

Sterling on the backfoot

The action on currency markets yesterday saw sterling come under some slight downward pressure. This appeared to have been sentiment driven. This week, Brexit uncertainty has returned to the fore as the focus has turned to 2020's EU-UK trade talks, with the Tory party's seemingly hardline stance a concern in this regard.

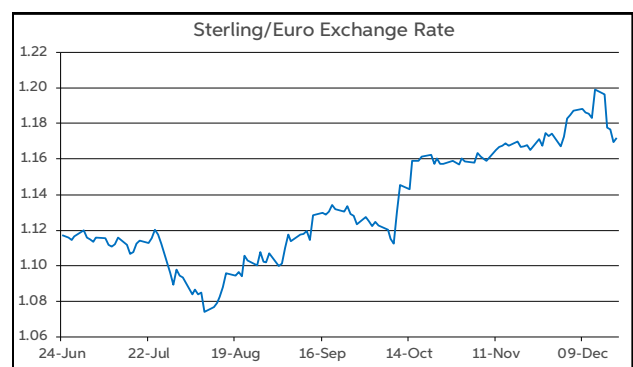
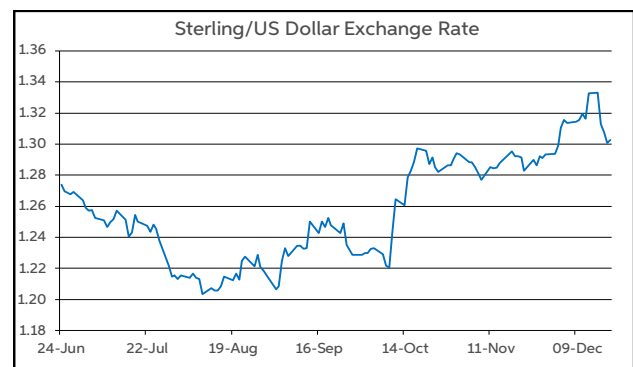
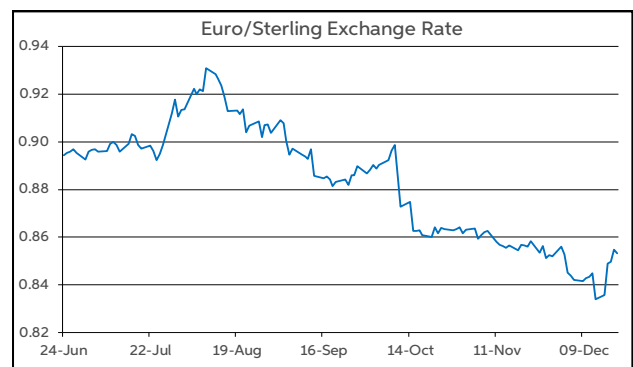
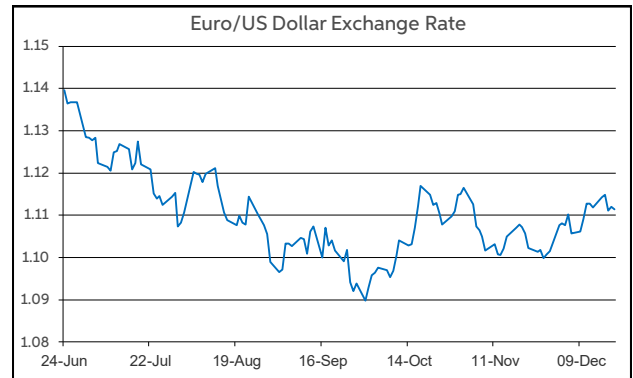
Meantime, the BoE's final meeting of December produced no surprises. The central bank opted to keep rates on hold, though as expected there were again two dissenters. They called for an immediate cut in the Bank Rate as a result of sluggish UK growth and the uncertain economic outlook.

Data-wise, UK retail sales for November may have provided a somewhat unhelpful backdrop for sterling. Retail expenditure unexpectedly dropped by 0.6% (f'cast +0.3%), though it is worth noting that the 'Black Friday' sales event will be captured in December's report.

In level terms, the weaker sterling tone is reflected in EUR/GBP opening this morning up above the 85p threshold. At the same time, cable (GBP/USD) has moved down into the lower half of the \$1.30-1.31 range. Meanwhile, EUR/USD continues to change hands down near the \$1.11 level.

Today, we get November core-PCE in the US, with inflation projected to have held at a subdued 1.6%. The same report will provide updated consumption figures. The forecast is for a 0.4% rise, but last week's weak retail sales data suggest that there is the potential for a downside surprise. At the margin, this would be unhelpful for the dollar. In the UK, the second reading of the Withdrawal Agreement Bill takes place in the House of Commons, but the vote should not prompt much reaction in sterling.

Conor Beakey, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1116	-0.08	-3.08
EUR/GBP	0.8532	0.34	-5.03
GBP/USD	1.3026	-0.44	2.11
GBP/EUR	1.1717	-0.34	5.30
USD/JPY	109.28	-0.27	-0.26
EUR/JPY	121.46	-0.38	-3.38

* 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	1.79	1.93	2.00	1.71	1.72
EUR	0.00	-0.46	-0.40	-0.27	-0.31	-0.15
GBP	0.75	0.70	0.79	0.96	0.79	0.87

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

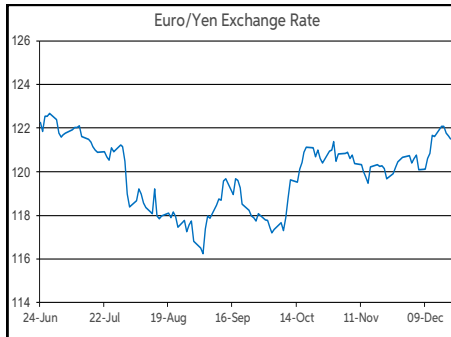
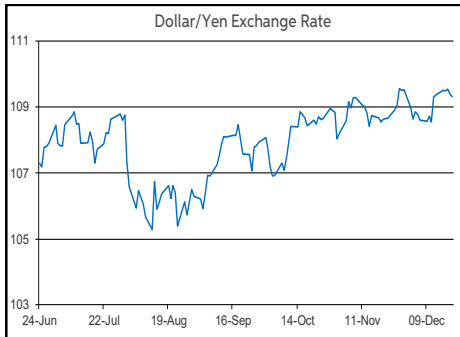
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

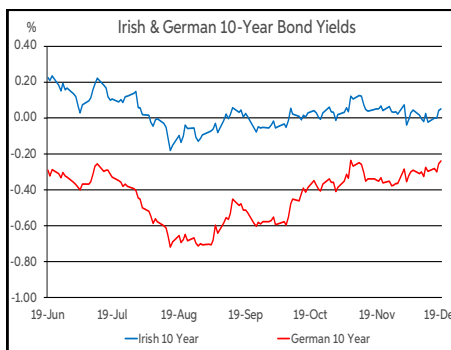
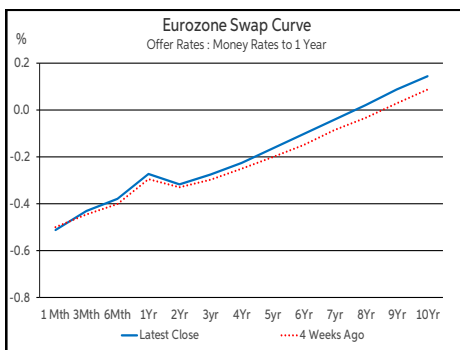
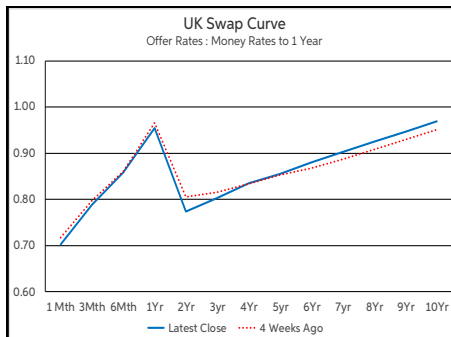
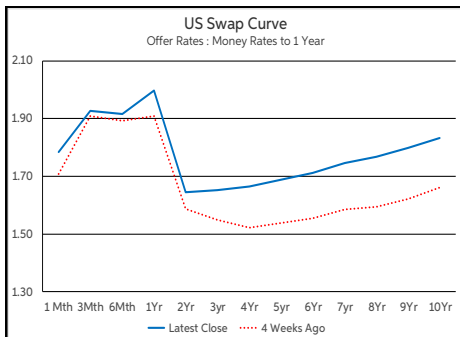
Friday 20 December 2019
07:22 am



Euro		Sterling		Dollar	
EUR/GBP	0.8532	GBP/EUR	1.1717	USD/JPY	109.28
EUR/USD	1.1116	GBP/USD	1.3026	USD/CAD	1.3137
EUR/JPY	121.46	GBP/CAD	1.7111	USD/CHF	0.9789
EUR/SEK	10.4767	GBP/NZD	1.9757	USD/CNY	7.0153
EUR/DKK	7.4715	GBP/JPY	142.35	USD/BRL	4.0703
EUR/NOK	9.9747	GBP/SEK	12.2723	USD/RUB	62.405
EUR/CHF	1.0882	GBP/DKK	8.7553	USD/INR	71.18
EUR/AUD	1.6139	GBP/NOK	11.6846	AUD/USD	0.6887
EUR/HKD	8.6684	GBP/CHF	1.2749	NZD/USD	0.6591
EUR/CAD	1.4602	GBP/AUD	1.8907		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 18
10 Year Yield %				
US	1.92	+0	+15	-76
Germany	-0.24	+2	+9	-48
UK	0.80	+3	+5	-47
Ireland	0.05	+1	-2	N/A
Belgium	0.03	+1	+7	-73
France	0.06	+1	+8	-64
Italy	1.36	+3	+10	-136
Spain	0.42	+0	-1	-100
Portugal	0.40	+2	-2	-131
Greece	1.34	+11	-2	-296
5 Year Swap %				
US	1.69	-3	+15	-87
Eurozone	-0.16	-1	+4	-39
UK	0.86	+0	+0	-46
2 Year Swap %				
US	1.65	-4	+6	-99
Eurozone	-0.32	-0	+1	-18
UK	0.77	+1	-3	-39
10 Year Government Bond Spreads to Benchmark bps				
Ireland	29	-1	-11	N/A
Belgium	27	-0	-2	-25
France	30	-0	-1	-17
Italy	160	+2	+1	-88
Spain	66	-1	-10	-52
Portugal	64	+1	-11	-83
Greece	158	+9	-11	-248



Commodities				
	% Change			
	Close	Day	4 Weeks	End 18
Brent Oil	66.54	+0.56	+4.02	+23.68
West Texas Oil	61.3	+0.61	+5.04	+35.77
Gold \$	1479.2	+0.24	+1.00	+15.30

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