

## Sterling remains on the defensive

There was a positive tone to equity markets as the week got underway yesterday. This followed last week's volatile action on Wall Street, where equity markets suffered their worst weekly performance in two years. The 'risk on' sentiment on European indices carried over to the US session. At the close last night, the S&P 500 had gained 1.4% on the day.

In contrast to the moves on equity markets, the action on currency markets was much more sedate. A lack of any major macro data releases was a contributing factor to the largely uneventful trading. Indeed, most of the main pairs open this morning only slightly changed from 24 hours earlier. Sterling remains somewhat softer amid the recent heightened UK domestic political uncertainty, as well as Brexit concerns acting as a headwind. Meantime, the euro has managed to register some modest gains.

This is reflected in EUR/GBP edging higher, into the upper half of the 88-89p range. Meanwhile, GBP/USD remains below the \$1.39 level. Elsewhere, the EUR/USD pair spent most of yesterday confined to a very tight trading range within the \$1.22-1.23 band. However, in overnight action, the pair has regained the \$1.23 mark.

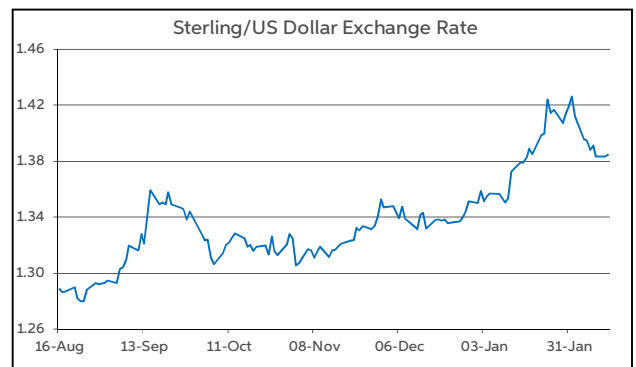
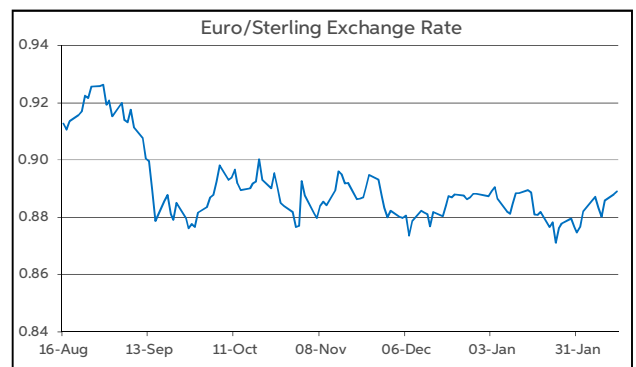
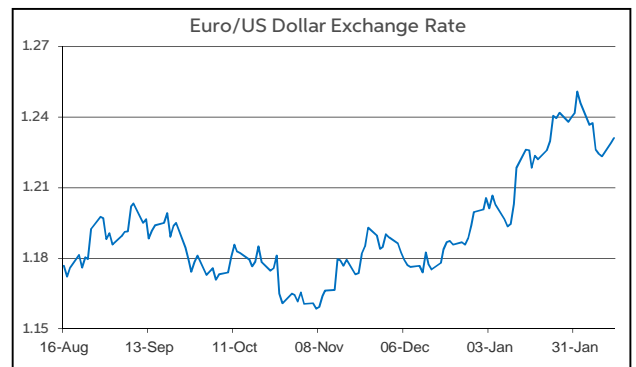
Today, the macro calendar has a somewhat busier schedule. UK CPI data for January (headline f'cast at 2.9%, from 3%) will be assessed in light of the recent increased 'hawkishness' within the BoE as its attempts to bring inflation back down to its 2% target. As a result, we may see some sterling sensitivity around the release. From a euro and dollar perspective, its another quiet macro diary meaning EUR/USD could change hands in a narrow range near its current level. Later tonight, the release of Q4 Japanese GDP (f'cast for 0.2% q/q, from 0.6% in Q3) may entail some headline risk for the yen, which has benefitted from safe haven demand recently.

**John Fahey, Senior Economist, AIB**

		% Change	
		Day *	End 2017
EUR/USD	1.2315	0.28	2.66
EUR/GBP	0.889	0.36	0.08
GBP/USD	1.3851	-0.07	2.51
GBP/EUR	1.1245	-0.36	-0.08
USD/JPY	107.92	-0.71	-4.22
EUR/JPY	132.89	-0.46	-1.69

\* v Previous Day's European Open

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	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.375	1.59	1.83	2.32	2.35	2.62
EUR	0.00	-0.37	-0.33	-0.19	-0.12	0.50
GBP	0.50	0.49	0.54	0.85	1.01	1.40

	Latest Close	% Changes	
		on Day	End 2017 to Date
Dow Jones	24601.27	+1.70	-0.48
S&P 500	2656	+1.39	-0.66
FTSE 100	7177.06	+1.19	-6.64
DJ Stoxx 50	3368.25	+1.27	-3.87
ISEQ	6677.91	+1.19	-5.12
Nikkei	21244.68	-0.65	-6.68

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

Tuesday 13 February 2018  
07:30 am



## Euro

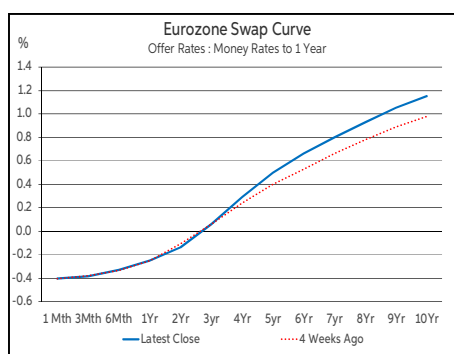
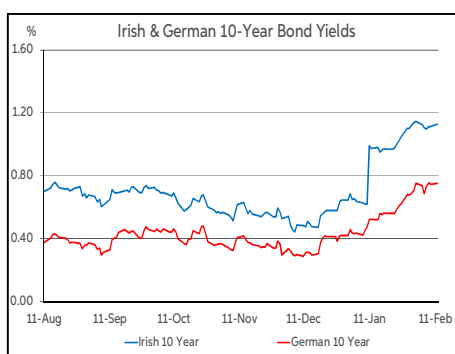
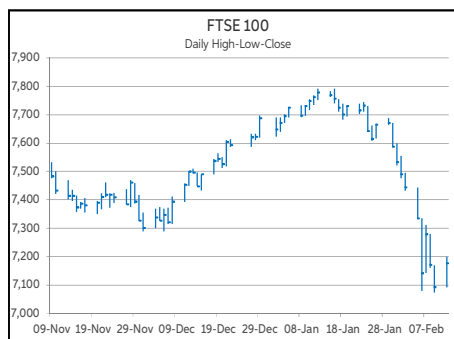
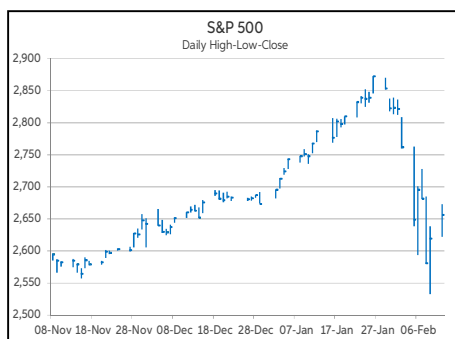
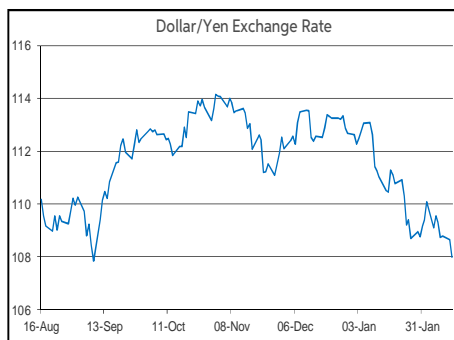
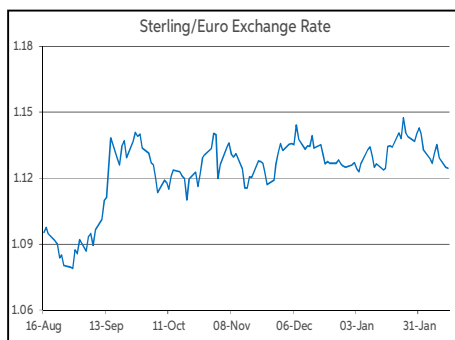
EUR/GBP	0.889
EUR/USD	1.2315
EUR/JPY	132.89
EUR/SEK	9.9205
EUR/DKK	7.4475
EUR/NOK	9.7227
EUR/CHF	1.1525
EUR/AUD	1.5669
EUR/HKD	9.6317
EUR/CAD	1.5492

## Sterling

GBP/EUR	1.1245
GBP/USD	1.3851
GBP/CAD	1.7425
GBP/NZD	1.9048
GBP/JPY	149.48
GBP/SEK	11.1548
GBP/DKK	8.3745
GBP/NOK	10.9368
GBP/CHF	1.2961
GBP/AUD	1.7629

## Dollar

USD/JPY	107.92
USD/CAD	1.2579
USD/CHF	0.9357
USD/CNY	6.3375
USD/BRL	3.2949
USD/RUB	57.819
USD/INR	64.27
AUD/USD	0.7855
NZD/USD	0.7271



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 17
<b>10 Year Yield %</b>				
US	2.86	+0	+31	+45
Germany	0.75	+0	+23	+33
UK	1.59	+1	+28	+41
Ireland	1.13	+1	N/A	N/A
Belgium	1.01	+1	+29	+40
France	0.98	+0	+12	+20
Italy	2.03	-1	+3	+3
Spain	1.47	+0	-4	-7
Portugal	2.05	-2	+28	+16
Greece	4.20	+18	+39	+16
<b>5 Year Swap %</b>				
US	2.61	-1	+22	+37
Eurozone	0.50	-1	+10	+18
UK	1.39	+2	+23	+35
<b>2 Year Swap %</b>				
US	2.30	-4	+10	+22
Eurozone	-0.14	-2	-3	+0
UK	0.99	+2	+12	+19
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	38	+1	N/A	N/A
Belgium	26	+1	+6	+7
France	23	-0	-11	-13
Italy	128	-1	-20	-30
Spain	72	-0	-28	-41
Portugal	130	-2	+4	-17
Greece	345	+18	+15	-17

Commodities				
	Close	% Change		
		Day	4 Weeks	End 17
Brent Oil	62.59	-0.32	-10.92	-6.40
West Texas Oil	59.41	+0.35	-7.49	-1.74
CRB - All Commodity	198.35	+0.49	+1.53	+2.31
CRB - Food	343.37	+1.20	+0.67	+2.18
Gold \$	1322.9	+0.47	-1.32	+1.56

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