

2020 likely to be another volatile year for sterling

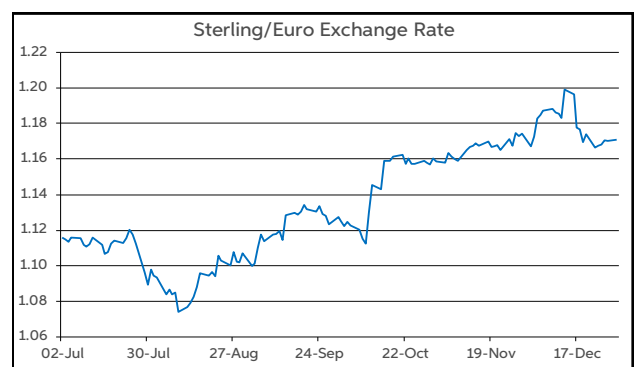
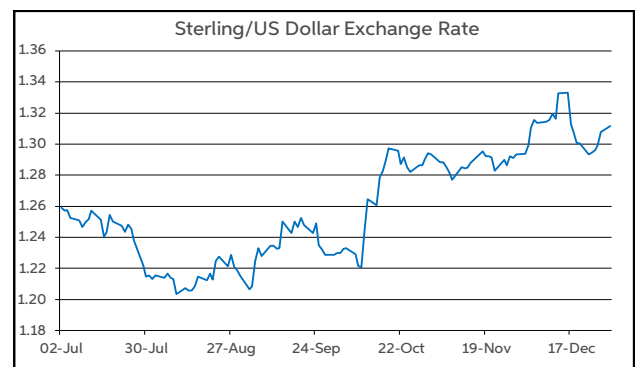
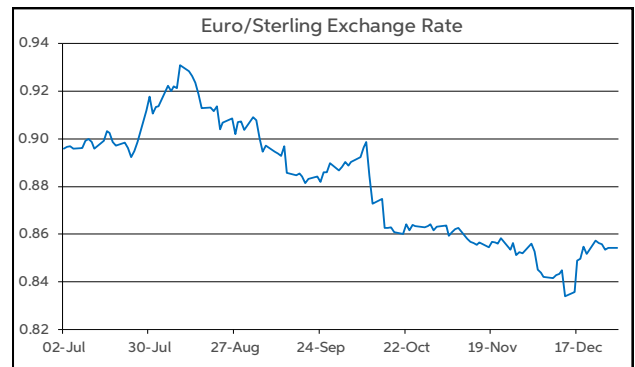
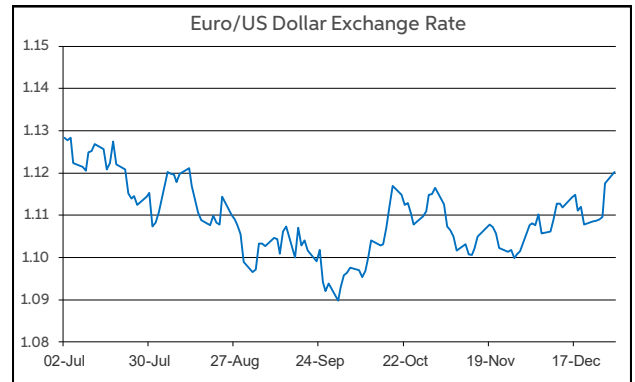
The dollar remained at relatively elevated levels in 2019. The currency was supported by ongoing good US economic growth, with the current expansion now the longest on record. It continued to hold the upper hand despite the Fed cutting rates, as other key central banks also eased policy. In contrast, for the euro, the backdrop this year has been a marked slowdown in the Eurozone economy. This, combined with a significant ECB easing package, has seen the currency remain weighed down at relatively low levels against the dollar. EUR/USD finishes the year near to the \$1.12 level.

Meanwhile, 2019 has been a volatile year for sterling as it reacted to Brexit developments. After finding itself under pressure for much of the year, it made gains in the last quarter. It was supported by the expectation that a Conservative election win would enable a relatively quick passage of the Withdrawal Agreement through Parliament. This will pave the way for an orderly UK departure from the EU at end January. EUR/GBP is seeing the year out trading in the 85-86p band, having been as high as 93p in late summer.

In the near term, the dollar should continue to be supported by the relative strength of the US economy and still wide interest rate differentials. The currency is only likely to weaken significantly if the US economy goes into recession. The weak Eurozone economic backdrop and negative interest rate environment means that EUR/USD could struggle for much upward momentum again next year.

For sterling, Brexit will remain the key factor for the currency in 2020. Specifically, the talks on the future EU-UK trading relationship are expected to be difficult and the end-2020 completion date looks ambitious. Therefore, with sterling likely to remain sensitive to Brexit newsflow, 2020 could turn out to be another volatile year for the UK currency.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1202	0.74	-2.33
EUR/GBP	0.8541	-0.18	-4.93
GBP/USD	1.3115	0.94	2.81
GBP/EUR	1.1704	0.18	5.19
USD/JPY	109.11	-0.34	-0.41
EUR/JPY	122.29	0.35	-2.72

* 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	1.80	1.94	2.00	1.66	1.70
EUR	0.00	-0.44	-0.39	-0.25	-0.30	-0.13
GBP	0.75	0.71	0.79	0.98	0.83	0.87

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

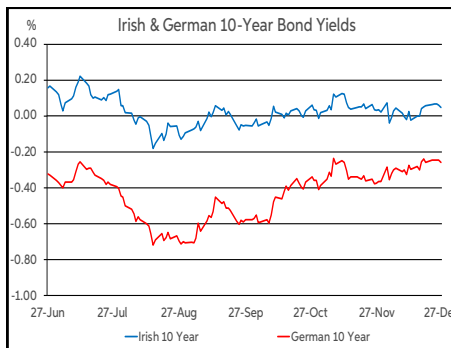
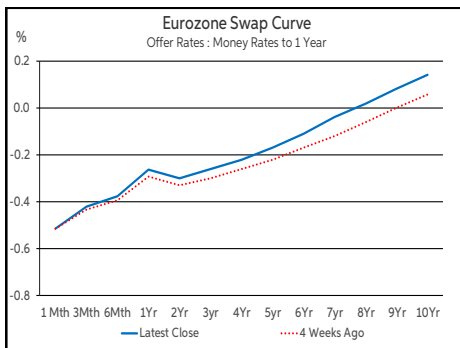
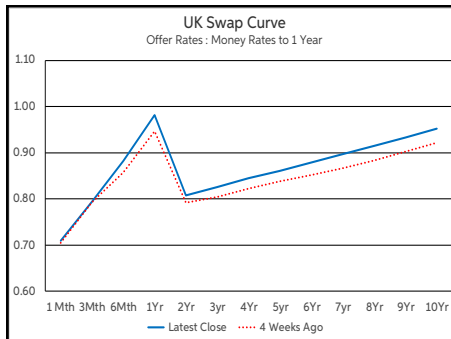
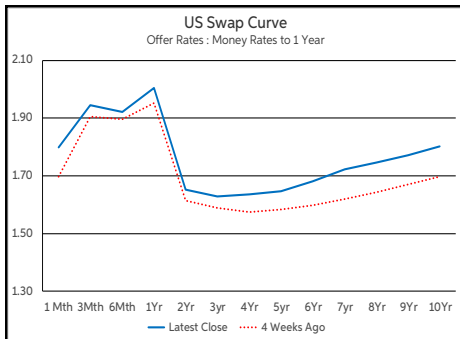
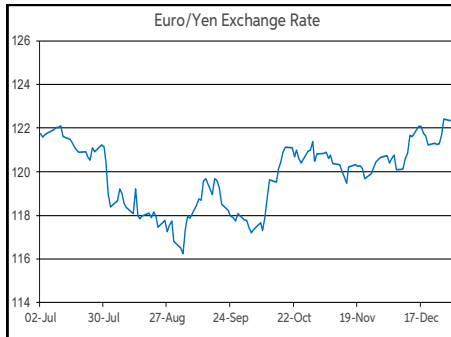
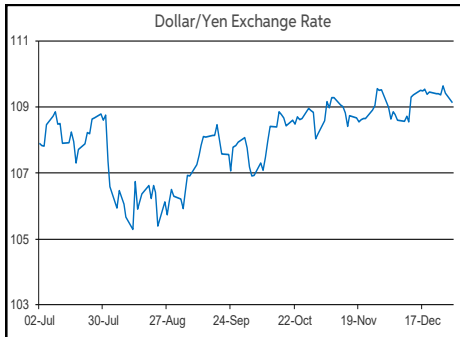
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Opening Levels

Monday 30 December 2019
07:39 am



Euro		Sterling		Dollar	
EUR/GBP	0.8541	GBP/EUR	1.1704	USD/JPY	109.12
EUR/USD	1.1202	GBP/USD	1.3115	USD/CAD	1.3068
EUR/JPY	122.29	GBP/CAD	1.7138	USD/CHF	0.9725
EUR/SEK	10.4322	GBP/NZD	1.9538	USD/CNY	6.9853
EUR/DKK	7.4692	GBP/JPY	143.11	USD/BRL	4.0446
EUR/NOK	9.8591	GBP/SEK	12.2116	USD/RUB	61.8617
EUR/CHF	1.0898	GBP/DKK	8.7441	USD/INR	71.3634
EUR/AUD	1.6034	GBP/NOK	11.5421	AUD/USD	0.6986
EUR/HKD	8.7227	GBP/CHF	1.2756	NZD/USD	0.671
EUR/CAD	1.4639	GBP/AUD	1.877		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 18
10 Year Yield %				
US	1.88	-2	+10	-81
Germany	-0.26	-1	+11	-50
UK	0.75	-1	+6	-52
Ireland	0.05	-1	+2	N/A
Belgium	0.01	-1	+9	-75
France	0.04	-0	+10	-66
Italy	1.37	-4	+6	-134
Spain	0.39	-3	-1	-103
Portugal	0.37	-2	-2	-134
Greece	1.39	+1	-1	-291
5 Year Swap %				
US	1.65	-8	+6	-91
Eurozone	-0.17	-3	+5	-40
UK	0.86	-1	+2	-45
2 Year Swap %				
US	1.65	-5	+4	-99
Eurozone	-0.30	-1	+3	-16
UK	0.81	+1	+2	-36
10 Year Government Bond Spreads to Benchmark bps				
Ireland	31	+0	-8	N/A
Belgium	27	+0	-2	-25
France	30	+1	-1	-16
Italy	163	-2	-5	-85
Spain	64	-2	-11	-53
Portugal	63	-0	-13	-84
Greece	165	+2	-11	-241

Commodities				
	% Change			
	Close	Day	4 Weeks	End 18
Brent Oil	68.16	+0.35	+9.18	+26.69
West Texas Oil	61.76	+0.06	+6.26	+36.79
Gold \$	1510.9	-0.06	+3.08	+17.77

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