

Fed and ECB on hold; BoE could cut

There was a more positive tone to risk appetite in markets this year compared to 2018. This was very much evident on equity markets. The main global equity indices registered sizeable double digit gains in 2019 after recording losses in 2018, with US markets up over 25%. This occurred despite a marked slowdown in global growth. Meanwhile, credit spreads tightened considerably. A key factor behind the improvement in market sentiment was the return to a loosening mode for global monetary policy. This in turn led to a marked decline in bond yields virtually everywhere.

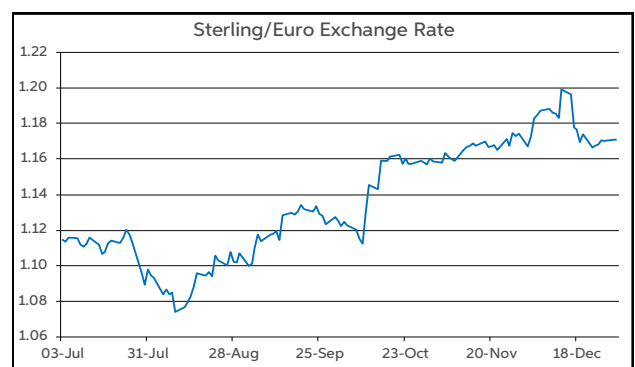
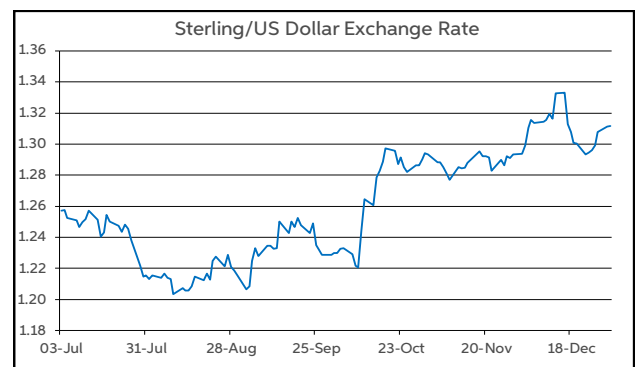
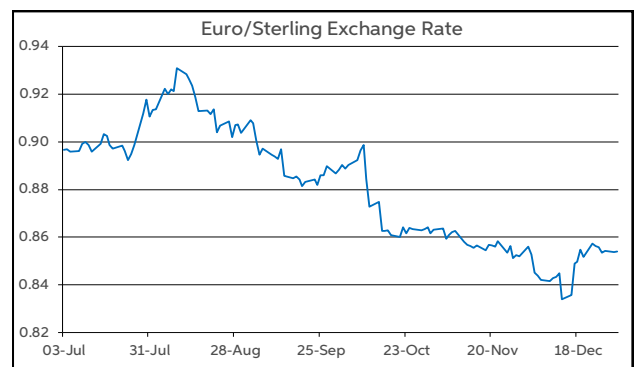
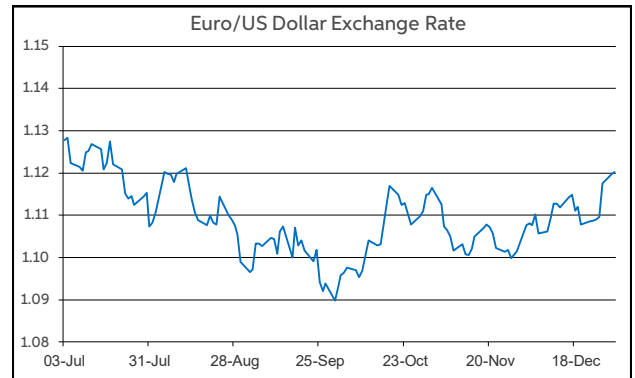
The Fed moved in spring to an easing bias and followed through on this with three 25bps rate cuts in the second half of the year. The ECB also introduced further monetary stimulus, including a 10bps cut to its deposit rate and the restarting of QE. Other central banks, notably in China, Australia, India and New Zealand, also cut rates. Elsewhere, the BoE remained on hold, awaiting clarity on Brexit.

Looking ahead to 2020, the Fed is 'off the pitch' in terms of further policy easing in the near term. It is satisfied that its pre-emptive easing in 2019 is sufficient to sustain growth in the US economy. The market, though, is pricing in 17bps worth of easing in 2020.

Similarly, while the ECB retains an easing bias, it is now on hold, to allow time to assess the impact of its policy actions. The market shares this view. It no longer expects any further rate cuts and sees policy remaining unchanged throughout next year.

The BoE's policy deliberations remain complicated by Brexit. The uncertainty surrounding the trade talks could act as a headwind to the UK economy in 2020. The BoE has been sounding somewhat dovish recently, with two members voting for a reduction in the Bank rate. Markets are pricing in a 10bps cut in rates next year.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1207	0.05	-2.28
EUR/GBP	0.854	0.04	-4.94
GBP/USD	1.3118	0.01	2.83
GBP/EUR	1.1701	-0.04	5.20
USD/JPY	108.7	-0.40	-0.78
EUR/JPY	121.81	-0.42	-3.10

* 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	1.78	1.91	2.00	1.69	1.68
EUR	0.00	-0.44	-0.39	-0.25	-0.29	-0.12
GBP	0.75	0.71	0.79	0.99	0.84	0.93

All rates quoted are indicative market rates

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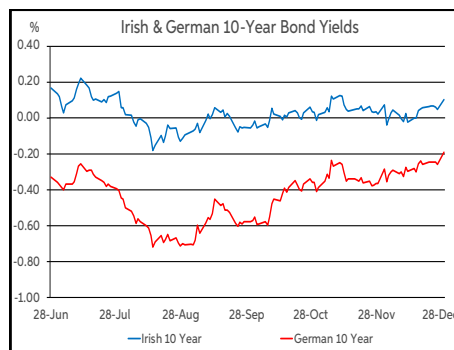
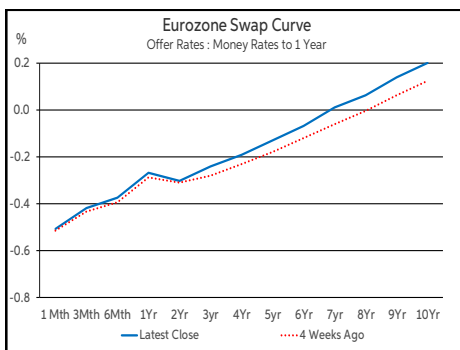
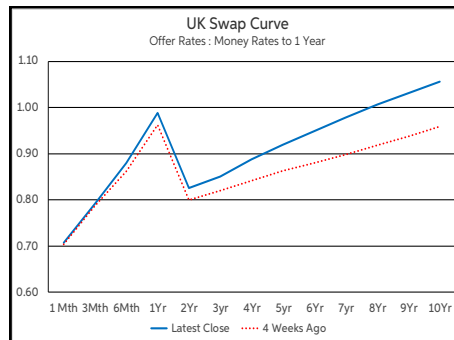
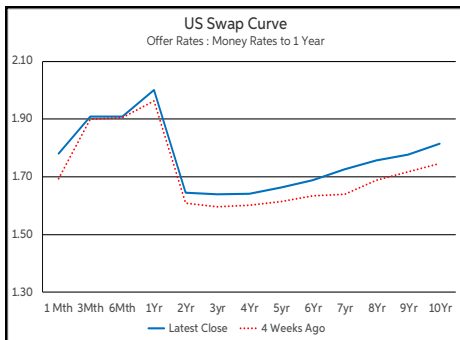
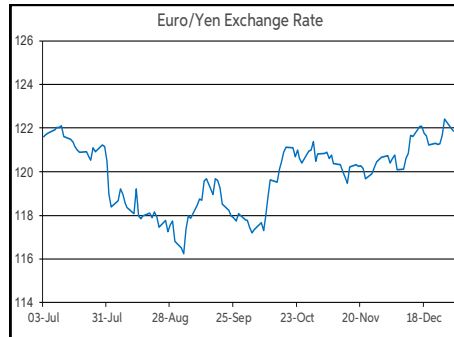
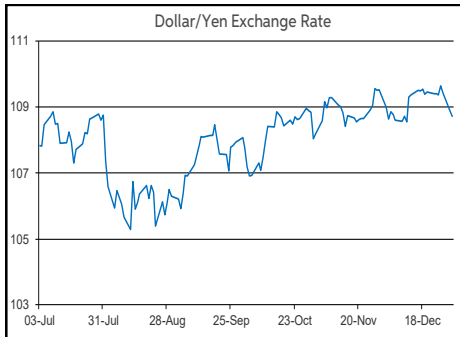
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

Tuesday 31 December 2019
07:44 am



Euro		Sterling		Dollar	
EUR/GBP	0.854	GBP/EUR	1.1701	USD/JPY	108.7
EUR/USD	1.1207	GBP/USD	1.3118	USD/CAD	1.3047
EUR/JPY	121.81	GBP/CAD	1.7116	USD/CHF	0.9689
EUR/SEK	10.482	GBP/NZD	1.9486	USD/CNY	6.9664
EUR/DKK	7.4696	GBP/JPY	142.59	USD/BRL	4.0196
EUR/NOK	9.8738	GBP/SEK	12.2665	USD/RUB	61.9514
EUR/CHF	1.0858	GBP/DKK	8.7449	USD/INR	71.2776
EUR/AUD	1.5981	GBP/NOK	11.5617	AUD/USD	0.7009
EUR/HKD	8.7224	GBP/CHF	1.2708	NZD/USD	0.673
EUR/CAD	1.4615	GBP/AUD	1.8712		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 18
10 Year Yield %				
US	1.88	+1	+6	-80
Germany	-0.19	+7	+9	-43
UK	0.86	+11	+12	-41
Ireland	0.10	+6	+3	N/A
Belgium	0.08	+7	+8	-68
France	0.11	+7	+9	-59
Italy	1.40	+2	-2	-132
Spain	0.45	+6	-2	-97
Portugal	0.42	+6	-2	-128
Greece	1.41	+2	-6	-289
5 Year Swap %				
US	1.66	-0	+5	-90
Eurozone	-0.13	+2	+5	-36
UK	0.92	+5	+6	-40
2 Year Swap %				
US	1.65	-3	+4	-99
Eurozone	-0.30	-1	+1	-16
UK	0.83	+1	+3	-34
10 Year Government Bond Spreads to Benchmark bps				
Ireland	29	-1	-6	N/A
Belgium	27	+0	-1	-25
France	30	+0	-0	-16
Italy	159	-5	-12	-89
Spain	64	-1	-12	-54
Portugal	61	-1	-12	-85
Greece	160	-5	-15	-246

Commodities				
	% Change			
	Close	Day	4 Weeks	End 18
Brent Oil	68.44	+0.41	+12.34	+27.21
West Texas Oil	61.66	-0.16	+10.17	+36.57
Gold \$	1515.3	+0.29	+3.61	+18.12

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