

## Sterling firmer amid trade deal optimism

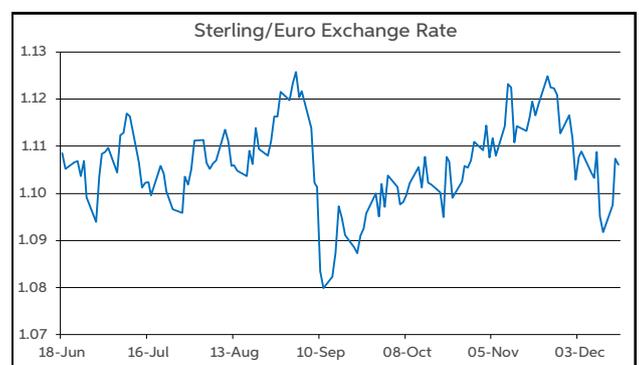
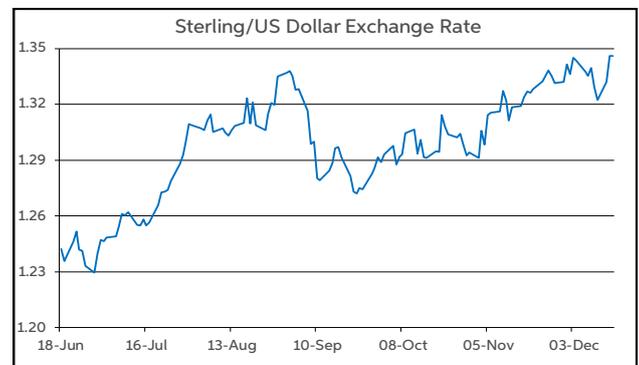
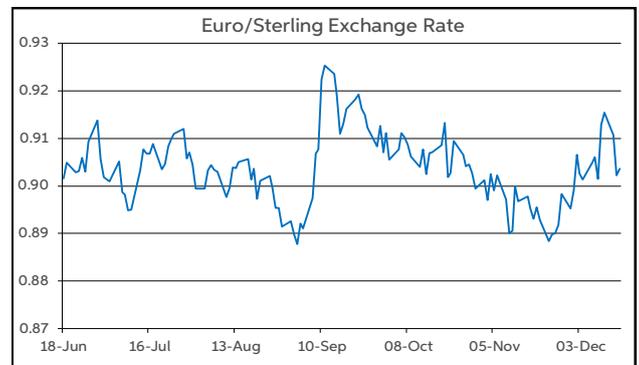
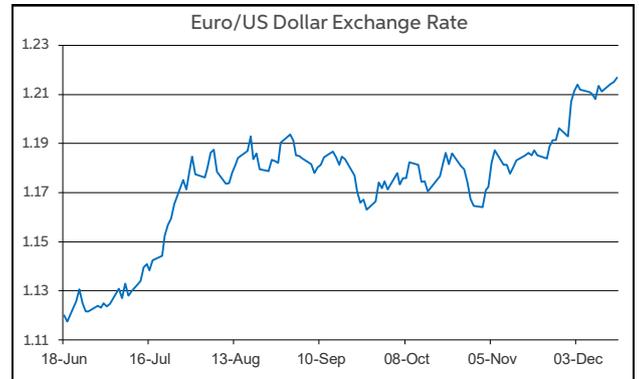
There was a generally positive tone to investor sentiment yesterday, aided in part by encouraging news in relation to the prospects for a new US stimulus package. Equity markets moved higher. In Europe, the Euro Stoxx 50 was up by 0.5%. At the closing bell on Wall Street last night, the S&P 500 was 1.3% higher on the day. Meanwhile, on currency markets, sterling had some upward momentum.

The currency was supported yesterday by increased optimism that a trade deal could be agreed between EU and UK. This included reports in the UK media that Conservative MPs were being briefed that there would be a trade deal. In level terms, the firmer tone to sterling is reflected in EUR/GBP moving lower to trade down nearer to the 90p threshold. Meanwhile, GBP/USD has regained the 1.34 mark.

Elsewhere on the currency front, the EUR/USD pair has had a very uneventful 24 hours. Data-wise, the only macro releases of note yesterday were on the dollar side. US industrial production (Nov) printed broadly in line with expectations, while the NY/Empire manufacturing survey (Dec) missed to the downside of forecasts. However, as anticipated, neither release had any noticeable impact on the dollar. As a result, EUR/USD opens this morning, once again, near to the midpoint of \$1.21-1.22.

Looking ahead to today, there is a busier look to the macro schedule. It features the flash December reading of the PMIs from the Eurozone, UK and US. There is also the conclusion (after close in Europe) of the Fed meeting. No major policy changes are envisaged, although it may update its guidance in relation to QE. Meantime, sterling remains sensitive to trade talk newsflow.

**John Fahey, Senior Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.2169	0.13	8.55
EUR/GBP	0.9036	-0.76	6.88
GBP/USD	1.3462	0.90	1.53
GBP/EUR	1.1061	0.76	-6.44
USD/JPY	103.42	-0.61	-4.78
EUR/JPY	125.88	-0.47	3.32

\* 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	0.15	0.23	0.17	0.22	0.44
EUR	0.00	-0.57	-0.54	-0.54	-0.53	-0.48
GBP	0.10	0.03	0.04	0.03	0.07	0.25

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

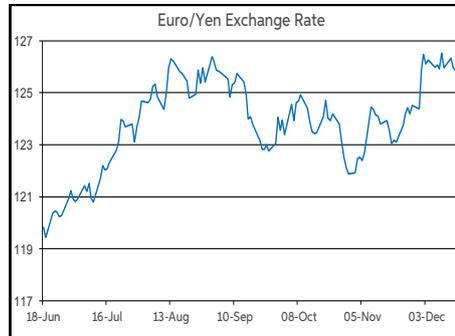
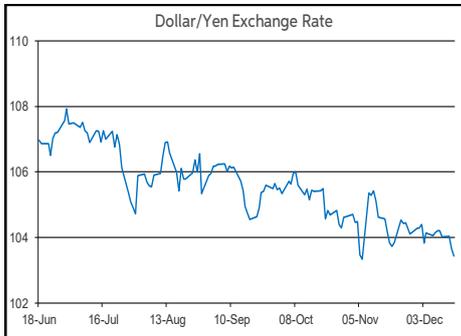
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

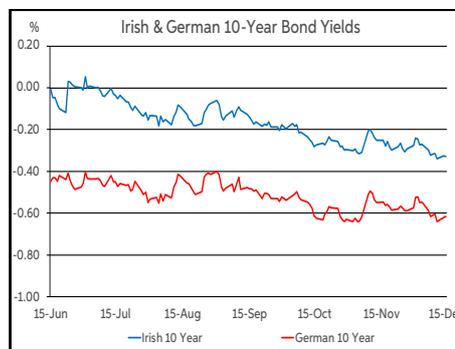
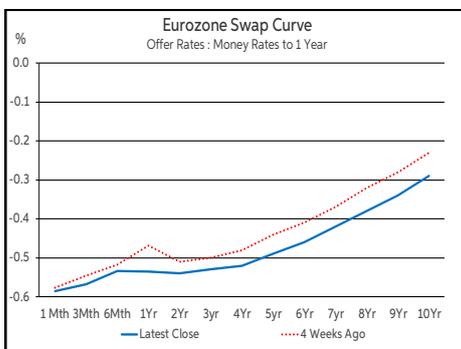
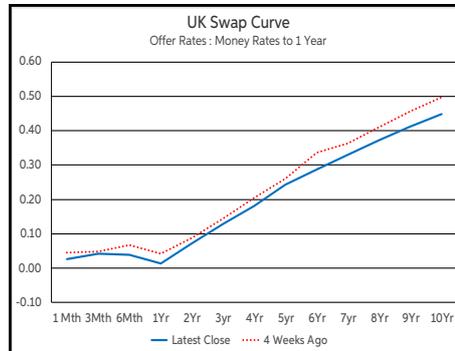
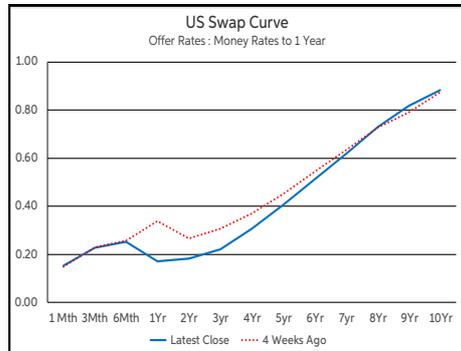
Wednesday 16 December 2020  
07:21 am



Euro		Sterling		Dollar	
EUR/GBP	0.9037	GBP/EUR	1.1061	USD/JPY	103.44
EUR/USD	1.2169	GBP/USD	1.3464	USD/CAD	1.2727
EUR/JPY	125.88	GBP/CAD	1.7135	USD/CHF	0.8849
EUR/SEK	10.1976	GBP/NZD	1.8939	USD/CNY	6.5377
EUR/DKK	7.4423	GBP/JPY	139.27	USD/BRL	5.0823
EUR/NOK	10.6007	GBP/SEK	11.2775	USD/RUB	73.28
EUR/CHF	1.077	GBP/DKK	8.2327	USD/INR	73.557
EUR/AUD	1.608	GBP/NOK	11.7228	AUD/USD	0.7566
EUR/HKD	9.4326	GBP/CHF	1.1915	NZD/USD	0.7106
EUR/CAD	1.5488	GBP/AUD	1.7792		



Debt Markets				
	Close	Day	4 Weeks	End 19
<b>10 Year Yield %</b>				
US	0.91	+1	+5	-101
Germany	-0.61	+1	-5	-42
UK	0.26	+4	-6	-56
<b>5 Year Swap %</b>				
US	0.41	+1	-0	-130
Eurozone	-0.49	-0	-4	-37
UK	0.24	+3	-1	-63
<b>2 Year Swap %</b>				
US	0.18	+1	-4	-148
Eurozone	-0.54	+1	-2	-24
UK	0.07	+2	-1	-72
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	31	-0	-2	+0
Belgium	19	-1	+1	-9
France	24	-1	+1	-7
Italy	109	-4	-7	-52
Spain	60	-3	-4	-6
Portugal	56	-3	-6	-8
Greece	118	-5	-7	-47



Commodities				
	Close	Day	4 Weeks	End 19
Brent Oil	50.76	+0.93	+16.02	-23.09
West Texas Oil	47.58	+1.19	+15.37	-22.18
Gold \$	1853.5	+1.44	-1.34	+22.18

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