

Another busy week for sterling

Sterling was the main mover on forex markets last week. The currency rallied as it became clear that the Conservative Party was en route to winning a sizeable majority in the UK election. However, it handed back some of these gains as markets digested the result and the focus shifted to the upcoming trade talks with the EU, which are likely to be long and difficult.

Meanwhile, investor sentiment was also aided by the news that the US and China have agreed a 'phase-1' trade deal. Against this backdrop, the dollar lost some ground on the week. Equities also moved higher, but the impact was more muted in the US.

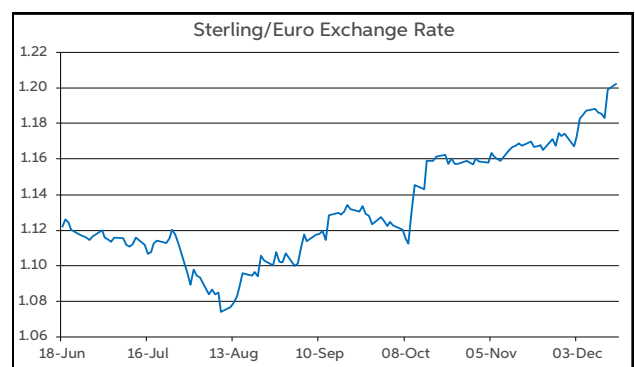
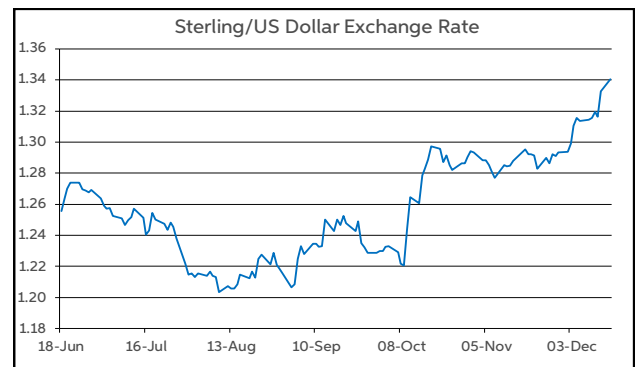
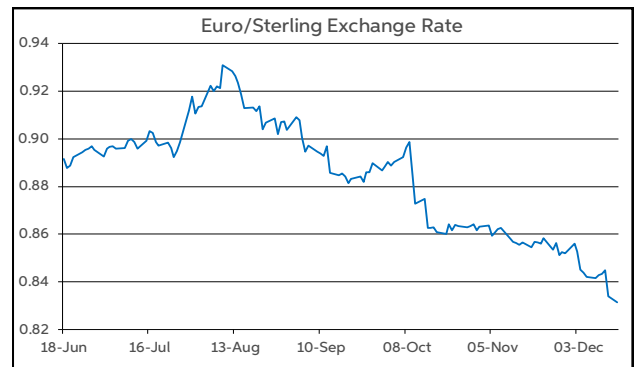
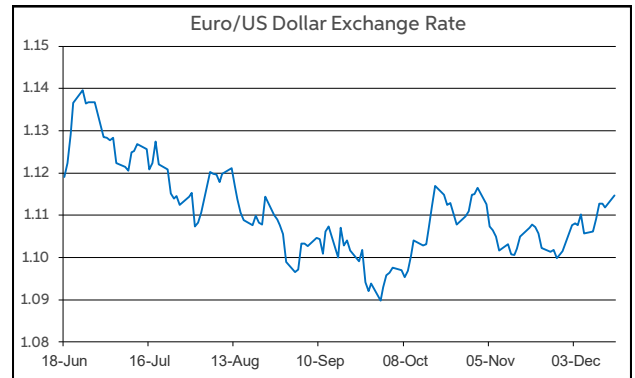
In level terms, the firmer sterling tone, combined with some dollar weakness, sees GBP/USD open this morning up at the \$1.34 threshold. At the same time, EUR/GBP is changing hands in the lower half of the 83-84p range. Meanwhile, EUR/USD is trading close to the midpoint of the \$1.11-1.12 band.

Turning to the week ahead, a busy UK data calendar may provide a somewhat unhelpful backdrop for sterling. Flash December PMIs are expected to point to subdued growth, while the labour market looks to have remained weak in the three months to October.

Despite soft UK data, the BoE will likely leave policy on hold this week. Although, it will be of interest to see if many members of the MPC vote for an immediate rate cut. The market expects there to be two dovish dissenters, as in November. If there are more, sterling could come under some downward pressure.

In both the Eurozone and the US, flash PMIs for December are the main releases. The euro may be vulnerable to a downside surprise, though no major changes are expected in either region's indices.

Conor Beake, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1146	-0.24	-2.82
EUR/GBP	0.8315	0.29	-7.45
GBP/USD	1.3405	-0.50	5.08
GBP/EUR	1.2022	-0.29	8.05
USD/JPY	109.39	-0.16	-0.16
EUR/JPY	121.94	-0.39	-3.00

* 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	1.90	1.96	1.66	1.63
EUR	0.00	-0.47	-0.40	-0.26	-0.32	-0.19
GBP	0.75	0.72	0.80	0.99	0.83	0.90

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

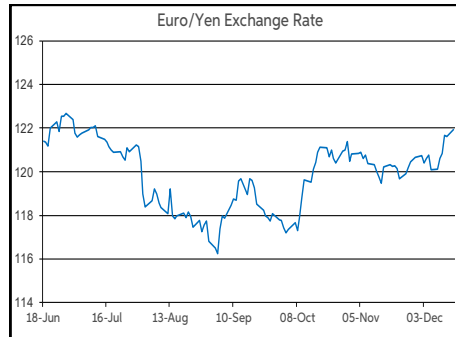
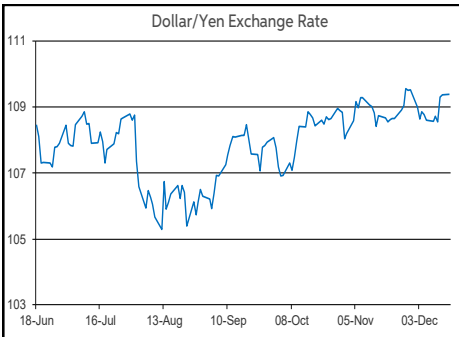
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

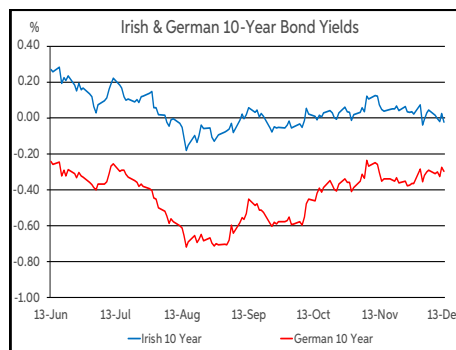
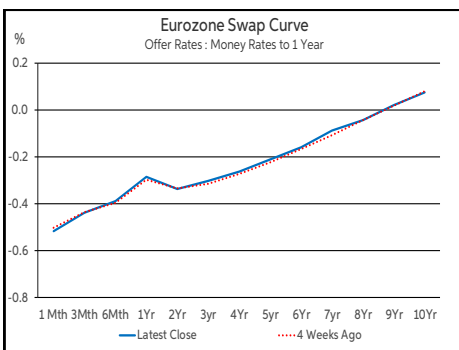
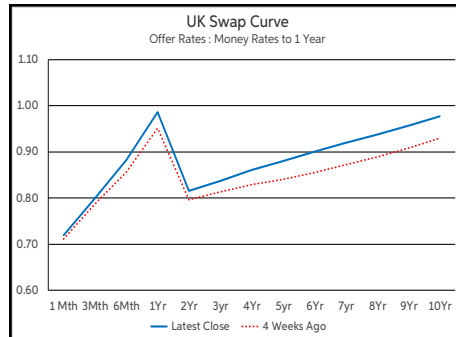
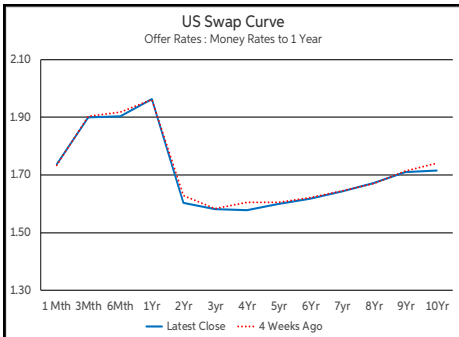
Monday 16 December 2019
07:33 am



Euro		Sterling		Dollar	
EUR/GBP	0.8315	GBP/EUR	1.2022	USD/JPY	109.39
EUR/USD	1.1146	GBP/USD	1.3405	USD/CAD	1.314
EUR/JPY	121.94	GBP/CAD	1.7616	USD/CHF	0.9825
EUR/SEK	10.4364	GBP/NZD	2.0314	USD/CNY	7.0039
EUR/DKK	7.4729	GBP/JPY	146.64	USD/BRL	4.108
EUR/NOK	10.044	GBP/SEK	12.5471	USD/RUB	62.778
EUR/CHF	1.0954	GBP/DKK	8.9852	USD/INR	70.8895
EUR/AUD	1.6216	GBP/NOK	12.0788	AUD/USD	0.6874
EUR/HKD	8.6839	GBP/CHF	1.317	NZD/USD	0.6595
EUR/CAD	1.4651	GBP/AUD	1.9499		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 18
10 Year Yield %				
US	1.82	-7	-1	-86
Germany	-0.30	-2	+4	-53
UK	0.79	-3	+6	-48
Ireland	-0.03	-5	-6	N/A
Belgium	-0.03	-5	+1	-79
France	0.00	-4	+2	-71
Italy	1.24	-7	-7	-147
Spain	0.39	-5	-3	-103
Portugal	0.35	-4	-0	-135
Greece	1.33	+4	-12	-297
5 Year Swap %				
US	1.60	-11	-1	-96
Eurozone	-0.21	-3	+1	-44
UK	0.88	-3	+4	-43
2 Year Swap %				
US	1.60	-7	-2	-104
Eurozone	-0.34	-2	-0	-20
UK	0.82	+1	+2	-35
10 Year Government Bond Spreads to Benchmark bps				
Ireland	27	-3	-11	N/A
Belgium	27	-3	-3	-26
France	29	-2	-2	-17
Italy	154	-5	-11	-94
Spain	68	-3	-7	-49
Portugal	65	-2	-5	-82
Greece	162	+6	-16	-244



Commodities				
	% Change			
	Close	Day	4 Weeks	End 18
Brent Oil	65.22	+1.59	+3.03	+21.23
West Texas Oil	60.11	+1.57	+4.47	+33.13
Gold \$	1476.1	+0.44	+0.58	+15.06

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 First Trust Bank. 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 First Trust Bank 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.