

All about monetary policy this week

Investor sentiment exhibited a more positive mindset last week. This was amid an easing in concerns over the Omicron variant. The 'risk on' mood was reflected in healthy gains on equity markets. In Europe, the Euro Stoxx 50 was up around 3% on the week. Meanwhile, on Wall Street, the S&P 500 was nearly 4% higher from where it started on Monday.

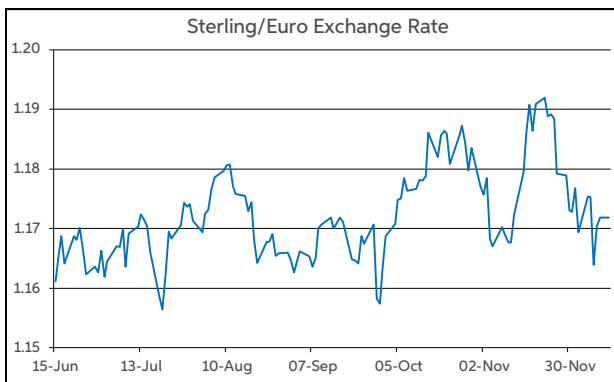
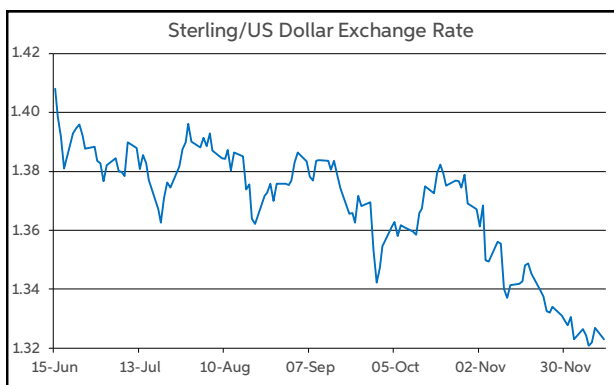
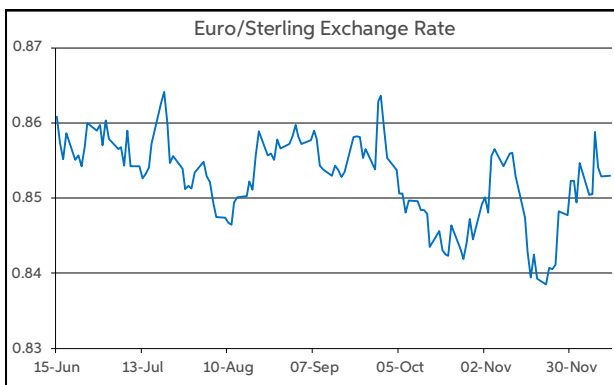
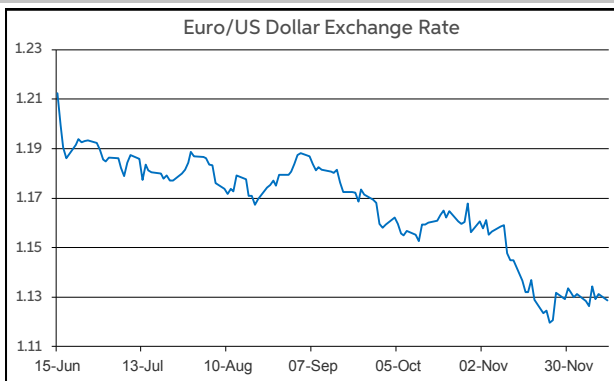
On the currency front, the action was confined to relatively narrow ranges. Sterling did find itself under some modest downward pressure at different stages over the week. This included EUR/GBP briefly edging up to 86p and GBP/USD trading as low as \$1.317. Overall, though EUR/GBP operated within a 84.9p-86p band and GBP/USD moved in a \$1.317-1.329 range. EUR/USD traded between \$1.123-1.135.

For the week ahead, while there are some important data releases (incl. flash PMI's, UK CPI, unemployment and US retail sales), the focus will be very much on monetary policy, with the Fed, BoE and ECB all due to hold their last policy meetings for 2021. All three meetings provide some event risk for their respective currencies.

In terms of the Fed, given the recent hawkish shift, the market will pay close attention to any changes announced regarding the pace of QE tapering, as well as the updated interest rate projections. The market is currently expecting a hike by mid-2022.

Elsewhere, the ECB is likely to continue to emphasise that rate hikes are unlikely next year. Meanwhile, the market is no longer anticipating a rate hike from the BoE this month. If it keeps policy unchanged, attention will be focused on what guidance the BoE gives regarding the potential for a rate hike in early 2022.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.1288	-0.04	-7.57
EUR/GBP	0.8531	-0.14	-4.54
GBP/USD	1.3229	0.07	-3.25
GBP/EUR	1.1717	0.14	4.76
USD/JPY	113.51	0.06	9.95
EUR/JPY	128.13	-0.02	1.56

* 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	0.43	0.88	1.37
EUR	0.00	-0.58	-0.59	-0.49	-0.36	-0.12
GBP	0.10	0.06	0.08	0.67	0.98	1.07

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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Opening Levels

Monday 13 December 2021
07:25 am



Euro

EUR/GBP	0.8531
EUR/USD	1.1288
EUR/JPY	128.13
EUR/SEK	10.2431
EUR/DKK	7.4361
EUR/NOK	10.1202
EUR/CHF	1.0411
EUR/AUD	1.5781
EUR/HKD	8.8025
EUR/CAD	1.438

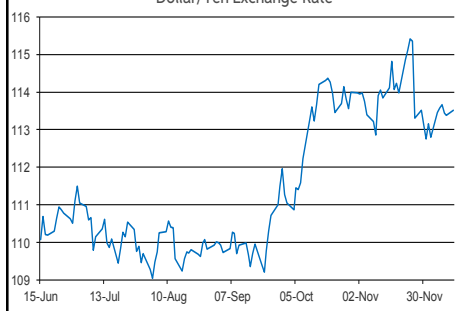
Sterling

GBP/EUR	1.1717
GBP/USD	1.3229
GBP/CAD	1.6856
GBP/NZD	1.9517
GBP/JPY	150.16
GBP/SEK	12.003
GBP/DKK	8.7157
GBP/NOK	11.855
GBP/CHF	1.2203
GBP/AUD	1.8495

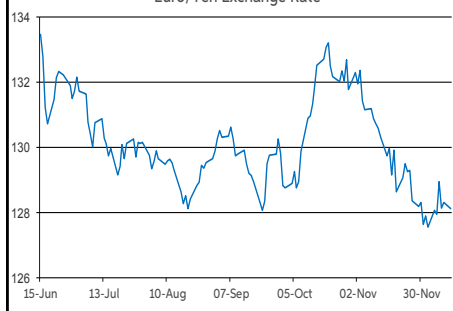
Dollar

USD/JPY	113.51
USD/CAD	1.2742
USD/CHF	0.9224
USD/CNY	6.3628
USD/BRL	5.6127
USD/RUB	73.4603
USD/INR	75.705
AUD/USD	0.7152
NZD/USD	0.6778

Dollar/Yen Exchange Rate

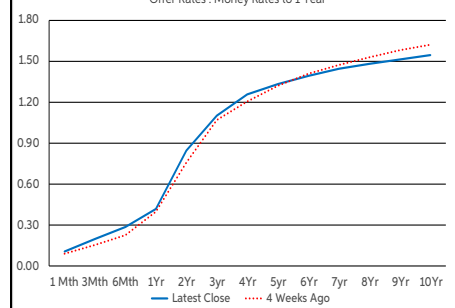


Euro/Yen Exchange Rate



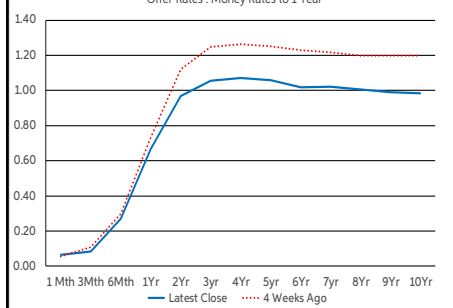
US Swap Curve

Offer Rates : Money Rates to 1 Year



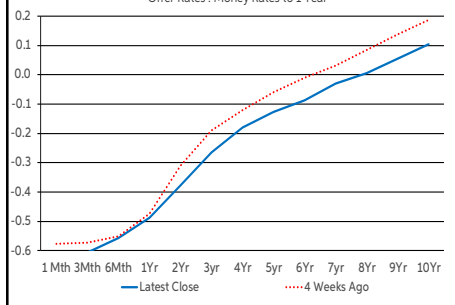
UK Swap Curve

Offer Rates : Money Rates to 1 Year

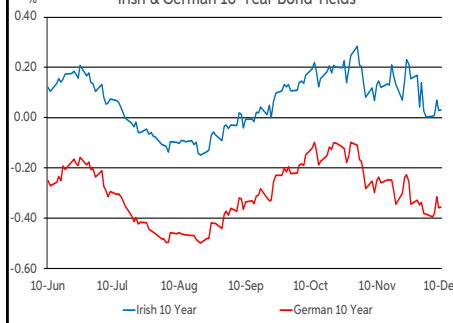


Eurozone Swap Curve

Offer Rates : Money Rates to 1 Year



Irish & German 10-Year Bond Yields



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 20
10 Year Yield %				
US	1.48	-2	-9	+57
Germany	-0.35	+0	-9	+23
UK	0.74	-2	-17	+55
Ireland	0.10	+0	-9	+40
Belgium	-0.02	-0	-8	+37
France	0.00	-4	-10	+34
Italy	0.97	-3	+1	+45
Spain	0.38	-1	-9	+32
Portugal	0.31	-1	-7	+25
Greece	1.38	+0	+15	+75
5 Year Swap %				
US	1.33	-1	+4	+91
Eurozone	-0.13	+0	-6	+33
UK	1.06	-3	-18	+87
2 Year Swap %				
US	0.84	-3	+11	+65
Eurozone	-0.38	-2	-6	+15
UK	0.97	-1	-14	+94
10 Year Government Bond Spreads to Benchmark bps				
Ireland	45	+0	+1	+18
Belgium	33	-0	+1	+14
France	35	-4	-1	+12
Italy	132	-4	+10	+22
Spain	73	-1	+0	+10
Portugal	66	-1	+2	+2
Greece	173	+0	+24	+53

Commodities

	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	75.15	+0.98	-8.54	+45.08
West Texas Oil	71.71	+1.19	-11.33	+48.31
Gold \$	1782.5	+0.45	-4.37	-6.01

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