

## EUR/GBP drops to 83p

Currency markets sprung back into life yesterday, after a quiet start to the week. Sterling made some good gains of circa 1% in reaction to a Cabinet reshuffle carried out by Prime Minister Johnson.

Specifically, sterling was boosted by the PM's decision to replace the Chancellor of the Exchequer. Investors seem to be of the opinion that this move will pave the way for an increase in government expenditure and thus growth. Expectations for BoE easing have also been pared back, with futures contracts no longer pricing in a full 25bp rate cut this year.

Data-wise, the only release of any note yesterday was the January print of US CPI. Headline inflation unexpectedly accelerated to 2.5% (+2.3%), the highest rate since October 2018. However, there was no notable impact on the dollar. In the Eurozone, German GDP for Q4 surprised to the downside this morning (+0.0% vs f'cast +0.1%), although this prompted no reaction in the euro.

In level terms, the gains for sterling, combined with some modest euro weakness, sees EUR/GBP open down at the 83p level, near to a 3-year low. At the same time, cable (GBP/USD) has moved back up to the midpoint of the \$1.30-1.31 band. Elsewhere, the euro has remained on the back foot against the dollar, with EUR/USD trading in the lower half of the \$1.08-1.09 range.

Turning to the day ahead, the highlight of a busy US schedule is the retail sales report for January. The forecast is for solid 0.3% increases in both the headline and the core measures, indicating that consumer spending remains strong. The release could provide some support to the dollar. Meanwhile, there is little out to provide direction from a data perspective to either the euro or sterling.

**Conor Beakey, Economist, AIB**

| Today's Opening FX Rates |        |          |          |
|--------------------------|--------|----------|----------|
|                          |        | % Change |          |
|                          |        | Day *    | End 2019 |
| EUR/USD                  | 1.0837 | -0.30    | -3.33    |
| EUR/GBP                  | 0.8302 | -1.07    | -1.80    |
| GBP/USD                  | 1.3053 | 0.79     | -1.55    |
| GBP/EUR                  | 1.2039 | 1.08     | 1.83     |
| USD/JPY                  | 109.8  | -0.01    | 1.10     |
| EUR/JPY                  | 119.02 | -0.30    | -2.31    |

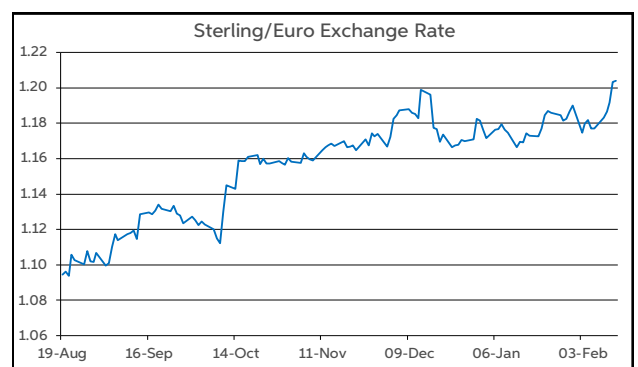
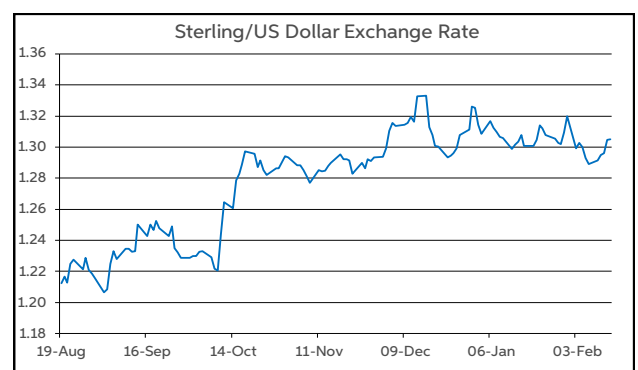
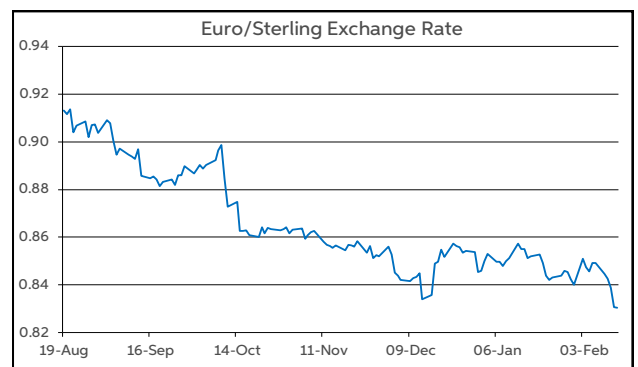
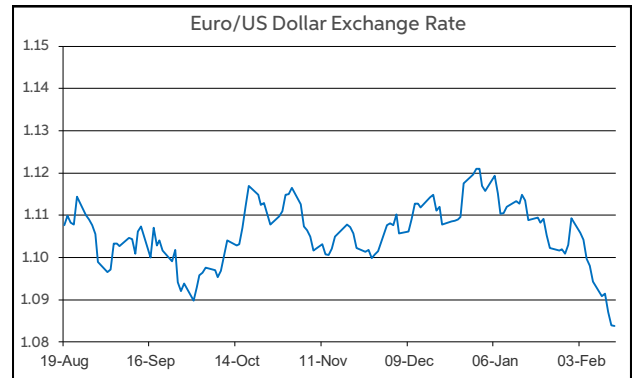
\* v Previous Day's European Open  
See Next Page for More Rates

| Opening Interest Rates |           |            |       |        |           |       |
|------------------------|-----------|------------|-------|--------|-----------|-------|
|                        | Base Rate | Short Term |       |        | Long Term |       |
|                        |           | 1-Mth      | 3-Mth | 12-Mth | 2-Yr      | 5-Yr  |
| USD                    | 1.625     | 1.66       | 1.69  | 1.80   | 1.48      | 1.44  |
| EUR                    | 0.00      | -0.47      | -0.41 | -0.29  | -0.36     | -0.28 |
| GBP                    | 0.75      | 0.71       | 0.75  | 0.89   | 0.73      | 0.75  |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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

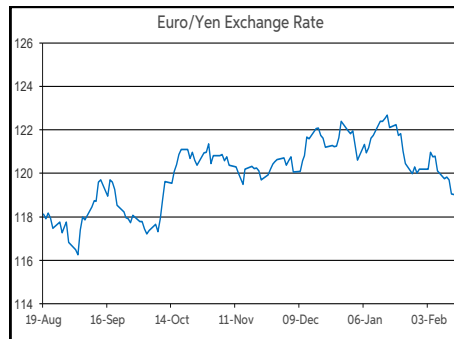
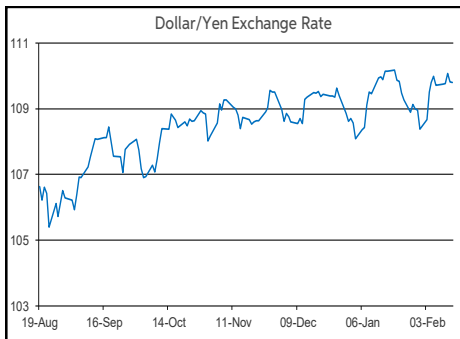


# Opening Levels

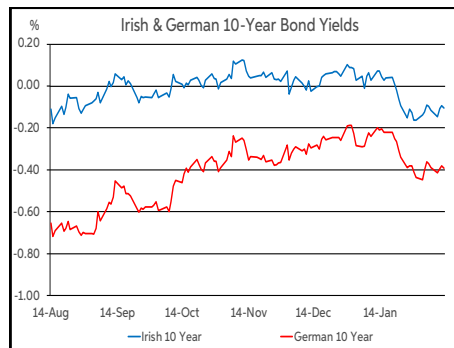
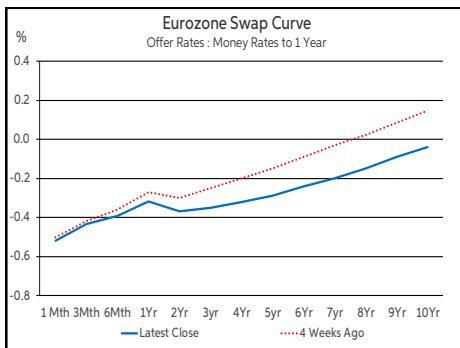
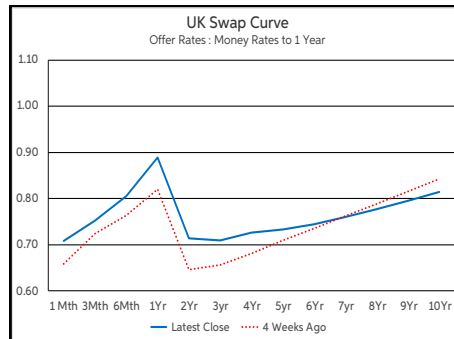
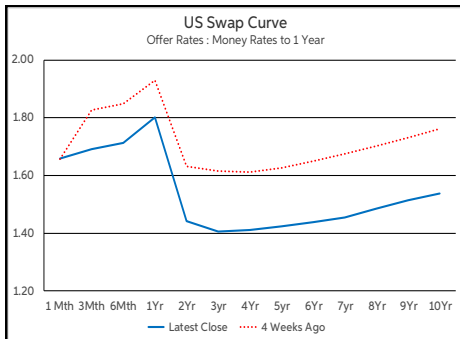
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| Euro    |         | Sterling |         | Dollar  |         |
|---------|---------|----------|---------|---------|---------|
| EUR/GBP | 0.8302  | GBP/EUR  | 1.2039  | USD/JPY | 109.8   |
| EUR/USD | 1.0837  | GBP/USD  | 1.3053  | USD/CAD | 1.3248  |
| EUR/JPY | 119.02  | GBP/CAD  | 1.7292  | USD/CHF | 0.9801  |
| EUR/SEK | 10.4864 | GBP/NZD  | 2.0272  | USD/CNY | 6.9832  |
| EUR/DKK | 7.4716  | GBP/JPY  | 143.32  | USD/BRL | 4.3503  |
| EUR/NOK | 10.0295 | GBP/SEK  | 12.6274 | USD/RUB | 63.3973 |
| EUR/CHF | 1.0624  | GBP/DKK  | 8.9957  | USD/INR | 71.368  |
| EUR/AUD | 1.6114  | GBP/NOK  | 12.079  | AUD/USD | 0.6724  |
| EUR/HKD | 8.4157  | GBP/CHF  | 1.279   | NZD/USD | 0.6435  |
| EUR/CAD | 1.4363  | GBP/AUD  | 1.9404  |         |         |



| Debt Markets  |       |     |         |        |
|---|-------|-----|---------|--------|
|   | Close | Day | 4 Weeks | End 19 |
| <b>10 Year Yield %</b>                                  |       |     |         |        |
| US  | 1.62  | -2  | -19     | -30    |
| Germany   | -0.39 | -1  | -17     | -20    |
| UK  | 0.65  | +4  | +1      | -17    |
| Ireland   | -0.10 | -1  | -13     | -19    |
| Belgium   | -0.09 | +0  | -11     | -17    |
| France  | -0.15 | -0  | -19     | -27    |
| Italy   | 0.89  | -1  | -54     | -48    |
| Spain   | 0.29  | -1  | -17     | -17    |
| Portugal  | 0.23  | -1  | -17     | -19    |
| Greece  | 0.90  | -3  | -48     | -51    |
| <b>5 Year Swap %</b>                                    |       |     |         |        |
| US  | 1.42  | -2  | -20     | -29    |
| Eurozone  | -0.29 | -3  | -14     | -17    |
| UK  | 0.73  | -0  | +2      | -16    |
| <b>2 Year Swap %</b>                                    |       |     |         |        |
| US  | 1.44  | -4  | -19     | -26    |
| Eurozone  | -0.37 | -1  | -7      | -8     |
| UK  | 0.71  | -1  | +7      | -10    |
| <b>10 Year Government Bond Spreads to Benchmark bps</b> |       |     |         |        |
| Ireland   | 29    | +0  | +4      | +1     |
| Belgium   | 30    | +1  | +7      | +3     |
| France  | 24    | +1  | -2      | -6     |
| Italy   | 128   | -0  | -37     | -28    |
| Spain   | 68    | +0  | -0      | +4     |
| Portugal  | 62    | -0  | +0      | +1     |
| Greece  | 129   | -2  | -31     | -30    |



| Commodities    |        |       |         |        |
|----------------|--------|-------|---------|--------|
|                | Close  | Day   | 4 Weeks | End 19 |
| Brent Oil      | 56.34  | +0.99 | -12.81  | -14.64 |
| West Texas Oil | 51.41  | +0.55 | -12.15  | -15.91 |
| Gold \$        | 1576.7 | +0.69 | +1.52   | +3.88  |

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