

Sterling remains under pressure

Currency market action yesterday saw sterling remain on the backfoot. Market optimism that the outcome of the UK election would see Brexit uncertainty fade has dissipated. Instead, the focus has shifted to the UK-EU trade talks in 2020, which are likely to prove long and difficult. Sterling's main pairs are now back trading close to where they were in the run-up to the UK election.

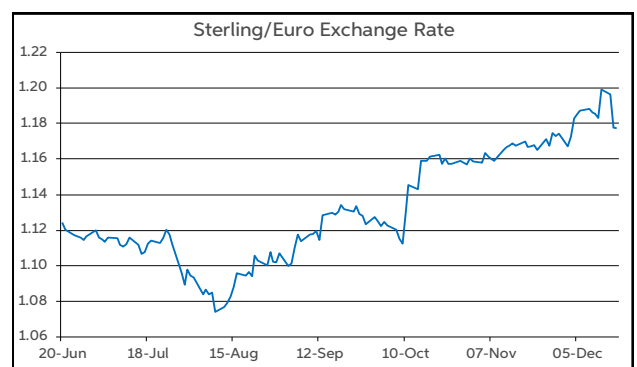
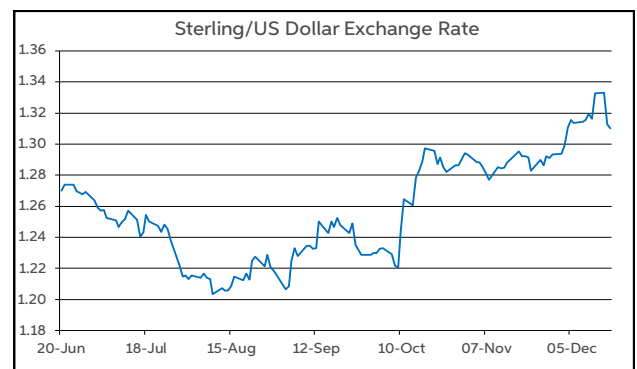
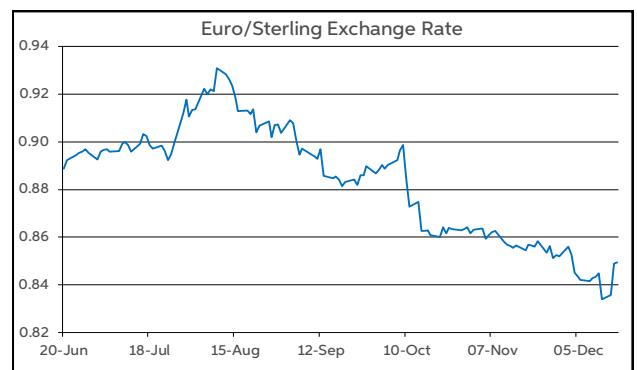
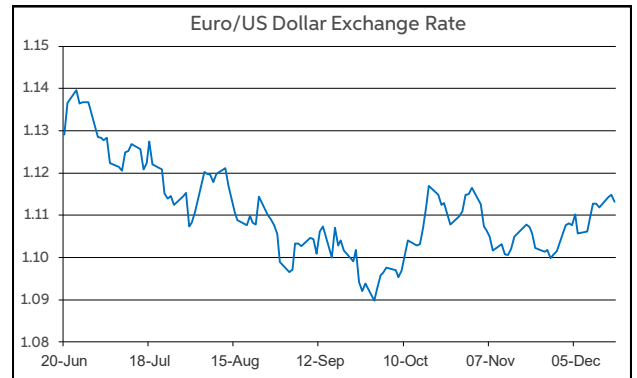
Data-wise, UK labour market figures yesterday came in better than anticipated. Employment increased by 34k in the 3 months to October (f'cast -10k), while the jobless rate held at 3.9%. Meantime, underlying wage inflation moderated slightly to 3.5% (f'cast 3.4%). The data, though, had little impact on sterling. However, they do give the BoE some extra leeway to leave rates on hold in the near term.

In level terms, the continued unwinding of sterling's recent gains has seen EUR/GBP move up the 85p level, where it opens this morning. At the same time, cable (GBP/USD) is back down at the \$1.31 threshold. Meanwhile, EUR/USD continues to change hands in the lower half of the \$1.11-1.12 band.

Today, UK data will remain in focus. The November print of CPI is due. The forecast is for inflation to have slowed to 1.4%, from 1.5%, but sterling reaction will likely be limited. Brexit newsflow, though, may continue to impact on the currency.

In the Eurozone, the highlight is the German Ifo for December. The index is projected to have moved higher for a fourth consecutive month. However, Monday's soft PMIs suggest there is some downside risk to this forecast. A weak reading may be unhelpful, at the margin, for the euro. Meantime, there is little out to provide direction to the dollar.

Conor Beakey, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1134	-0.11	-2.92
EUR/GBP	0.8497	1.30	-5.42
GBP/USD	1.3103	-1.36	2.71
GBP/EUR	1.1764	-1.28	5.73
USD/JPY	109.45	-0.11	-0.10
EUR/JPY	121.86	-0.22	-3.06

* 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	1.76	1.90	1.97	1.67	1.67
EUR	0.00	-0.47	-0.40	-0.26	-0.32	-0.18
GBP	0.75	0.71	0.79	0.96	0.78	0.85

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

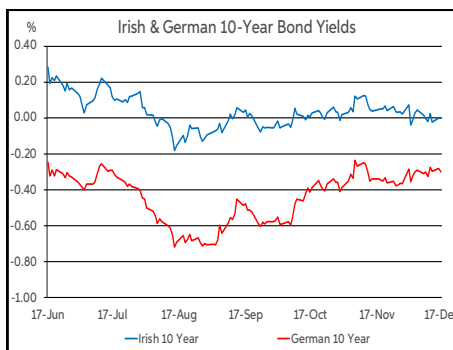
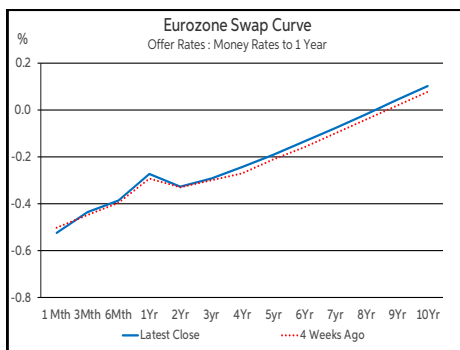
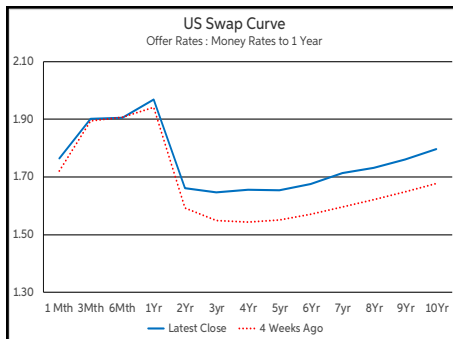
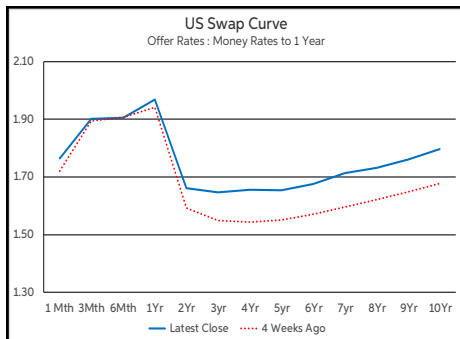
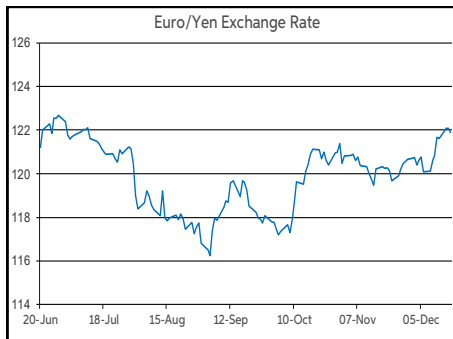
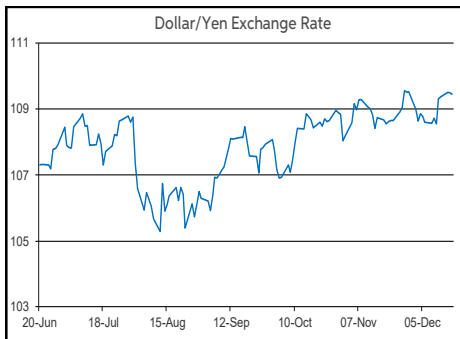
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

Wednesday 18 December 2019
07:20 am



Euro		Sterling		Dollar	
EUR/GBP	0.8497	GBP/EUR	1.1764	USD/JPY	109.45
EUR/USD	1.1134	GBP/USD	1.3103	USD/CAD	1.3163
EUR/JPY	121.86	GBP/CAD	1.7254	USD/CHF	0.9807
EUR/SEK	10.4846	GBP/NZD	1.9966	USD/CNY	7.0045
EUR/DKK	7.4723	GBP/JPY	143.41	USD/BRL	4.0716
EUR/NOK	10.0566	GBP/SEK	12.3392	USD/RUB	62.558
EUR/CHF	1.0923	GBP/DKK	8.7921	USD/INR	71.0548
EUR/AUD	1.6262	GBP/NOK	11.8365	AUD/USD	0.6847
EUR/HKD	8.6705	GBP/CHF	1.2853	NZD/USD	0.6562
EUR/CAD	1.4661	GBP/AUD	1.9131		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 18
10 Year Yield %				
US	1.87	+0	+9	-81
Germany	-0.30	-2	+5	-54
UK	0.76	-6	+3	-51
Ireland	0.00	+0	-5	N/A
Belgium	-0.02	-2	+3	-78
France	0.00	-2	+3	-70
Italy	1.26	-2	-5	-145
Spain	0.38	-3	-3	-103
Portugal	0.35	-3	-2	-136
Greece	1.31	-1	-8	-299
5 Year Swap %				
US	1.66	-4	+10	-91
Eurozone	-0.19	-2	+2	-42
UK	0.84	-8	+0	-48
2 Year Swap %				
US	1.66	-3	+7	-98
Eurozone	-0.33	-2	+0	-19
UK	0.76	-7	-4	-41
10 Year Government Bond Spreads to Benchmark bps				
Ireland	30	+2	-10	N/A
Belgium	28	+0	-2	-25
France	30	-0	-1	-16
Italy	156	-0	-10	-92
Spain	68	-1	-7	-50
Portugal	65	-1	-6	-82
Greece	161	+1	-13	-245

Commodities				
	% Change			
	Close	Day	4 Weeks	End 18
Brent Oil	66.1	+1.16	+8.52	+22.86
West Texas Oil	60.88	+1.11	+10.83	+34.84
Gold \$	1476.7	+0.01	+0.29	+15.11

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