

Hawkish BoE spurs sterling higher

There was a buoyant mood on equity markets yesterday as risk appetite continued to firm. Both the Euro Stoxx 50 and the S&P 500 gained over 1%, and are now higher on the week, despite heavy losses on Monday. Meanwhile, benchmark sovereign bond yields moved markedly higher, as a slew of central banks turned more hawkish this week. The 10Yr US Treasury yield for example, rose by 13bps to 1.44%, its highest level since mid-July.

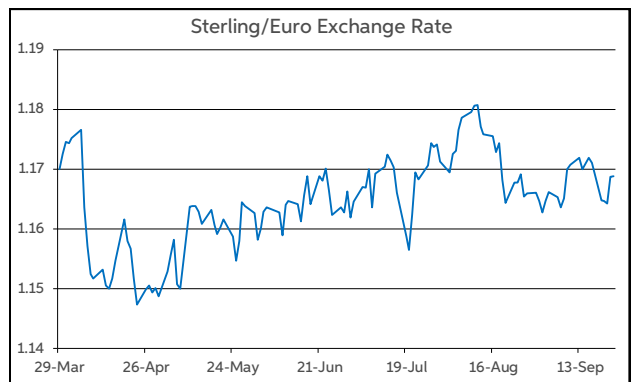
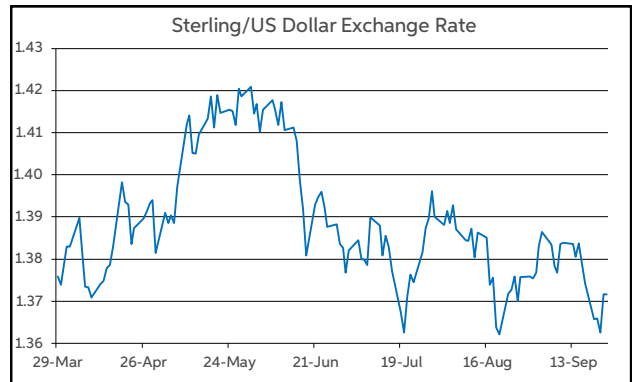
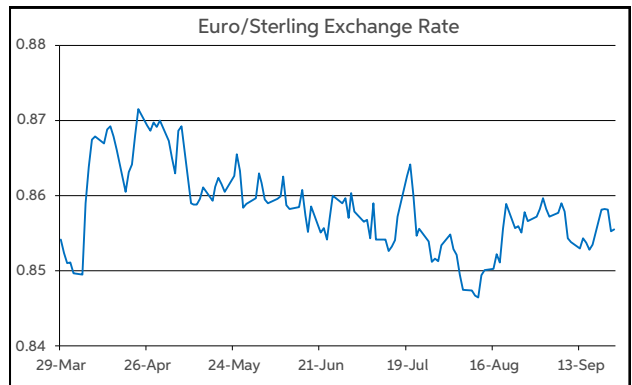
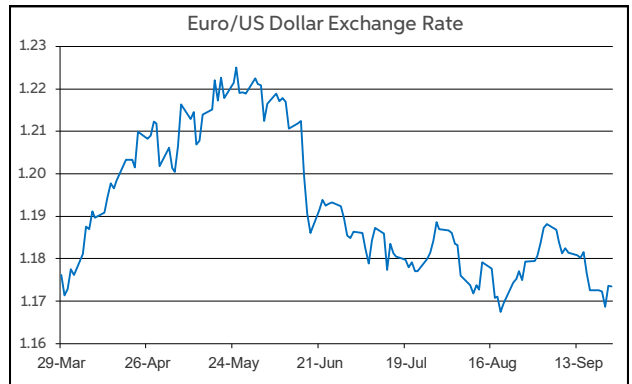
On the currency front, sterling was holding a firmer tone on the exchanges following a more hawkish tone from the Bank of England. Although, the BoE voted to keep policy on hold, two MPC members, up from one previously, voted to reduce the size of QE. The BoE did note though, that the case for tightening policy has strengthened since its last meeting. Futures contracts hardened after the announcement, and are now pricing in 50bps of rate hikes next year, which would bring the Bank rate to 0.6%.

Data-wise yesterday, the flash PMIs declined across the board in the US, UK and the Euro-area in September. However, both sector readings in all three economies remain firmly in expansion mode, consistent with positive GDP growth, albeit at a slightly slower pace in the third quarter.

In level terms, the slightly firmer tone to sterling is reflected in EUR/GBP opening this morning down back at the midpoint of 85-86p. GBP/USD is changing hands up above the \$1.37 threshold also. Meantime, EUR/USD remains in the bottom half of \$1.17-1.18.

Ahead today, the only release of note, the German Ifo is forecast to edge lower in September. However, barring any major surprises the release is unlikely to impact the euro.

Daniel Noonan, Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2020 |
| EUR/USD | 1.1736 | 0.23 | -3.91 |
| EUR/GBP | 0.8552 | -0.33 | -4.31 |
| GBP/USD | 1.3719 | 0.53 | 0.34 |
| GBP/EUR | 1.1689 | 0.33 | 4.50 |
| USD/JPY | 110.53 | 0.66 | 7.06 |
| EUR/JPY | 129.72 | 0.89 | 2.82 |

* 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 | 0.13 | 0.16 | 0.39 | 1.05 |
| EUR | 0.00 | -0.56 | -0.54 | -0.50 | -0.42 | -0.21 |
| GBP | 0.10 | 0.05 | 0.07 | 0.40 | 0.67 | 0.94 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

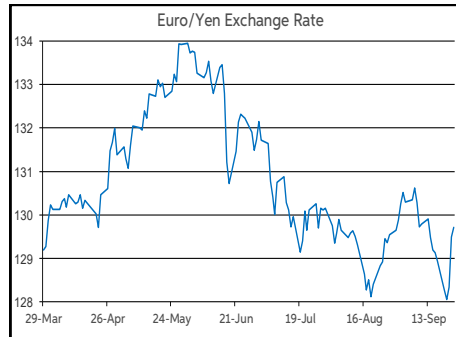
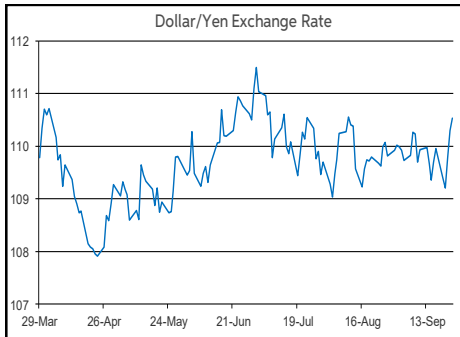
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|---------|--|----------------|------------|---------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke Shane Gargan Enda Homan | FX Options | Mark Tuite | Reuters Phone | AIBG.I 00353-1-7724018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

Opening Levels

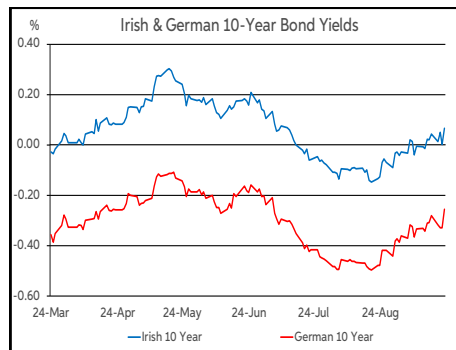
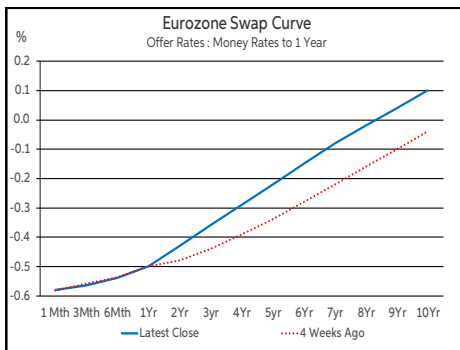
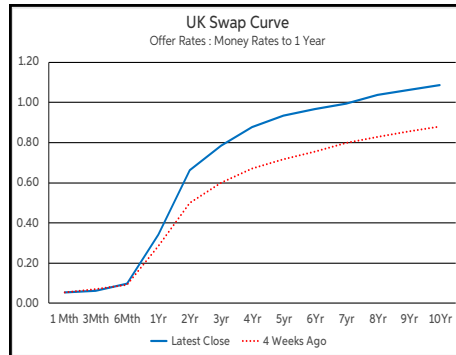
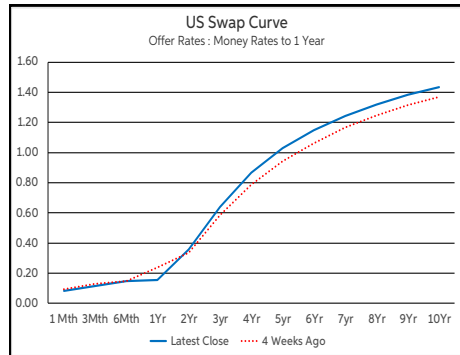
Friday 24 September 2021
07:20 am



| Euro | | Sterling | | Dollar | |
|---------|---------|----------|---------|---------|--------|
| EUR/GBP | 0.8554 | GBP/EUR | 1.1689 | USD/JPY | 110.52 |
| EUR/USD | 1.1736 | GBP/USD | 1.3719 | USD/CAD | 1.2666 |
| EUR/JPY | 129.72 | GBP/CAD | 1.7375 | USD/CHF | 0.9254 |
| EUR/SEK | 10.1217 | GBP/NZD | 1.941 | USD/CNY | 6.4605 |
| EUR/DKK | 7.436 | GBP/JPY | 151.62 | USD/BRL | 5.3034 |
| EUR/NOK | 10.077 | GBP/SEK | 11.833 | USD/RUB | 72.801 |
| EUR/CHF | 1.0862 | GBP/DKK | 8.6902 | USD/INR | 73.668 |
| EUR/AUD | 1.6084 | GBP/NOK | 11.7733 | AUD/USD | 0.7296 |
| EUR/HKD | 9.1332 | GBP/CHF | 1.2696 | NZD/USD | 0.7066 |
| EUR/CAD | 1.4864 | GBP/AUD | 1.8801 | | |



| | Close | Change bps | | |
|---|-------|------------|---------|--------|
| | | Day | 4 Weeks | End 20 |
| 10 Year Yield % | | | | |
| US | 1.44 | +13 | +8 | +52 |
| Germany | -0.25 | +7 | +17 | +32 |
| UK | 0.91 | +11 | +31 | +72 |
| Ireland | 0.13 | +6 | +12 | +44 |
| Belgium | 0.05 | +7 | +13 | +44 |
| France | 0.07 | +7 | +13 | +42 |
| Italy | 0.72 | +6 | +5 | +20 |
| Spain | 0.38 | +7 | +6 | +33 |
| Portugal | 0.28 | +7 | +8 | +22 |
| Greece | 0.76 | +2 | +7 | +14 |
| 5 Year Swap % | | | | |
| US | 1.03 | +10 | +13 | +61 |
| Eurozone | -0.22 | +4 | +13 | +24 |
| UK | 0.93 | +10 | +22 | +74 |
| 2 Year Swap % | | | | |
| US | 0.36 | +2 | +6 | +17 |
| Eurozone | -0.43 | +1 | +6 | +10 |
| UK | 0.66 | +9 | +17 | +64 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 38 | -1 | -4 | +11 |
| Belgium | 30 | -0 | -4 | +11 |
| France | 33 | -1 | -4 | +9 |
| Italy | 97 | -2 | -12 | -13 |
| Spain | 63 | -1 | -10 | +0 |
| Portugal | 54 | -1 | -8 | -10 |
| Greece | 102 | -5 | -10 | -19 |



| | % Change | | | |
|----------------|----------|-------|---------|--------|
| | Close | Day | 4 Weeks | End 20 |
| Brent Oil | 77.25 | +1.39 | +8.70 | +49.13 |
| West Texas Oil | 73.43 | +1.46 | +8.91 | +51.87 |
| Gold \$ | 1742.6 | -1.43 | -2.77 | -8.12 |

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