

## Fed expected to announce taper

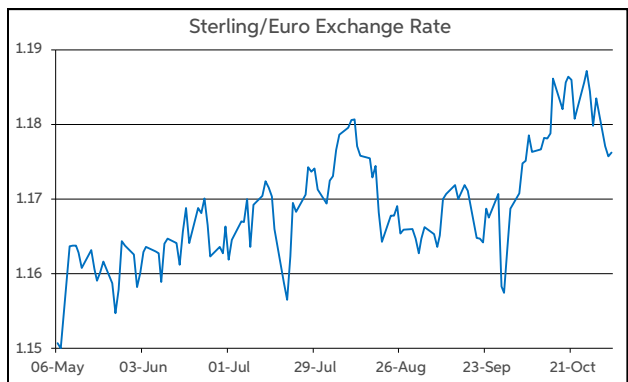
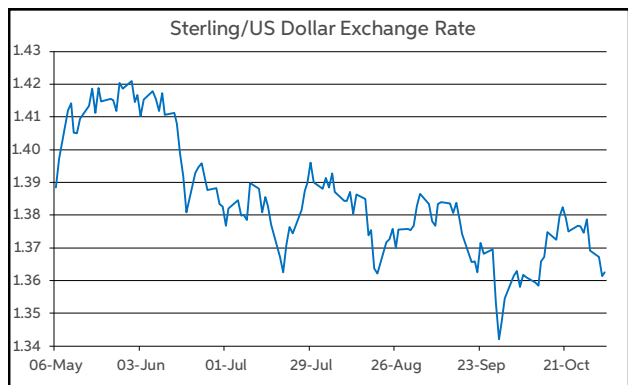
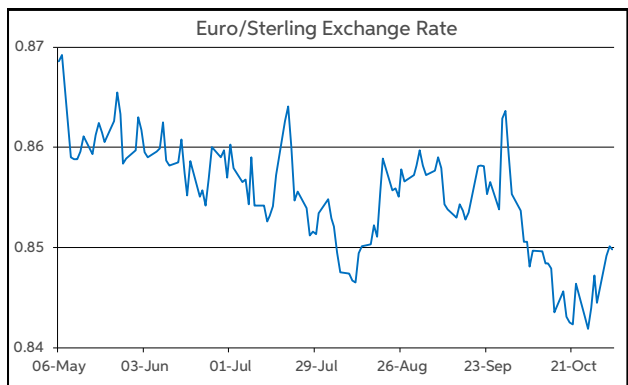
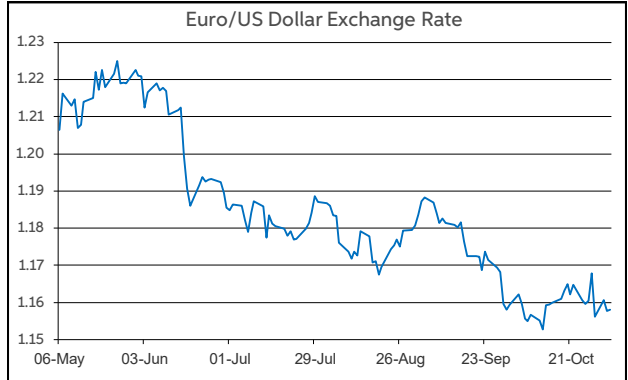
Investor sentiment continued to hold a positive tone on equity markets yesterday. At the close on Wall Street, the S&P 500 finished the day up 0.4%. The Euro Stoxx 50 registered a 0.4% gain as well. Meantime, on bond markets, yields moved lower in the US, UK and Eurozone. The spread between core and periphery bond yields in the Eurozone declined by 4-8bps also.

Currency-wise, the main FX pairs remained confined to very narrow ranges yesterday. EUR/USD continued to straddle the \$1.16 handle, while 84.9-85.2p covered all the moves in EUR/GBP. The subdued price action continued overnight, and is reflected in EUR/USD opening in the top half of \$1.15-1.16 once again. EUR/GBP is at 85p as trading gets underway this morning. Elsewhere, GBP/USD is operating above \$1.36.

Today may be another quiet day on the exchanges, as investors keep their powder dry ahead of this evening's conclusion of the Fed monetary policy meeting (after the close in Europe). The Fed is expected to announce a start to QE tapering, which will likely see the pace of asset purchases fall by \$15bn per month. Participants will be playing close attention to comments from Chair Powell, to see whether he pushes back against current market expectations of rates rising in the US as soon as the middle of next year.

In terms of data releases ahead, the unemployment rate is forecast to edge lower to 7.4% in the Eurozone in September from 7.5%. In the US, a busy docket sees the latest non-manufacturing ISM, ADP Unemployment report and durable goods data released. However, all are likely to be overshadowed by the aforementioned Fed meeting this evening.

**Daniel Noonan, Economist, AIB**



| Today's Opening FX Rates |        |          |          |
|--------------------------|--------|----------|----------|
|                          |        | % Change |          |
|                          |        | Day *    | End 2020 |
| EUR/USD                  | 1.1581 | -0.21    | -5.17    |
| EUR/GBP                  | 0.8498 | -0.01    | -4.91    |
| GBP/USD                  | 1.3626 | -0.20    | -0.34    |
| GBP/EUR                  | 1.1763 | 0.01     | 5.17     |
| USD/JPY                  | 113.87 | 0.16     | 10.30    |
| EUR/JPY                  | 131.9  | -0.04    | 4.55     |

\* 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     | 0.08         | 0.14  | 0.28       | 0.66  | 1.24  |
| EUR                    | 0.00      | -0.56        | -0.56 | -0.48      | -0.31 | -0.05 |
| GBP                    | 0.10      | 0.13         | 0.24  | 0.84       | 1.16  | 1.25  |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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

# Opening Levels

Wednesday 03 November 2021  
07:35 am



## Euro

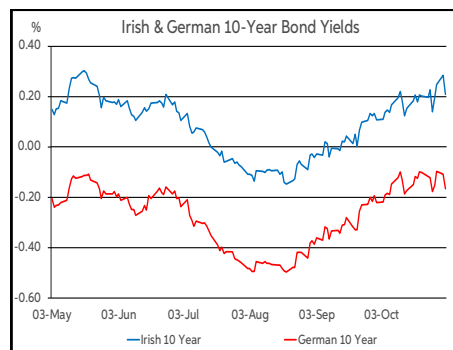
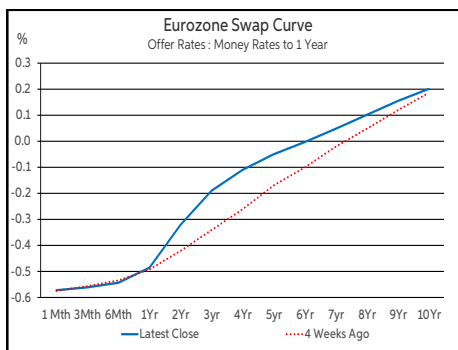
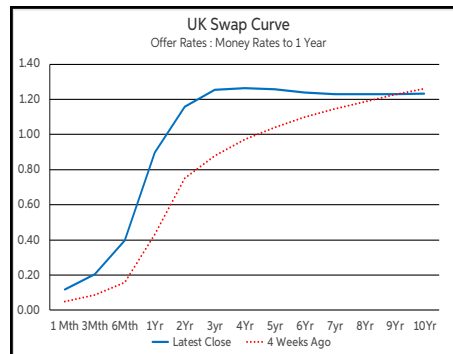
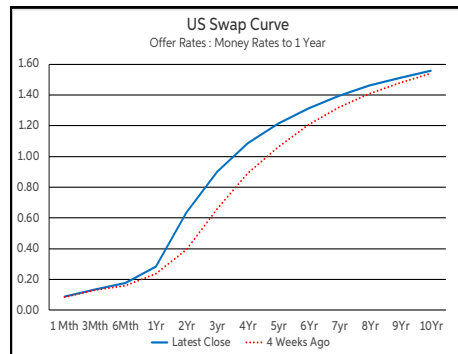
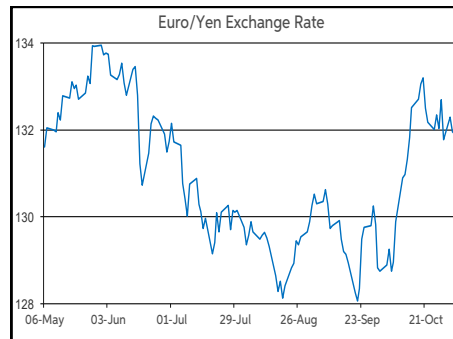
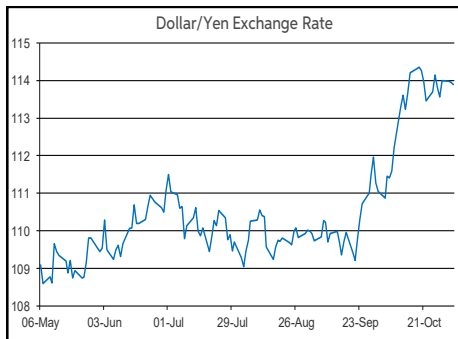
|         |        |
|---------|--------|
| EUR/GBP | 0.8498 |
| EUR/USD | 1.1581 |
| EUR/JPY | 131.9  |
| EUR/SEK | 9.9325 |
| EUR/DKK | 7.4397 |
| EUR/NOK | 9.864  |
| EUR/CHF | 1.0586 |
| EUR/AUD | 1.5558 |
| EUR/HKD | 9.0124 |
| EUR/CAD | 1.4386 |

## Sterling

|         |         |
|---------|---------|
| GBP/EUR | 1.1763  |
| GBP/USD | 1.3626  |
| GBP/CAD | 1.6925  |
| GBP/NZD | 1.9114  |
| GBP/JPY | 155.16  |
| GBP/SEK | 11.6837 |
| GBP/DKK | 8.7511  |
| GBP/NOK | 11.6061 |
| GBP/CHF | 1.2455  |
| GBP/AUD | 1.8305  |

## Dollar

|         |        |
|---------|--------|
| USD/JPY | 113.87 |
| USD/CAD | 1.242  |
| USD/CHF | 0.9138 |
| USD/CNY | 6.3985 |
| USD/BRL | 5.6795 |
| USD/RUB | 71.374 |
| USD/INR | 74.47  |
| AUD/USD | 0.7443 |
| NZD/USD | 0.7127 |



| Debt Markets  |       |            |         |        |
|---|-------|------------|---------|--------|
|   | Close | Change bps |         |        |
|   |       | Day        | 4 Weeks | End 20 |
| <b>10 Year Yield %</b>                                  |       |            |         |        |
| US  | 1.55  | -1         | +2      | +63    |
| Germany   | -0.16 | -6         | +3      | +42    |
| UK  | 1.04  | -3         | -5      | +84    |
| <b>5 Year Swap %</b>                                    |       |            |         |        |
| US  | 1.21  | -0         | +19     | +79    |
| Eurozone  | -0.05 | -7         | +13     | +41    |
| UK  | 1.26  | -5         | +22     | +107   |
| <b>2 Year Swap %</b>                                    |       |            |         |        |
| US  | 0.64  | -4         | +27     | +44    |
| Eurozone  | -0.32 | -7         | +11     | +21    |
| UK  | 1.16  | -7         | +42     | +113   |
| <b>10 Year Government Bond Spreads to Benchmark bps</b> |       |            |         |        |
| Ireland   | 44    | -2         | +4      | +17    |
| Belgium   | 32    | -2         | +1      | +13    |
| France  | 35    | -3         | +0      | +12    |
| Italy   | 125   | -8         | +20     | +15    |
| Spain   | 70    | -4         | +5      | +7     |
| Portugal  | 61    | -5         | +6      | -2     |
| Greece  | 140   | -5         | +35     | +19    |

| Commodities    |          |       |         |        |
|----------------|----------|-------|---------|--------|
|                | % Change |       |         |        |
|                | Close    | Day   | 4 Weeks | End 20 |
| Brent Oil      | 84.72    | +0.01 | +2.62   | +63.55 |
| West Texas Oil | 83.91    | -0.20 | +5.99   | +73.55 |
| Gold \$        | 1787.3   | -0.32 | +1.55   | -5.76  |

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