

Sterling edges lower

The moves on currency markets yesterday saw sterling soften. This was despite January CPI surprising strongly to the upside. Ongoing uncertainty surrounding the EU-UK trade talks may have acted as a headwind. The EU yesterday failed to agree on an approach to the level playing field issue.

Meanwhile, the dollar remained well supported. In what represents a trend, US data (incl. housing starts and PPI for January) surprised to the upside. The release of the Fed's January meeting minutes, which contained no fresh policy insights, was a non-event. The currency is now at 3-year highs on a trade weighted basis.

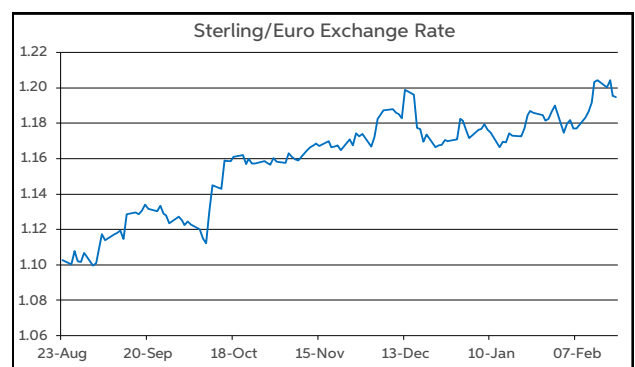
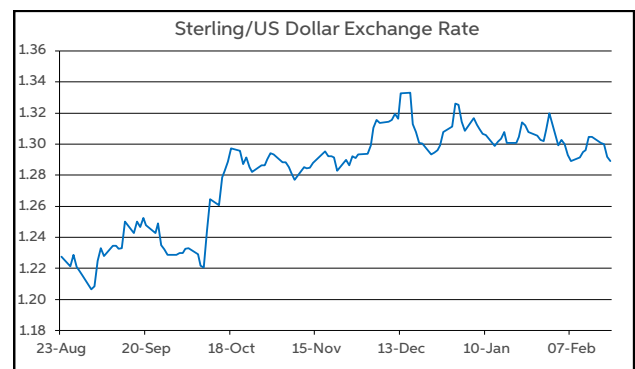
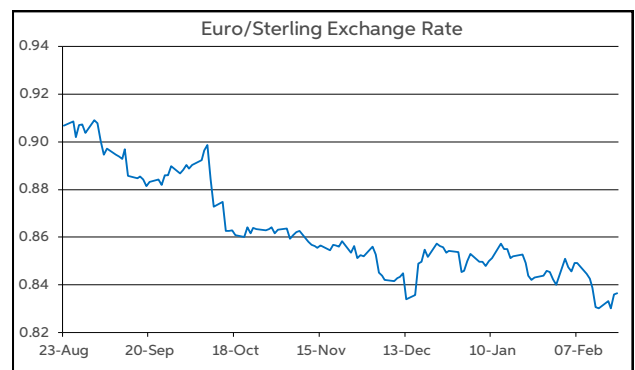
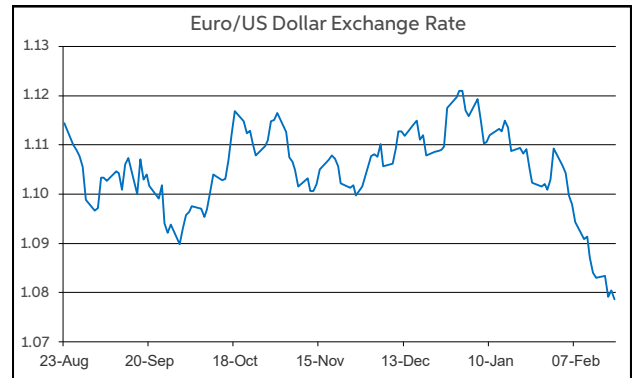
Elsewhere, the yen has come under pressure. An improvement in sentiment, linked to reports that China is set to inject stimulus to combat the coronavirus impact, weighed on the currency.

In level terms, the pressure on sterling, combined with support for the dollar, is reflected in GBP/USD opening just below the \$1.29 threshold. At the same time, EUR/GBP has moved into the upper half of 83-84p, while EUR/USD has edged below the \$1.08 level.

Today, a key focus for markets will be the retail sales report in the UK for January. Retail expenditure moderated in H2 2019 on the back of Brexit related uncertainty. Therefore, it will be of interest to see if its partial abatement leads to a significant increase in sales. A strong print could help sterling recover yesterday's lost ground.

In the Eurozone, we get flash consumer confidence for February and the ECB's account of its January meeting. However, we do not envisage there being much of a reaction in the euro. For the dollar, the Philly Fed index for February is due. A good figure could further underpin the currency.

Conor Beake, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.0785	-0.09	-3.79
EUR/GBP	0.8366	0.75	-1.04
GBP/USD	1.2889	-0.85	-2.79
GBP/EUR	1.195	-0.74	1.05
USD/JPY	111.7	1.51	2.85
EUR/JPY	120.47	1.41	-1.12

* v Previous Day's European Open

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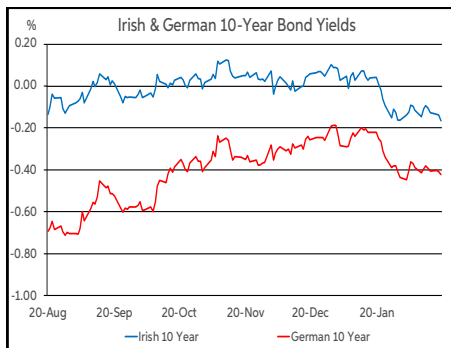
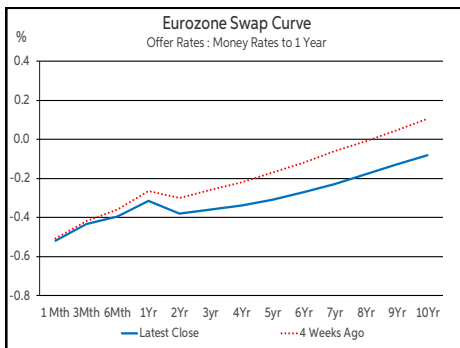
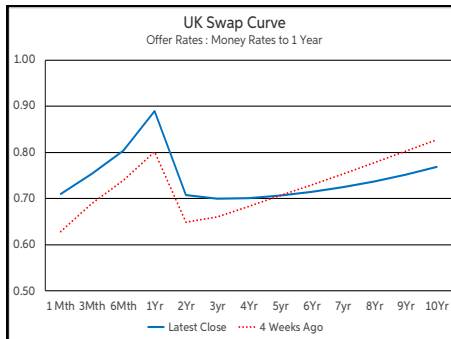
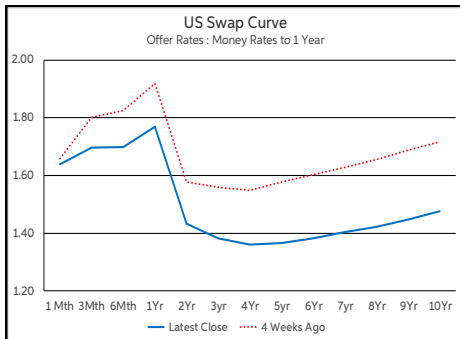
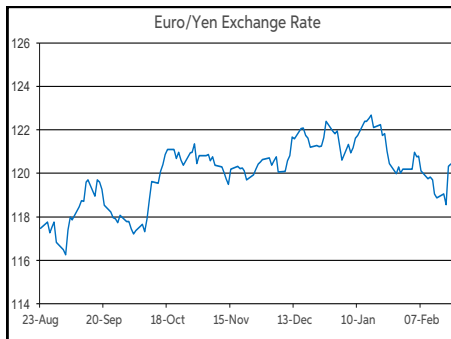
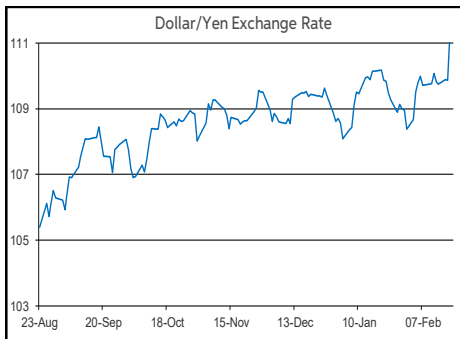
Opening Interest Rates						
Base Rate	Short Term			Long Term		
	1-Mth	3-Mth	12-Mth	2-Yr	5-Yr	
USD	1.625	1.64	1.70	1.77	1.46	1.39
EUR	0.00	-0.48	-0.40	-0.29	-0.37	-0.30
GBP	0.75	0.71	0.75	0.89	0.72	0.72

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	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Euro		Sterling		Dollar	
EUR/GBP	0.8366	GBP/EUR	1.195	USD/JPY	111.7
EUR/USD	1.0785	GBP/USD	1.2889	USD/CAD	1.3235
EUR/JPY	120.47	GBP/CAD	1.7058	USD/CHF	0.9845
EUR/SEK	10.5792	GBP/NZD	2.0276	USD/CNY	7.0117
EUR/DKK	7.4685	GBP/JPY	143.97	USD/BRL	4.3655
EUR/NOK	10.0345	GBP/SEK	12.6371	USD/RUB	63.7025
EUR/CHF	1.0618	GBP/DKK	8.9246	USD/INR	71.573
EUR/AUD	1.6224	GBP/NOK	11.9903	AUD/USD	0.6646
EUR/HKD	8.3845	GBP/CHF	1.2688	NZD/USD	0.6353
EUR/CAD	1.4273	GBP/AUD	1.939		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 19
10 Year Yield %				
US	1.57	+1	-20	-35
Germany	-0.42	-1	-16	-23
UK	0.60	-1	-4	-22
5 Year Swap %				
US	1.37	-3	-21	-35
Eurozone	-0.31	-2	-14	-19
UK	0.71	-2	+0	-19
2 Year Swap %				
US	1.43	+1	-14	-27
Eurozone	-0.38	-1	-8	-9
UK	0.71	-1	+6	-10
10 Year Government Bond Spreads to Benchmark bps				
Ireland	26	-2	+1	-2
Belgium	30	+0	+7	+3
France	24	+0	-1	-7
Italy	136	+4	-24	-20
Spain	69	+0	+2	+5
Portugal	63	+1	-4	+2
Greece	134	-1	-28	-26

Commodities				
	% Change			
	Close	Day	4 Weeks	End 19
Brent Oil	59.12	+2.37	-6.47	-10.42
West Texas Oil	53.31	+2.32	-6.08	-12.81
Gold \$	1611.9	+0.61	+3.38	+6.20

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