

Supportive backdrop for the dollar

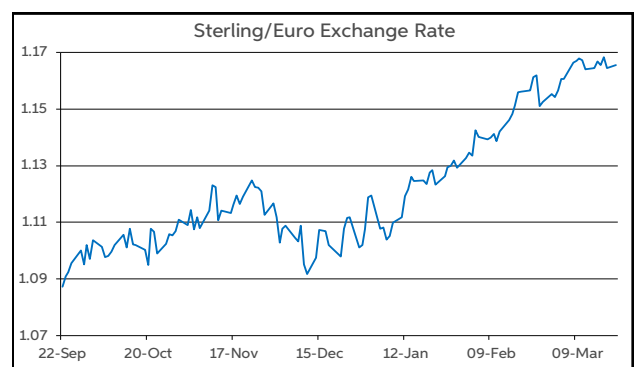
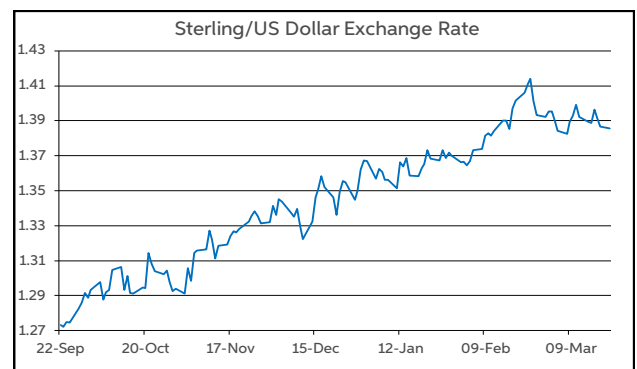
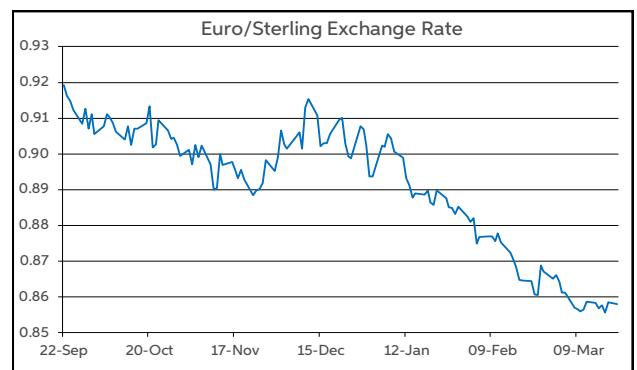
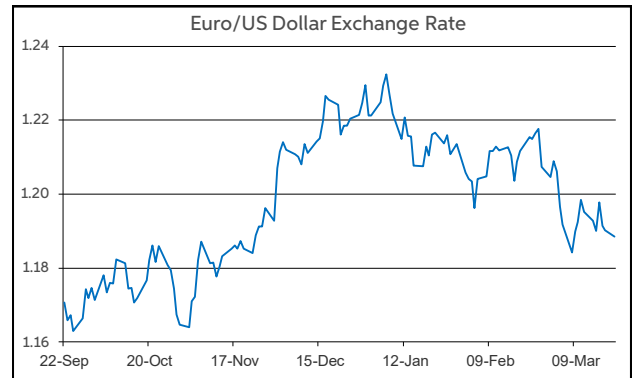
Once again, it was bonds that hogged the market headlines last week. Specifically, the continued upward pressure on yields, especially in relation to US Treasuries, as investors contemplate the prospects and consequences of a strong economic rebound over the coming quarters. The ten year Treasury yield rose above the 1.7% threshold, to its highest level since early 2020.

Indeed, even the attempt by the US Federal Reserve to assert its dovish credentials failed to ease market fears that rate tightening could start as early as next year in some of the key advanced economies. The latest set of interest rate projections from the central bank showed that the majority of FOMC members expects no changes to the fed funds rate through to the end of 2023. However, futures contracts indicate that the market is pricing in the possibility of rates starting to rise, albeit gradually in the second half of 2022.

This backdrop of rising Treasury yields and expectations of earlier US rate hikes provided support to the dollar. Although, the main pairs were still confined to relatively narrow ranges over the week. In level terms, the firmer tone to the dollar is reflected in EUR/USD starting this week below the \$1.19 mark and GBP/USD trading at the midpoint of \$1.38-1.39. Meanwhile, EUR/GBP continues to trade within the 85-86p band.

This week's macro diary is packed full of key survey and hard data from some of the key economies. The main highlight is the flash PMI's for March from the US, Eurozone and UK. However, despite the busy diary, the main source of attention may remain on bond markets. If US yields continue their uptrend, then the dollar could continue to hold the upper hand, at least in the near term.

John Fahey, Senior Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2020 |
| EUR/USD | 1.1882 | -0.29 | -2.71 |
| EUR/GBP | 0.8578 | 0.19 | -4.02 |
| GBP/USD | 1.385 | -0.47 | 1.29 |
| GBP/EUR | 1.1655 | -0.19 | 4.19 |
| USD/JPY | 108.68 | -0.17 | 5.27 |
| EUR/JPY | 129.13 | -0.48 | 2.35 |

* 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 | 0.20 | 0.19 | 0.27 | 0.94 |
| EUR | 0.00 | -0.55 | -0.54 | -0.52 | -0.50 | -0.35 |
| GBP | 0.10 | 0.05 | 0.08 | 0.12 | 0.29 | 0.69 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

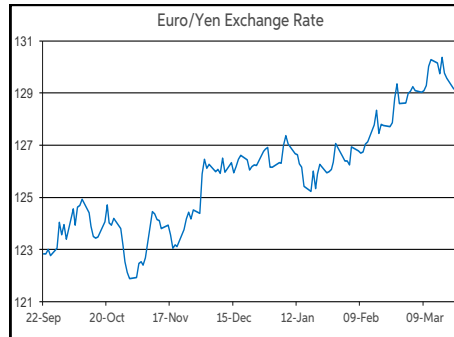
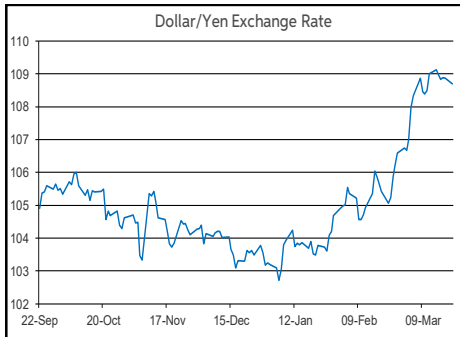
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|---------|--|----------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke Shane Gargan Enda Homan | FX Options | Mark Tuite | Reuters Phone | AIBG.I 00353-1-7724018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

Opening Levels

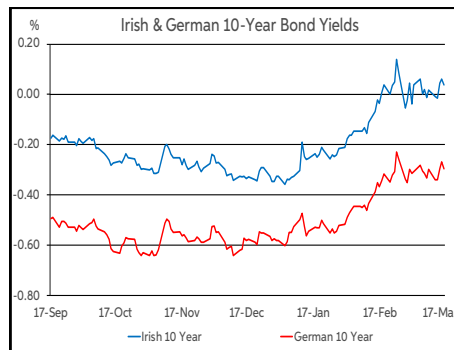
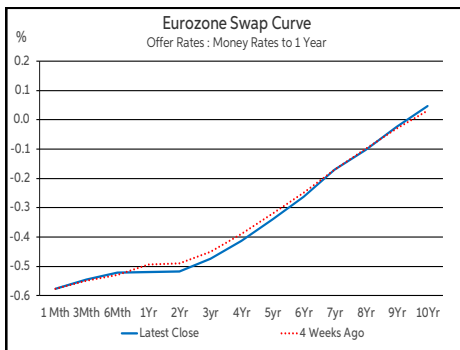
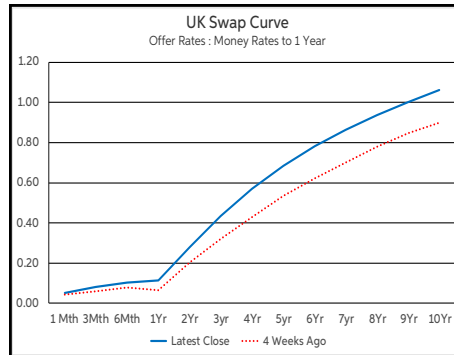
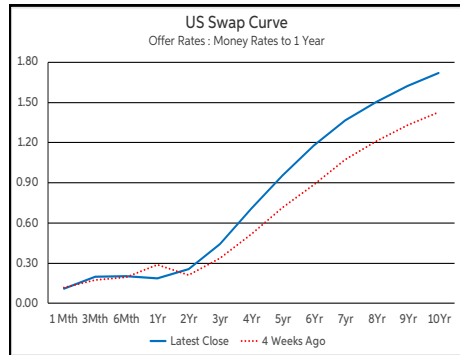
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| Euro | | Sterling | | Dollar | |
|---------|--------|----------|---------|---------|---------|
| EUR/GBP | 0.8578 | GBP/EUR | 1.1655 | USD/JPY | 108.68 |
| EUR/USD | 1.1882 | GBP/USD | 1.385 | USD/CAD | 1.2495 |
| EUR/JPY | 129.13 | GBP/CAD | 1.7311 | USD/CHF | 0.9304 |
| EUR/SEK | 10.173 | GBP/NZD | 1.9349 | USD/CNY | 6.5078 |
| EUR/DKK | 7.4356 | GBP/JPY | 150.52 | USD/BRL | 5.489 |
| EUR/NOK | 10.178 | GBP/SEK | 11.8523 | USD/RUB | 74.4271 |
| EUR/CHF | 1.1055 | GBP/DKK | 8.6673 | USD/INR | 72.378 |
| EUR/AUD | 1.5381 | GBP/NOK | 11.8604 | | |
| EUR/HKD | 9.2267 | GBP/CHF | 1.2887 | AUD/USD | 0.7724 |
| EUR/CAD | 1.4851 | GBP/AUD | 1.7929 | NZD/USD | 0.7156 |



| Debt Markets | | | | |
|---|-------|------------|---------|--------|
| | Close | Change bps | | |
| | | Day | 4 Weeks | End 20 |
| 10 Year Yield % | | | | |
| US | 1.73 | +2 | +39 | +81 |
| Germany | -0.29 | -3 | +2 | +28 |
| UK | 0.84 | -3 | +14 | +65 |
| 5 Year Swap % | | | | |
| US | 0.96 | +4 | +27 | +53 |
| Eurozone | -0.34 | -2 | -1 | +12 |
| UK | 0.68 | -0 | +16 | +49 |
| 2 Year Swap % | | | | |
| US | 0.26 | +0 | +7 | +6 |
| Eurozone | -0.52 | -3 | -2 | +1 |
| UK | 0.28 | -0 | +9 | +25 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 36 | +1 | -2 | +9 |
| Belgium | 32 | +0 | +0 | +13 |
| France | 25 | +0 | -0 | +1 |
| Italy | 97 | +1 | +3 | -13 |
| Spain | 65 | +0 | -3 | +2 |
| Portugal | 53 | -0 | -3 | -11 |
| Greece | 123 | +0 | +2 | +2 |



| Commodities | | | | |
|----------------|----------|-------|---------|--------|
| | % Change | | | |
| | Close | Day | 4 Weeks | End 20 |
| Brent Oil | 64.53 | +1.98 | +2.58 | +24.58 |
| West Texas Oil | 61.43 | +2.47 | +3.91 | +27.05 |
| Gold \$ | 1744.7 | +0.48 | -2.11 | -8.00 |

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