

Softer dollar tone

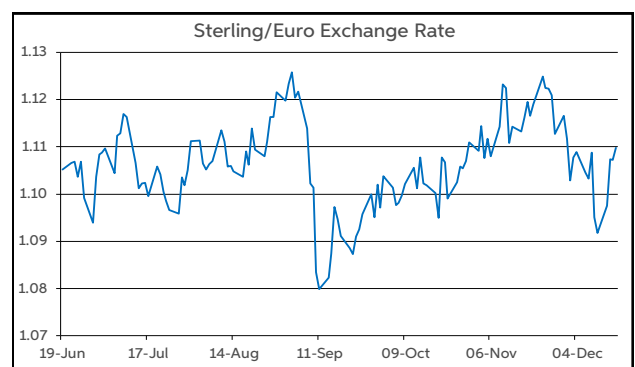
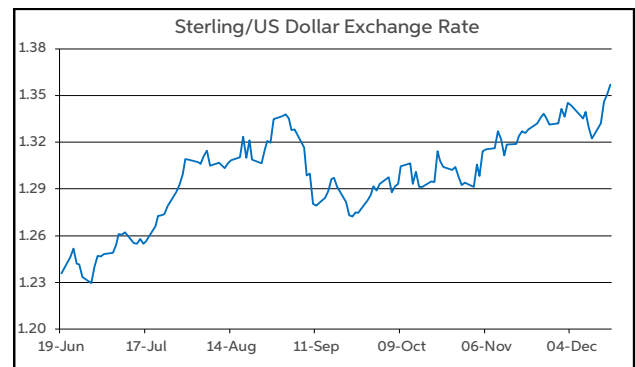
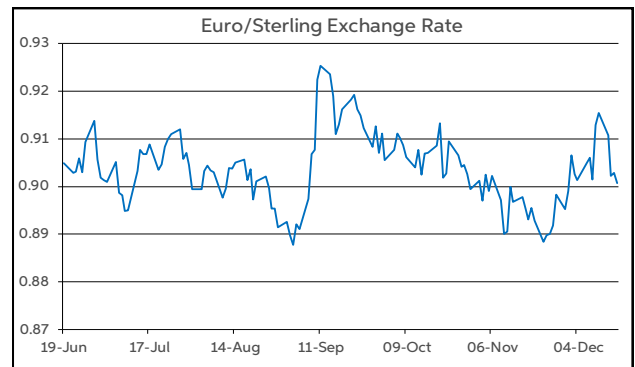
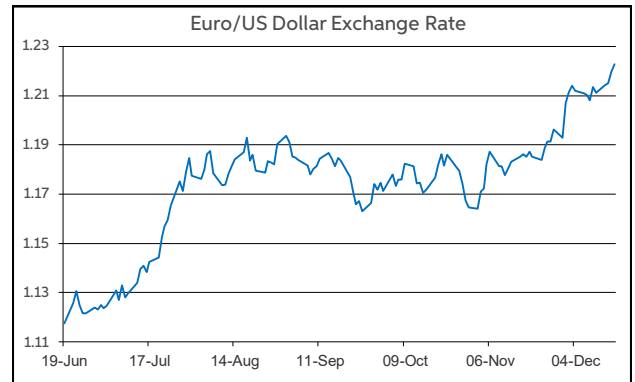
There was a busy macro calendar yesterday. Overall it was a bit of a mixed bag in terms of results. On currency markets, the dollar was holding a softer tone. The US macro news was generally disappointing. Retail sales for November fell by more than was forecast. The December manufacturing PMI printed better than expected but the services index was lower than anticipated. Later in the day, the dollar started to come under some downward pressure. This coincided with the conclusion of the Fed meeting. While the Fed left policy unchanged, it did alter its forward guidance on asset purchases, which implies that QE will continue for a considerable amount of time.

In the Eurozone, the flash December PMI readings were generally ahead of expectations. However, there was no major impact on the euro from the data. In the UK, the composite PMI missed to the downside of expectations, as did the services index, while the manufacturing survey was better than anticipated. On the Brexit front, optimism surrounding the prospects for a EU-UK trade deal helped to provide a supportive backdrop for sterling.

So as FX trading gets underway this morning, the softer dollar tone is reflected in EUR/USD above the \$1.22 mark, reaching its highest level since April'18. GBP/USD is in the upper half of \$1.35-1.36. Elsewhere, EUR/GBP has edged back towards the 90p mark.

Looking ahead to today, sterling remains sensitive to any developments in relation to the trade talks. There is also some event risk for sterling from the BoE meeting, although no policy changes are expected. Meanwhile, the Eurozone and US macro diaries are not expected to have much directional impact on their respective currencies.

John Fahey, Senior Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2019 |
| EUR/USD | 1.2227 | 0.54 | 9.07 |
| EUR/GBP | 0.901 | -0.23 | 6.58 |
| GBP/USD | 1.3573 | 0.83 | 2.37 |
| GBP/EUR | 1.11 | 0.23 | -6.17 |
| USD/JPY | 103.2 | -0.26 | -4.98 |
| EUR/JPY | 126.18 | 0.27 | 3.57 |

* 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 | 0.16 | 0.24 | 0.18 | 0.22 | 0.45 |
| EUR | 0.00 | -0.57 | -0.54 | -0.53 | -0.52 | -0.45 |
| GBP | 0.10 | 0.03 | 0.05 | 0.03 | 0.09 | 0.25 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

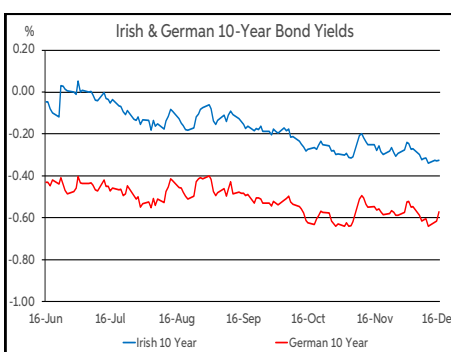
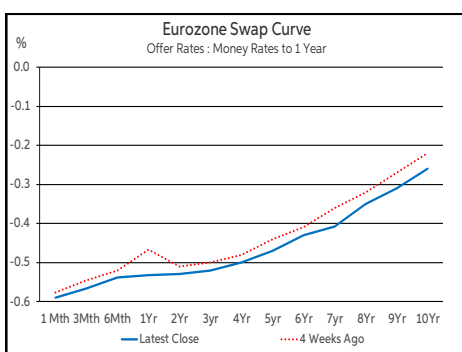
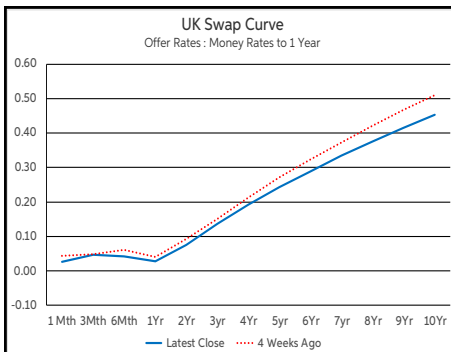
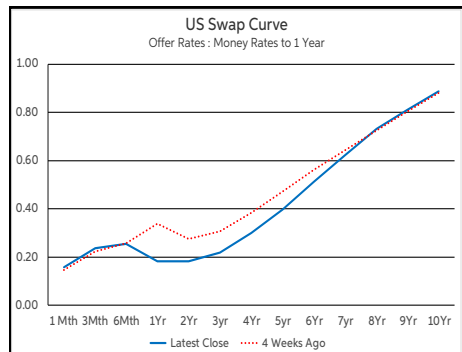
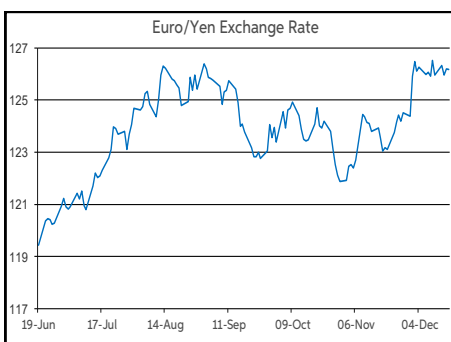
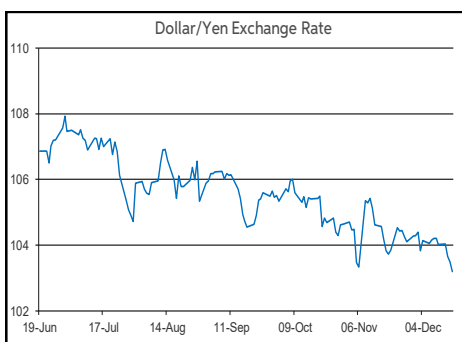
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|---------|--|----------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke Shane Gargan Enda Homan | FX Options | Mark Tuite | Reuters Phone | AIBG.I 00353-1-7724018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

Opening Levels

Thursday 17 December 2020
07:22 am



| Euro | | Sterling | | Dollar | |
|---------|---------|----------|---------|---------|--------|
| EUR/GBP | 0.901 | GBP/EUR | 1.11 | USD/JPY | 103.2 |
| EUR/USD | 1.2227 | GBP/USD | 1.3573 | USD/CAD | 1.2707 |
| EUR/JPY | 126.18 | GBP/CAD | 1.7241 | USD/CHF | 0.8834 |
| EUR/SEK | 10.169 | GBP/NZD | 1.9002 | USD/CNY | 6.5335 |
| EUR/DKK | 7.441 | GBP/JPY | 140.07 | USD/BRL | 5.0838 |
| EUR/NOK | 10.5473 | GBP/SEK | 11.2843 | USD/RUB | 73.051 |
| EUR/CHF | 1.0801 | GBP/DKK | 8.2595 | USD/INR | 73.43 |
| EUR/AUD | 1.6057 | GBP/NOK | 11.7015 | AUD/USD | 0.7612 |
| EUR/HKD | 9.4774 | GBP/CHF | 1.1988 | NZD/USD | 0.714 |
| EUR/CAD | 1.5537 | GBP/AUD | 1.7827 | | |



| Debt Markets | | | | |
|---|-------|------------|---------|--------|
| | Close | Change bps | | |
| | | Day | 4 Weeks | End 19 |
| 10 Year Yield % | | | | |
| US | 0.92 | +1 | +5 | -100 |
| Germany | -0.57 | +4 | -1 | -38 |
| UK | 0.27 | +1 | -6 | -55 |
| Ireland | -0.29 | +2 | -5 | -41 |
| Belgium | -0.38 | +4 | -1 | -47 |
| France | -0.33 | +4 | -0 | -45 |
| Italy | 0.50 | +2 | -11 | -92 |
| Spain | 0.03 | +4 | -6 | -44 |
| Portugal | 0.00 | +5 | -5 | -45 |
| Greece | 0.59 | +2 | -9 | -87 |
| 5 Year Swap % | | | | |
| US | 0.40 | -2 | -4 | -131 |
| Eurozone | -0.47 | +2 | -2 | -35 |
| UK | 0.24 | +0 | -2 | -63 |
| 2 Year Swap % | | | | |
| US | 0.18 | +0 | -6 | -148 |
| Eurozone | -0.53 | +1 | -1 | -23 |
| UK | 0.08 | +0 | -1 | -72 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 28 | -3 | -4 | -3 |
| Belgium | 19 | +0 | +1 | -9 |
| France | 24 | +0 | +1 | -7 |
| Italy | 107 | -2 | -10 | -54 |
| Spain | 60 | -0 | -4 | -6 |
| Portugal | 57 | +1 | -4 | -7 |
| Greece | 115 | -2 | -7 | -49 |

| Commodities | | | | |
|----------------|----------|-------|---------|--------|
| | % Change | | | |
| | Close | Day | 4 Weeks | End 19 |
| Brent Oil | 51.08 | +0.63 | +15.20 | -22.61 |
| West Texas Oil | 47.86 | +0.59 | +14.94 | -21.72 |
| Gold \$ | 1864.1 | +0.58 | -0.39 | +22.88 |

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