

Brexit blues for sterling

Volatility was the word on everyone's lips last week. The sharp moves in equities flowed over to currency markets somewhat. This saw the yen and dollar benefit from some 'safe-haven' demand.

Elsewhere, political uncertainty was back in vogue in the UK. Headlines which called into question the solidity of the Conservative Government were unhelpful to sterling. Comments on Friday from EU Chief Brexit Negotiator Barnier, that there were "substantial" differences between the EU and UK positions and that a transition deal "is not a given", saw the UK currency reverse BoE inspired gains from earlier in the week.

In level terms, the firmer dollar and softer sterling meant cable (GBP/USD) fell by close to 2% on the week. The pair opens this morning down near \$1.385, having started last week at \$1.41. EUR/USD is changing hands around \$1.228, down from \$1.245. Although, the aforementioned support for the yen has seen USD/JPY move down c.1%, to below ¥109. Meantime, EUR/GBP is trading in the upper half of the 88-89p band.

There is a relatively light data/events schedule in the week ahead. US retail sales and industrial production (both Jan) will bear watching, though, as markets look for an early 'hard' data read of the economy at the start of 2018. In the UK, retail sales data for January will also be looked to, as will CPI inflation. The first reading of German GDP for Q4 is the pick of the releases in the Eurozone.

Overall though, with market volatility and UK Brexit concerns back on the agenda, the direction of currency markets in the coming days could continue to be largely inspired by events beyond the scheduled data/events calendar.

Dara Turnbull, Economist, AIB

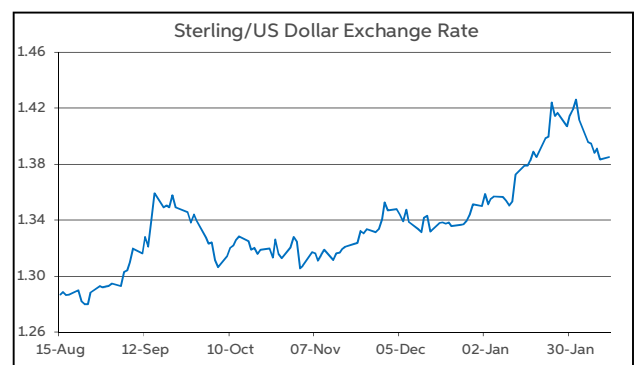
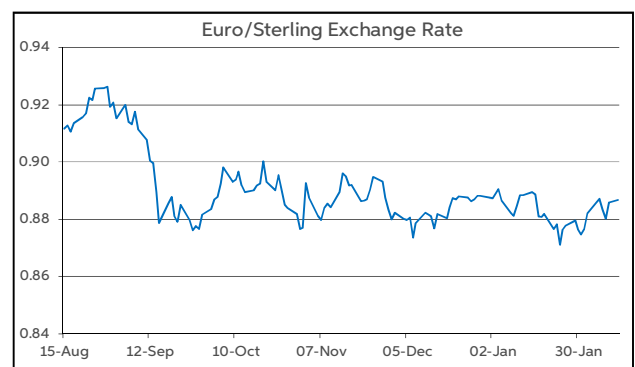
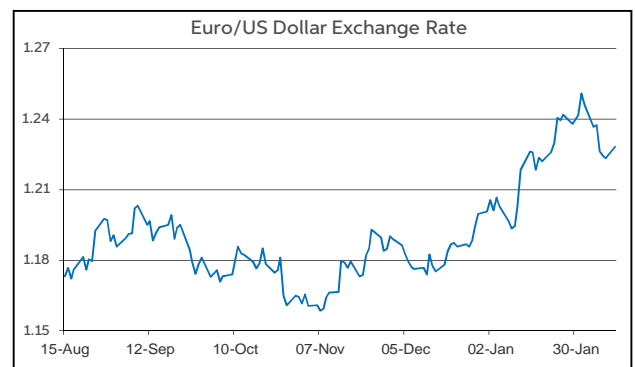
Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.375	1.58	1.82	2.31	2.36	2.65
EUR	0.00	-0.37	-0.33	-0.19	-0.13	0.51
GBP	0.50	0.50	0.54	0.85	1.00	1.38

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2017 to Date	
Dow Jones	24190.9	+1.38	-2.14	
S&P 500	2619.55	+1.49	-2.02	
FTSE 100	7092.43	-1.09	-7.74	
DJ Stoxx 50	3325.99	-1.52	-5.08	
ISEQ	6599.67	-0.77	-6.23	
Nikkei	21382.62	+0.00	-6.07	

Today's Opening Rates			
		% Change	
		Day *	End 2017
EUR/USD	1.2281	0.20	2.38
EUR/GBP	0.8869	0.92	-0.16
GBP/USD	1.3847	-0.67	2.48
GBP/EUR	1.1274	-0.91	0.16
USD/JPY	108.64	-0.31	-3.58
EUR/JPY	133.45	-0.10	-1.28

* v Previous Day's European Open

See Next Page for More Rates ▶▶▶



All rates quoted are indicative market rates

See Next Page For More Rates & Charts

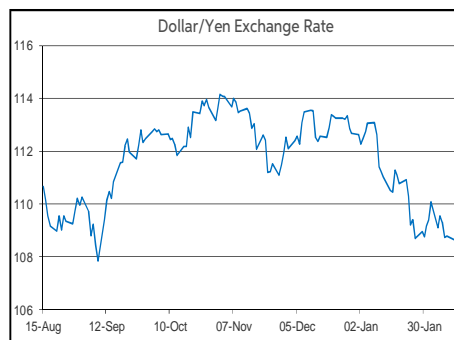
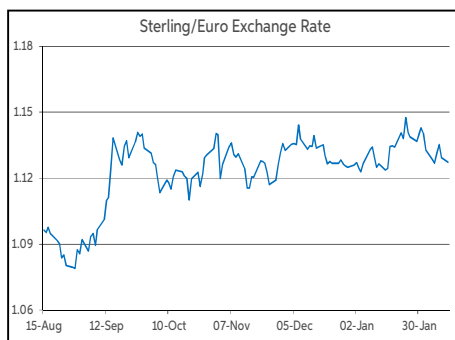
FX Spot	Karl Cooke Shane Gargan Adrian Flanagan Enda Homan	FX Options	Mark Tuite Lenny Hogan	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

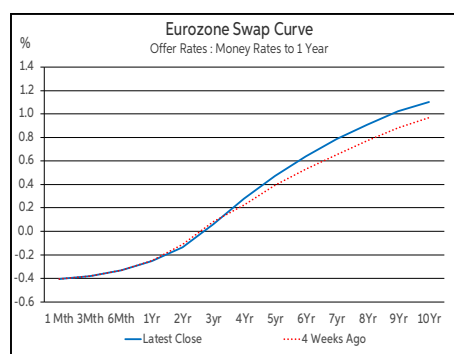
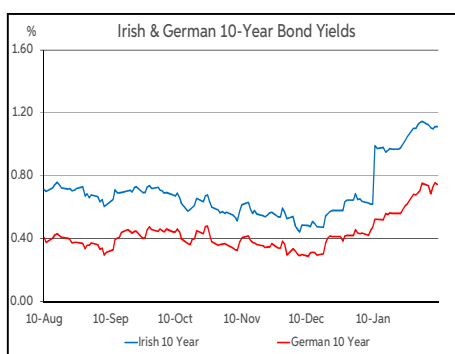
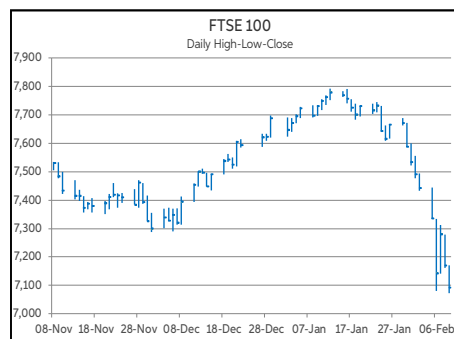
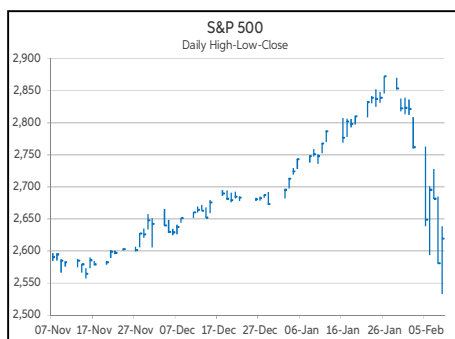
Monday 12 February 2018
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Euro		Sterling		Dollar	
EUR/GBP	0.8869	GBP/EUR	1.1274	USD/JPY	108.64
EUR/USD	1.2281	GBP/USD	1.3847	USD/CAD	1.2562
EUR/JPY	133.45	GBP/CAD	1.7397	USD/CHF	0.9384
EUR/SEK	9.9107	GBP/NZD	1.9072	USD/CNY	6.3082
EUR/DKK	7.444	GBP/JPY	150.43	USD/BRL	3.2949
EUR/NOK	9.752	GBP/SEK	11.1708	USD/RUB	57.9764
EUR/CHF	1.1526	GBP/DKK	8.3919	USD/INR	64.2625
EUR/AUD	1.5705	GBP/NOK	10.9943	AUD/USD	0.7817
EUR/HKD	9.6036	GBP/CHF	1.2992	NZD/USD	0.7257
EUR/CAD	1.543	GBP/AUD	1.7707		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 17
10 Year Yield %				
US	2.85	+3	+31	+45
Germany	0.75	-1	+22	+33
UK	1.59	-2	+25	+41
Ireland	1.11	+0	N/A	N/A
Belgium	1.00	+12	+28	+38
France	0.98	-3	+12	+20
Italy	2.04	+5	+8	+4
Spain	1.47	+3	-2	-8
Portugal	2.07	+5	+27	+17
Greece	4.02	+31	+20	-2
5 Year Swap %				
US	2.60	-2	+23	+36
Eurozone	0.47	-1	+8	+16
UK	1.36	-3	+19	+32
2 Year Swap %				
US	2.32	-3	+12	+24
Eurozone	-0.13	-2	-2	+1
UK	0.97	-2	+9	+16
10 Year Government Bond Spreads to Benchmark bps				
Ireland	37	+1	N/A	N/A
Belgium	25	+13	+6	+6
France	23	-2	-11	-12
Italy	129	+6	-15	-28
Spain	72	+4	-24	-40
Portugal	132	+5	+5	-15
Greece	328	+32	-2	-35



Commodities				
	Close	% Change		
		Day	4 Weeks	End 17
Brent Oil	62.79	-3.12	-10.13	-6.10
West Texas Oil	59.2	-3.43	-7.82	-2.08
CRB - All Commodity	198.35	+0.49	+1.53	+2.31
CRB - Food	342.17	-2.82	+0.32	+1.82
Gold \$	1316.7	-0.18	-1.62	+1.08

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