

Sterling sensitive to election outcome

The final US Fed meeting of 2019 passed off without much incident last night. As expected, the FOMC left rates unchanged. Its updated set of interest rate projections continues to show that no member envisages the fed funds rate falling below its current target range of 1.50-1.75%.

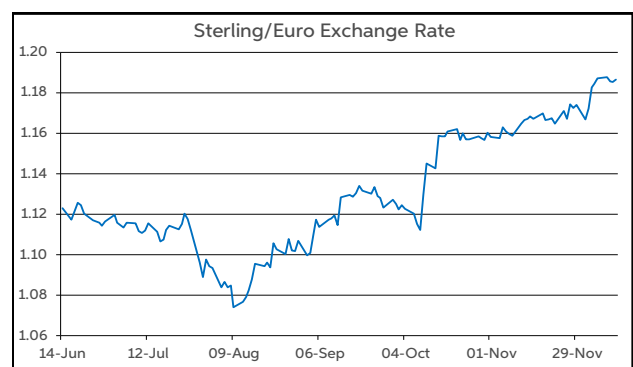
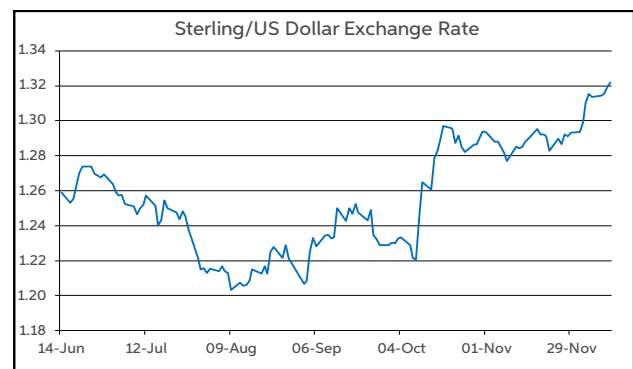
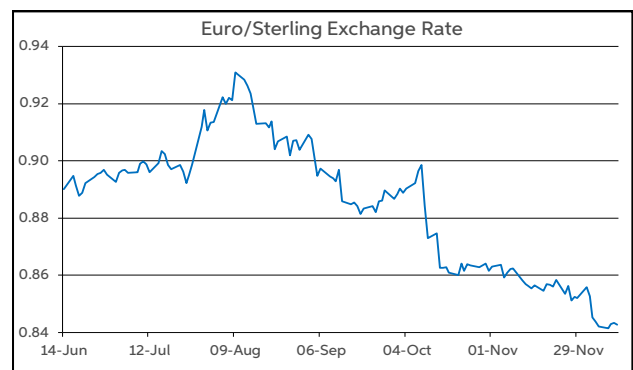
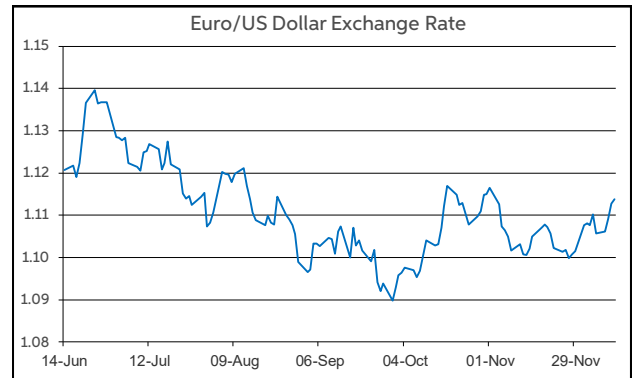
Despite no surprises from the Fed the dollar has come under some downward pressure. In level terms, this is reflected in EUR/USD up in \$1.11 territory and GBP/USD above the \$1.32 mark. Elsewhere, EUR/GBP has spent most of the past 24 hours in a tight 84-84.5p range.

Today, it's the turn of the ECB to hold its final policy meeting of the year. It also marks the first meeting under new President, Christine Lagarde. However, with no policy changes envisaged the meeting may prove to be largely uneventful for the euro.

Therefore the main point of interest for FX markets will be on today's UK general election. Polling data suggest that the Conservatives could win an overall majority. Sterling has made gains over recent weeks on the back of these polls. This is because such an outcome is viewed as allowing for the approval of the Withdrawal Agreement through parliament, thereby reducing near term Brexit related uncertainty and risk. Further gains for sterling are likely if the election is in line with the opinion polls.

However, recent polls have showed a narrowing in the Conservative party lead. A hung parliament outcome would likely see sterling come under downward pressure. An exit poll, due around 10pm tonight, may provide some clarity. Although, it could be early Friday morning before a clear picture emerges. Therefore, sterling could experience some volatility as the results come in.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1137	0.45	-2.89
EUR/GBP	0.8424	-0.18	-6.23
GBP/USD	1.3219	0.63	3.62
GBP/EUR	1.1865	0.18	6.65
USD/JPY	108.6	-0.15	-0.88
EUR/JPY	120.97	0.31	-3.77

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.625	1.74	1.89	1.94	1.62	1.60
EUR	0.00	-0.45	-0.39	-0.27	-0.32	-0.20
GBP	0.75	0.70	0.78	0.96	0.81	0.88

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

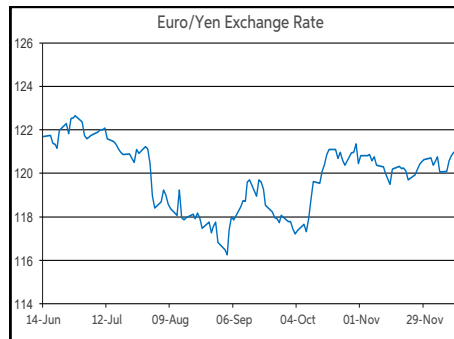
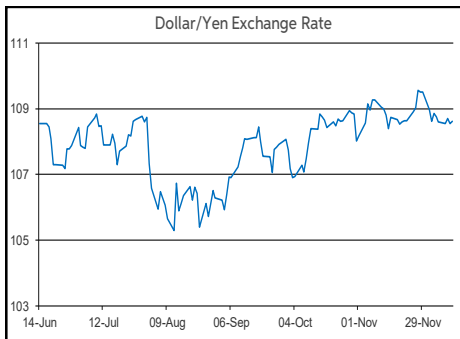
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

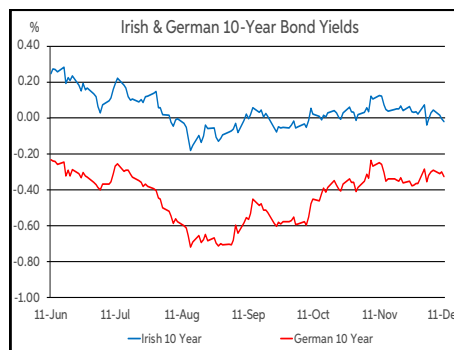
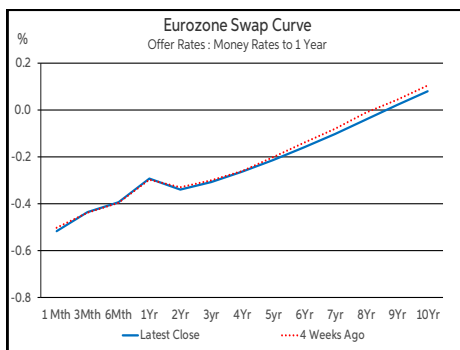
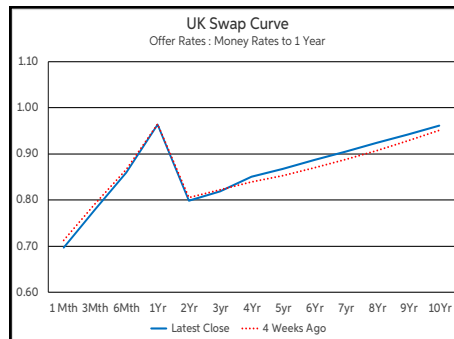
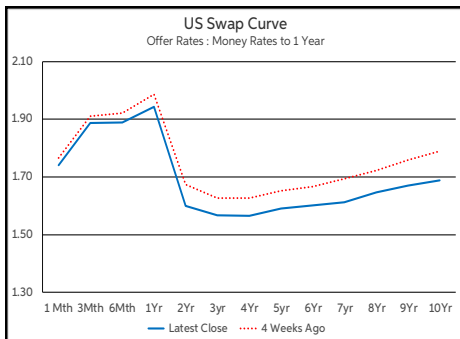
Thursday 12 December 2019
07:23 am



Euro		Sterling		Dollar	
EUR/GBP	0.8424	GBP/EUR	1.1865	USD/JPY	108.6
EUR/USD	1.1137	GBP/USD	1.3219	USD/CAD	1.3166
EUR/JPY	120.97	GBP/CAD	1.7403	USD/CHF	0.9821
EUR/SEK	10.4475	GBP/NZD	2.0077	USD/CNY	7.0327
EUR/DKK	7.4727	GBP/JPY	143.56	USD/BRL	4.1238
EUR/NOK	10.1372	GBP/SEK	12.3927	USD/RUB	63.243
EUR/CHF	1.094	GBP/DKK	8.8682	USD/INR	70.708
EUR/AUD	1.6187	GBP/NOK	12.0257	AUD/USD	0.688
EUR/HKD	8.6928	GBP/CHF	1.2983	NZD/USD	0.658
EUR/CAD	1.4665	GBP/AUD	1.9211		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 18
10 Year Yield %				
US	1.79	-5	-10	-89
Germany	-0.33	-3	-2	-56
UK	0.77	-3	+1	-50
Ireland	-0.02	-2	-9	N/A
Belgium	-0.04	-3	-3	-80
France	-0.01	-2	-2	-71
Italy	1.28	-4	-4	-143
Spain	0.39	-4	-4	-102
Portugal	0.35	-3	+0	-136
Greece	1.32	+0	-4	-298
5 Year Swap %				
US	1.59	-5	-6	-97
Eurozone	-0.21	-3	-1	-44
UK	0.87	-4	+1	-45
2 Year Swap %				
US	1.60	-5	-7	-104
Eurozone	-0.34	-2	-1	-20
UK	0.80	-4	-1	-37
10 Year Government Bond Spreads to Benchmark bps				
Ireland	31	+1	-7	N/A
Belgium	29	-0	-1	-23
France	32	+0	+0	-15
Italy	161	-2	-1	-87
Spain	72	-2	-1	-46
Portugal	67	-1	+2	-80
Greece	165	+3	-2	-241



Commodities				
	% Change			
	Close	Day	4 Weeks	End 18
Brent Oil	63.72	-0.96	+2.16	+18.44
West Texas Oil	58.74	-0.81	+3.27	+30.10
Gold \$	1475.0	+0.72	+0.79	+14.97

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