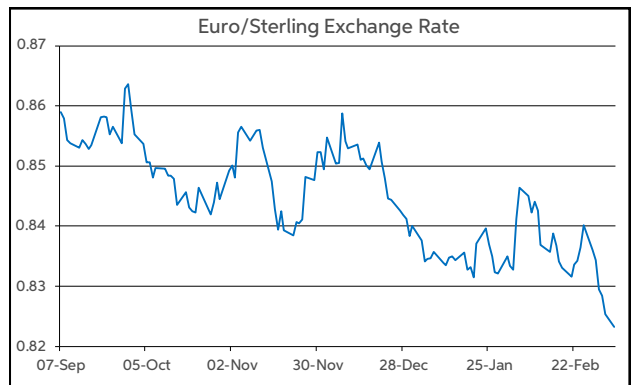
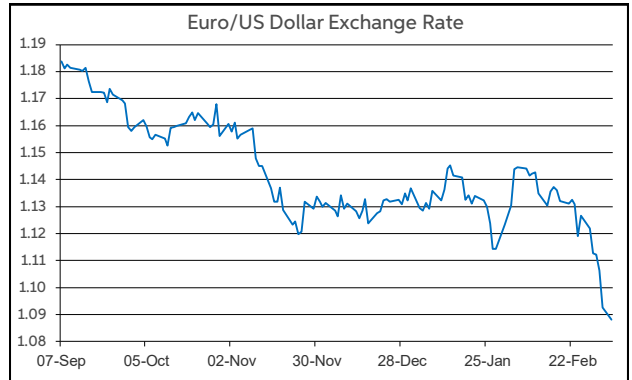
Volatile trading conditions persisted on markets last week as investors digested the macro implications of a long drawn out war in Ukraine. Risk aversion was the dominant theme. The 'risk off' mood was most evident on European markets, given the regions closer links with Russia. The Euro Stoxx 50 fell by over 10% on the week. The falls on Wall Street were less severe. The S&P 500 finished Friday with a 1.3% weekly loss.

On currency markets, the euro came under sustained downward pressure. Interest rate differentials were an important factor behind these moves. Rate hikes are still imminent in the UK and US. In contrast, there are increasing doubts about whether the ECB will hike at all now this year given recent developments.

The weaker tone to the euro was evident in some key supports for the currency giving way. The EUR/USD pair fell below the \$1.11 threshold, while, EUR/GBP dropped under the 83p mark. Meanwhile, some outright dollar strength on Friday saw EUR/USD weaken further heading into the weekend and this has continued in overnight action. EUR/USD fell to a low of \$1.082. At the same time, GBP/USD briefly fell below the \$1.32 threshold.

The evolving monetary policy environment will have a key bearing on the euro. In this context, this week's ECB meeting is an important event. Given the heightened level of uncertainty, the ECB is likely to refrain from providing any clear policy guidance. More generally, for the week ahead, market sentiment will remain reactive to developments in Ukraine. This is likely to see volatile trading conditions persist and the euro could remain on the defensive. Indeed, oil prices has spiked further in the last 24 hours, on reports of possible sanctions on some Russian energy exports.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0882	-1.31	-4.28
EUR/GBP	0.8233	-0.41	-1.99
GBP/USD	1.3216	-0.90	-2.31
GBP/EUR	1.214	0.41	2.03
USD/JPY	115.07	-0.31	-0.01
EUR/JPY	125.24	-1.62	-4.30

* 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	0.31	0.61	1.25	1.66	1.70
EUR	0.00	-0.55	-0.52	-0.33	0.01	0.38
GBP	0.50	0.65	0.94	1.66	1.93	1.81

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

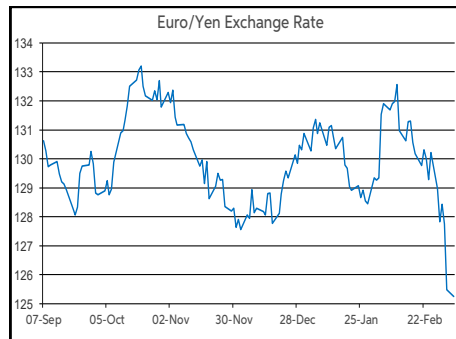
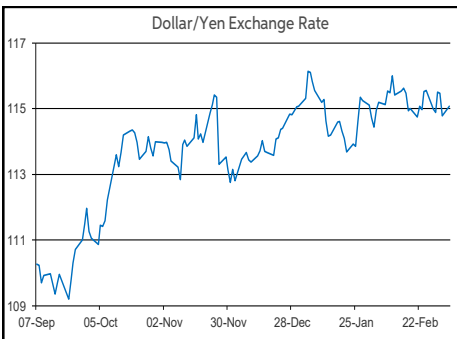
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

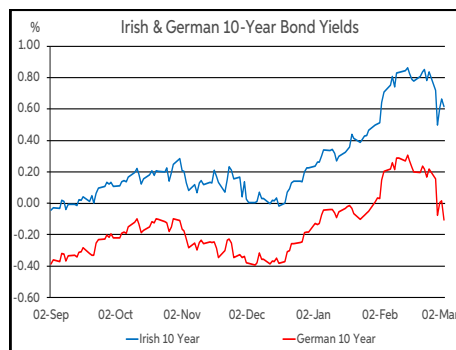
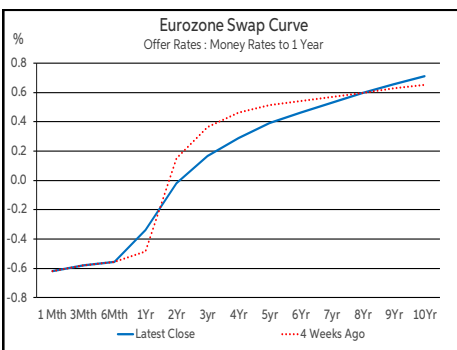
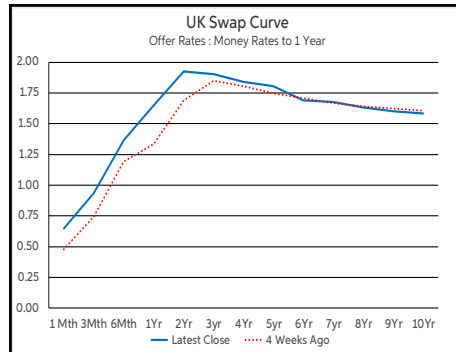
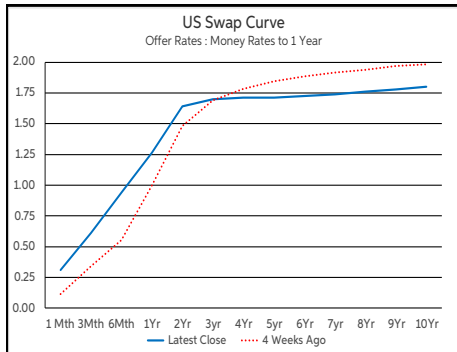
Monday 07 March 2022
07:34 am



Euro		Sterling		Dollar	
EUR/GBP	0.8233	GBP/EUR	1.214	USD/JPY	115.07
EUR/USD	1.0882	GBP/USD	1.3216	USD/CAD	1.2696
EUR/JPY	125.24	GBP/CAD	1.6783	USD/CHF	0.9206
EUR/SEK	10.7946	GBP/NZD	1.914	USD/CNY	6.318
EUR/DKK	7.4391	GBP/JPY	152.08	USD/BRL	5.062
EUR/NOK	9.7339	GBP/SEK	13.108	USD/RUB	130.9338
EUR/CHF	1.002	GBP/DKK	9.0334	USD/INR	76.94
EUR/AUD	1.4677	GBP/NOK	11.8145	AUD/USD	0.7414
EUR/HKD	8.5046	GBP/CHF	1.217	NZD/USD	0.6903
EUR/CAD	1.3818	GBP/AUD	1.7823		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	1.74	-10	-18	+23
Germany	-0.10	-12	-31	+8
UK	1.21	-9	-20	+24
5 Year Swap %				
US	1.71	-8	-10	+38
Eurozone	0.39	-4	-11	+38
UK	1.80	-0	+7	+53
2 Year Swap %				
US	1.64	-3	+19	+70
Eurozone	-0.02	-7	-16	+28
UK	1.92	+1	+24	+73
10 Year Government Bond Spreads to Benchmark bps				
Ireland	75	+8	+22	+32
Belgium	61	+7	+17	+25
France	53	+6	+9	+16
Italy	163	+7	+9	+27
Spain	107	+8	+23	+30
Portugal	92	+7	+15	+25
Greece	246	+10	+58	+97



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	118.11	+6.93	+26.63	+51.85
West Texas Oil	115.77	+7.50	+25.47	+53.68
Gold \$	1968.5	+1.72	+8.91	+7.66

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