

Fed tapers as expected, BoE ahead today

The action on currency markets remained confined to tight ranges yesterday, ahead of the conclusion of the Fed meeting. Meantime, on bond markets, the spread between core and periphery Eurozone bond yields continued to narrow. The move in bond yields coincided with remarks from President Lagarde, stating that the ECB was “very unlikely” to raise interest rates next year.

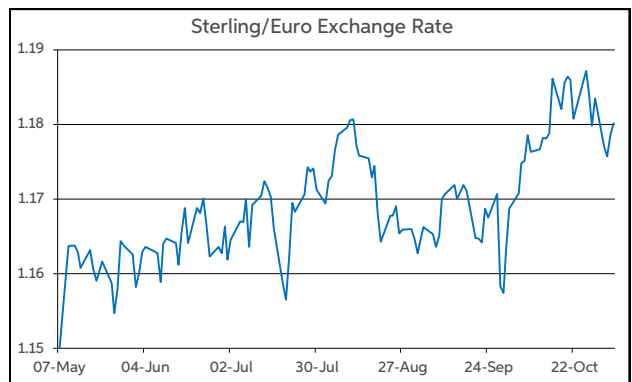
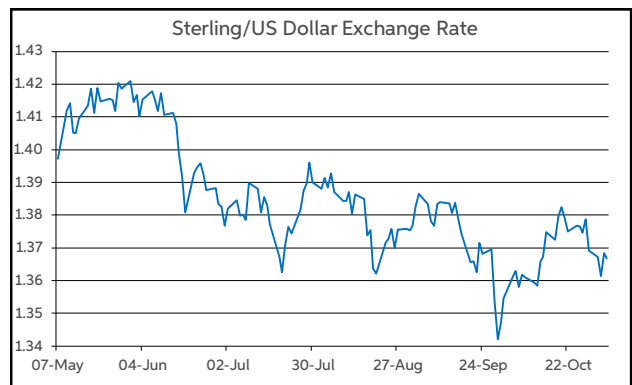
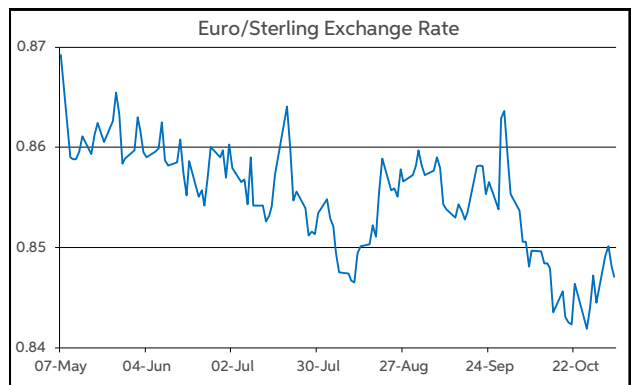
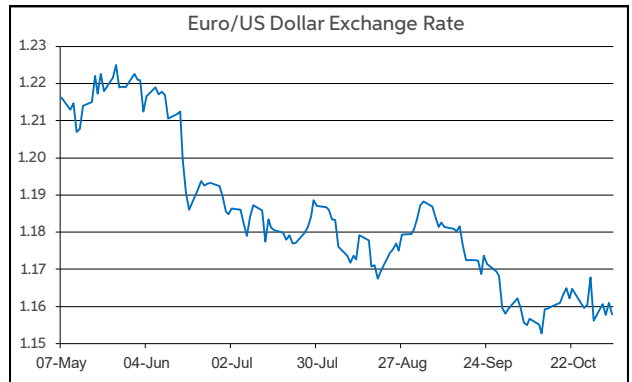
As expected, the Fed voted to start QE tapering. Purchases will be reduced by \$15bn to \$105bn per month. The statement noted that the FOMC still believes inflation will be transitory. Chair Powell acknowledged though, that the conditions to raise interest rates may be met next year, although, he stated it would be dependent on the economy. The dollar was little changed in the immediate aftermath of the meeting, as it was in-line with expectations.

In level terms, this is reflected in EUR/USD opening this morning in the top half of \$1.15-1.16. Meanwhile, GBP/USD is changing hands above the midpoint of \$1.36-1.37. Elsewhere, EUR/GBP continues to operate in a narrow 84.5-85p range.

Today, it is the turn of the Bank of England to announce its monetary policy decision. The BoE has been striking a decidedly more hawkish tone in recent weeks. The market is currently pricing in the possibility of a 15bps rate hike.

The focus will also be on guidance regarding the potential for more rate hikes in the months ahead. The meeting holds two way risk for sterling. If the BoE strikes a more hawkish tone on the rates outlook, it could lift sterling higher. However, any push back by the BoE against current market expectations for further rate hikes next year may weigh on the currency.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.1577	-0.06	-5.21
EUR/GBP	0.847	-0.34	-5.23
GBP/USD	1.3665	0.26	-0.06
GBP/EUR	1.18	0.34	5.51
USD/JPY	114.22	0.32	10.64
EUR/JPY	132.25	0.25	4.83

* 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	0.15	0.29	0.70	1.28
EUR	0.00	-0.56	-0.57	-0.49	-0.33	-0.06
GBP	0.10	0.15	0.23	0.86	1.21	1.30

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

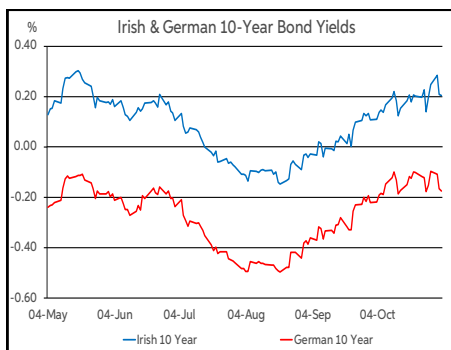
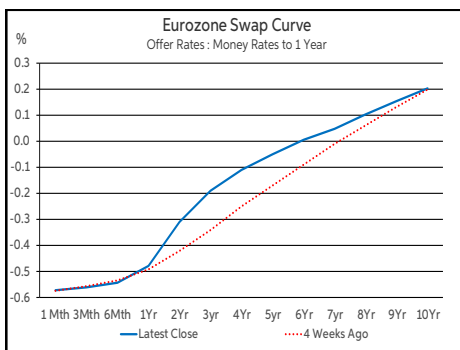
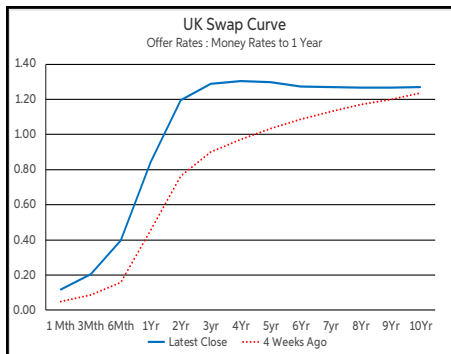
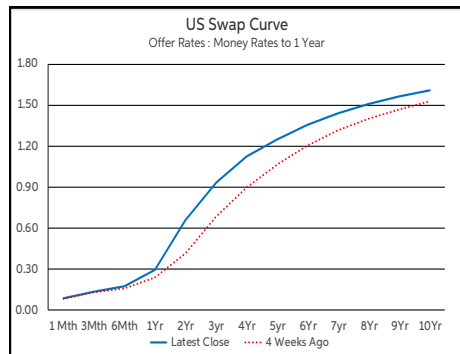
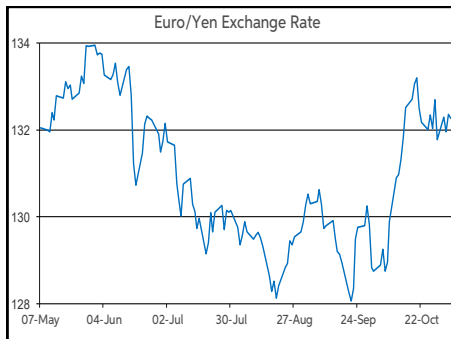
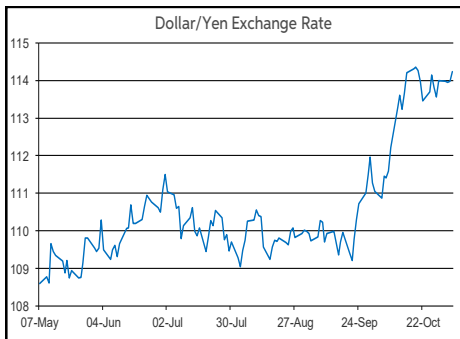
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

Thursday 04 November 2021
07:19 am



Euro		Sterling		Dollar	
EUR/GBP	0.847	GBP/EUR	1.18	USD/JPY	114.22
EUR/USD	1.1577	GBP/USD	1.3665	USD/CAD	1.2389
EUR/JPY	132.25	GBP/CAD	1.6934	USD/CHF	0.9133
EUR/SEK	9.8967	GBP/NZD	1.9126	USD/CNY	6.3935
EUR/DKK	7.4376	GBP/JPY	156.08	USD/BRL	5.5525
EUR/NOK	9.8469	GBP/SEK	11.6793	USD/RUB	71.7389
EUR/CHF	1.0575	GBP/DKK	8.7771	USD/INR	74.38
EUR/AUD	1.5564	GBP/NOK	11.6166	AUD/USD	0.7438
EUR/HKD	9.0092	GBP/CHF	1.248	NZD/USD	0.7142
EUR/CAD	1.4347	GBP/AUD	1.8372		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 20
10 Year Yield %				
US	1.60	+6	+8	+69
Germany	-0.17	-1	+2	+41
UK	1.07	+4	+0	+88
5 Year Swap %				
US	1.25	+4	+21	+83
Eurozone	-0.05	+0	+13	+41
UK	1.30	+4	+27	+111
2 Year Swap %				
US	0.66	+3	+28	+47
Eurozone	-0.31	+1	+12	+22
UK	1.20	+4	+44	+117
10 Year Government Bond Spreads to Benchmark bps				
Ireland	44	+0	+4	+17
Belgium	31	-2	-1	+12
France	35	-0	-0	+11
Italy	122	-3	+14	+12
Spain	69	-1	+4	+6
Portugal	60	-1	+4	-4
Greece	136	-3	+27	+16

Commodities				
	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	81.99	-3.22	+1.12	+58.28
West Texas Oil	80.82	-3.68	+4.07	+67.16
Gold \$	1769.5	-0.99	+0.40	-6.70

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, p.l.c. and Allied Irish Bank (GB). In Northern Ireland it is distributed by Allied Irish Bank (NI). In the United States of America it is distributed by Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and AIB (NI) are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.