

Sterling gains amid Conservative victory

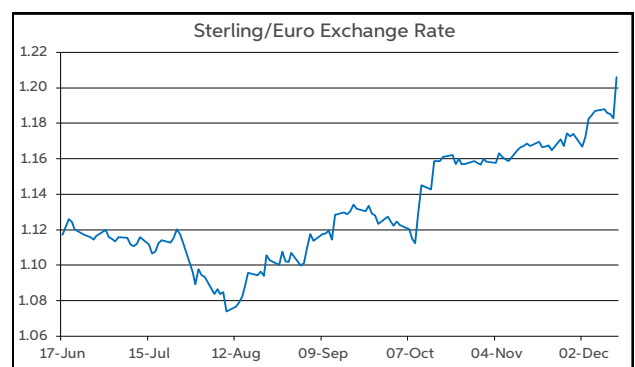
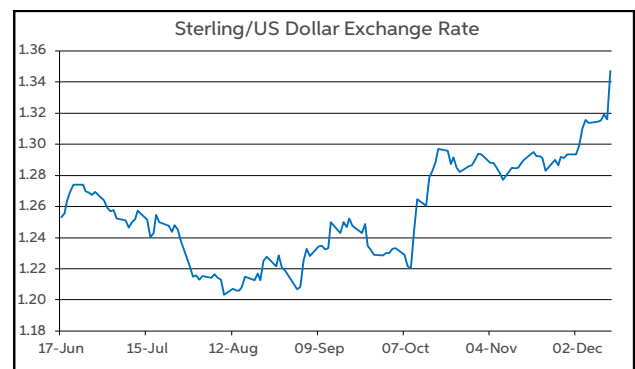
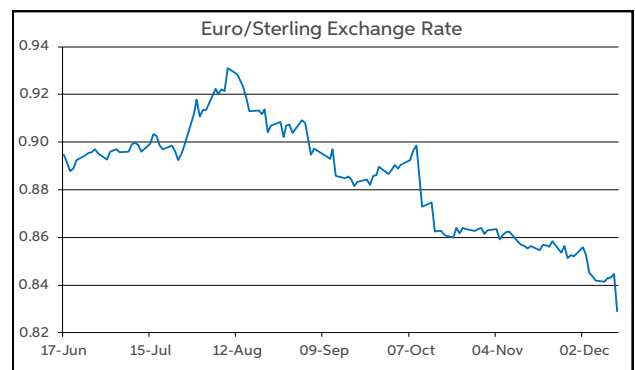
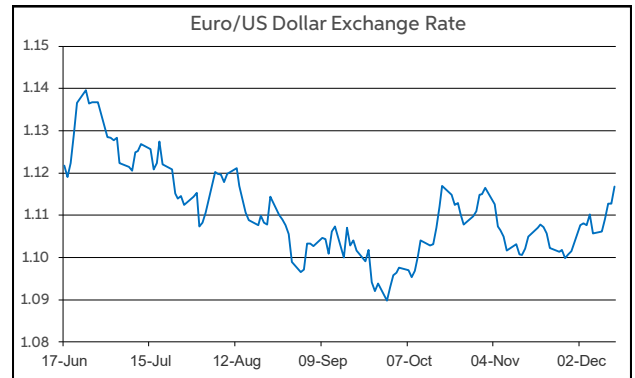
The main interest for currency markets over the past 24 hours has been centred on the UK general election. While votes are still being counted this morning, the clear picture to emerge is that the Conservative Party has won an overall majority. The size of their majority is projected to be between 78-82.

From a currency viewpoint, the overnight election newsflow has provided strong support to sterling. The currency has gained over 1.5% on the exchanges. This is because a Conservative majority should allow for the approval of the Withdrawal Agreement (WA) through the UK parliament. This in turn reduces near term Brexit related uncertainty and associated risks.

In level terms, the gains for sterling are reflected in EUR/GBP changing hands this morning just below the 83p mark. The pair had not traded below this level since the Brexit referendum (June'16). Meanwhile, GBP/USD is operating in the upper half of \$1.34-1.35. Elsewhere on the currency front, the euro has also seen some benefit from the apparent reduction in near term Brexit uncertainty. The EUR/USD pair has edged higher, trading in the upper half of the \$1.11-1.12 trading band.

Ahead today, the market will continue to digest the UK election outcome. It is important to note though, in the context of the outlook for sterling, that the recent gains for the currency may prove to be short lived. If as expected the WA gets through parliament, attention will soon turn to the UK/EU trade talks. These talks will determine the long term consequences of Brexit. The discussions could prove very difficult, with the risk of 'hard' Brexit (e.g. fall back to WTO rules) still possible. Such a scenario would be very negative for sterling. Amidst this uncertainty, significant downward pressure could re-emerge on sterling next year.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1168	0.26	-2.62
EUR/GBP	0.8289	-1.67	-7.74
GBP/USD	1.3472	1.99	5.60
GBP/EUR	1.2062	1.70	8.38
USD/JPY	109.58	0.91	0.02
EUR/JPY	122.37	1.16	-2.66

* 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	1.93	1.71	1.72
EUR	0.00	-0.46	-0.39	-0.27	-0.31	-0.17
GBP	0.75	0.70	0.78	0.95	0.82	0.91

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

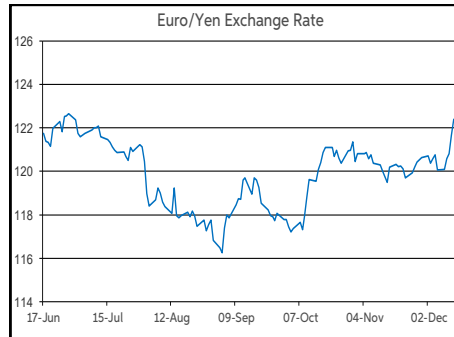
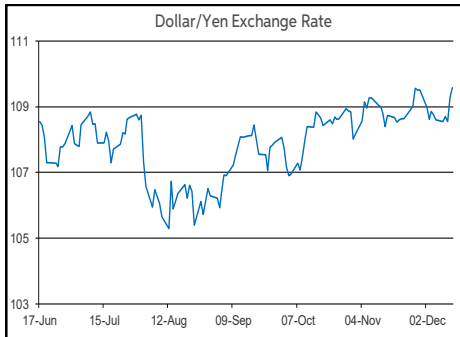
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

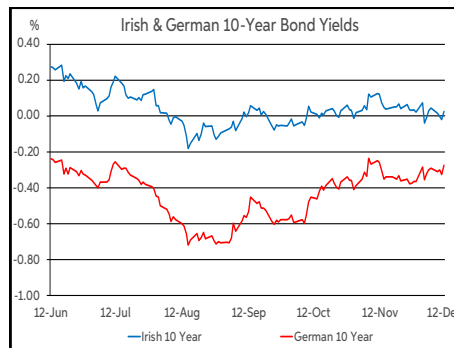
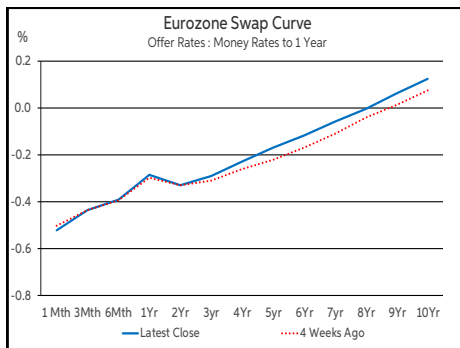
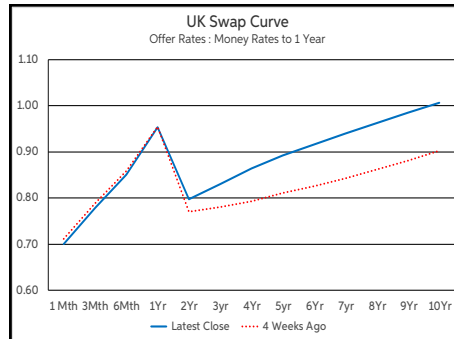
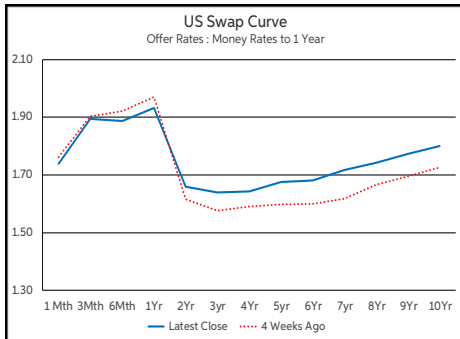
Friday 13 December 2019
06:43 am



Euro		Sterling		Dollar	
EUR/GBP	0.8289	GBP/EUR	1.2062	USD/JPY	109.58
EUR/USD	1.1168	GBP/USD	1.3472	USD/CAD	1.3166
EUR/JPY	122.37	GBP/CAD	1.7737	USD/CHF	0.9854
EUR/SEK	10.4396	GBP/NZD	2.0335	USD/CNY	6.9774
EUR/DKK	7.4726	GBP/JPY	147.63	USD/BRL	4.0905
EUR/NOK	10.0955	GBP/SEK	12.5913	USD/RUB	62.6663
EUR/CHF	1.1009	GBP/DKK	9.0126	USD/INR	70.713
EUR/AUD	1.6131	GBP/NOK	12.1768	AUD/USD	0.6922
EUR/HKD	8.7114	GBP/CHF	1.3279	NZD/USD	0.6622
EUR/CAD	1.4703	GBP/AUD	1.9458		



	Close	Change bps		
		Day	4 Weeks	End 18
10 Year Yield %				
US	1.89	+10	+7	-79
Germany	-0.28	+5	+8	-51
UK	0.82	+5	+11	-45
Ireland	0.02	+4	-2	N/A
Belgium	0.02	+5	+5	-74
France	0.04	+5	+6	-66
Italy	1.32	+3	-9	-140
Spain	0.44	+5	-0	-98
Portugal	0.40	+5	+2	-131
Greece	1.29	-3	-13	-301
5 Year Swap %				
US	1.67	+6	+8	-89
Eurozone	-0.17	+4	+5	-40
UK	0.89	+1	+8	-42
2 Year Swap %				
US	1.66	+3	+4	-98
Eurozone	-0.33	-0	+0	-19
UK	0.80	-1	+3	-37
10 Year Government Bond Spreads to Benchmark bps				
Ireland	30	-1	-10	N/A
Belgium	29	+0	-3	-23
France	31	-0	-2	-15
Italy	159	-2	-17	-89
Spain	71	-1	-8	-46
Portugal	67	+0	-5	-80
Greece	156	-8	-21	-250



	% Change			
	Close	Day	4 Weeks	End 18
Brent Oil	64.2	+0.75	+3.08	+19.33
West Texas Oil	59.18	+0.75	+4.61	+31.07
Gold \$	1469.5	-0.37	-0.13	+14.55

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