

Risk aversion continues to dominate

Risk appetite remained under pressure yesterday. Concerns regarding the spreading of the Coronavirus continued to weigh on investor sentiment. This risk aversion saw the main equity indices continue to fall. In Europe, the Euro Stoxx 50 fell by 2%. Meanwhile at the closing bell on Wall Street last night, the S&P 500 was down by 3%. Overnight, the Nikkei declined by 0.8%.

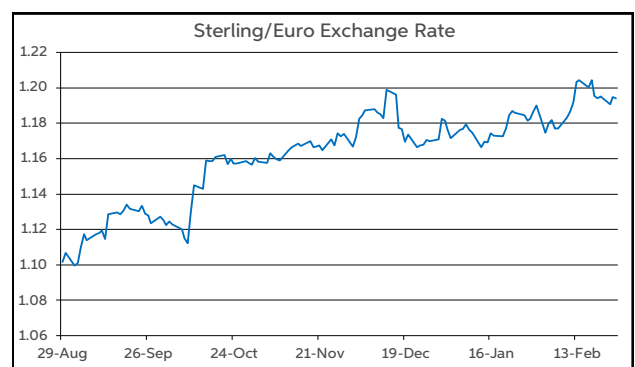
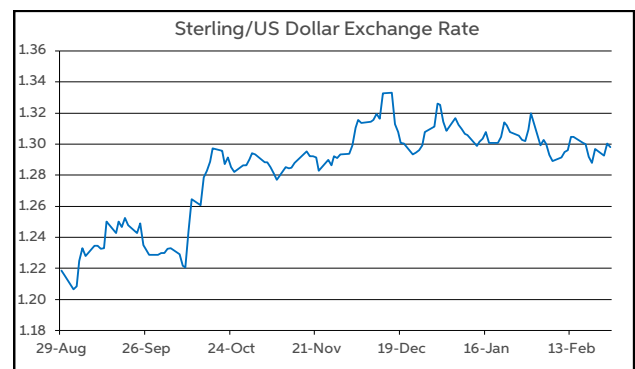
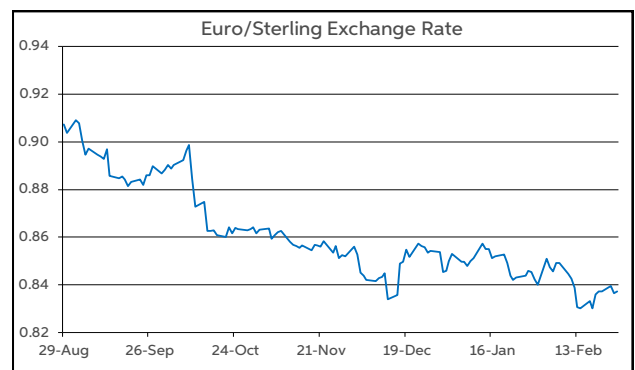
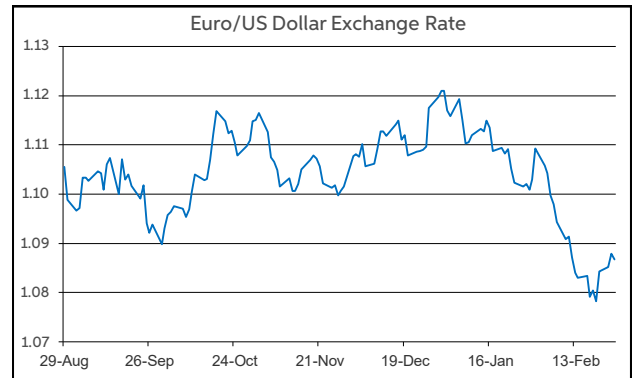
On bond markets, the 10-year US Treasury yield hit a record low of 1.31% amid the flight to safety. Meanwhile, concerns regarding the potential impact on economic activity were evident on interest rate markets. Futures contract suggest the market is now pricing in around 10bps of easing from the ECB by year end. Fed futures contracts point to close to 75bps of rate cuts from the US central bank over the next 12 months.

On the currency front, the action has remained confined to narrow ranges. The yen continued to be supported by safe haven demand. At the same time, sterling has edged slightly higher against both the dollar and the euro.

In level terms, the gains for the yen over the past 24 hours are evident in USD/JPY trading down in the lower half of ¥110-111. Elsewhere, the modestly firmer sterling tone is reflected in EUR/GBP edging further back from the 84p mark and GBP/USD moving up near to the \$1.30 level. Meanwhile, EUR/USD is changing hands in the upper half of \$1.08-1.09.

Ahead today, market sentiment will likely remain sensitive to Coronavirus developments. Therefore, the yen may continue to be supported. From a macro data perspective, there is nothing due for release that would be expected to impact the euro, sterling or the dollar.

John Fahey, Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2019 |
| EUR/USD | 1.0867 | 0.17 | -3.06 |
| EUR/GBP | 0.837 | -0.23 | -0.99 |
| GBP/USD | 1.298 | 0.37 | -2.10 |
| GBP/EUR | 1.194 | 0.23 | 1.00 |
| USD/JPY | 110.37 | -0.39 | 1.62 |
| EUR/JPY | 119.96 | -0.22 | -1.53 |

* 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 | 1.61 | 1.64 | 1.65 | 1.19 | 1.18 |
| EUR | 0.00 | -0.48 | -0.41 | -0.28 | -0.40 | -0.35 |
| GBP | 0.75 | 0.71 | 0.73 | 0.83 | 0.63 | 0.63 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

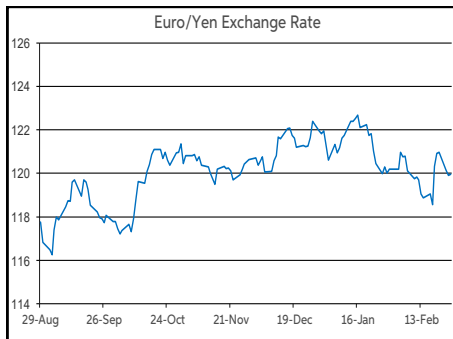
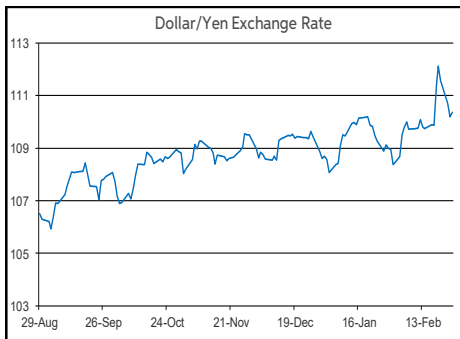
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|---------|--|----------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke Shane Gargan Enda Homan | FX Options | Mark Tuite | Reuters Phone | AIBG.I 00353-1-7724018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

Opening Levels

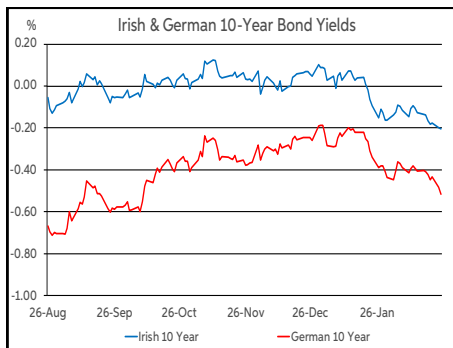
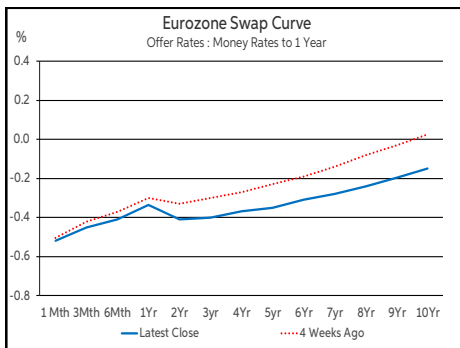
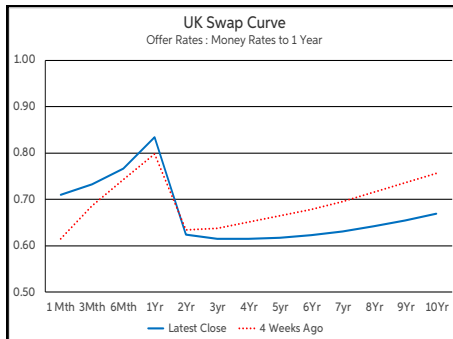
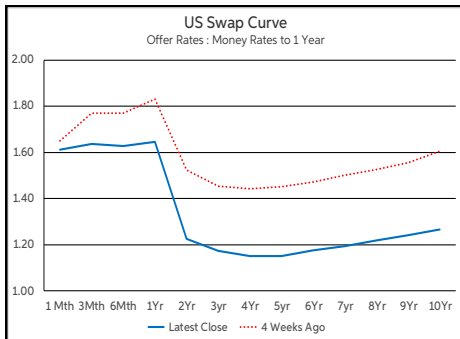
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| Euro | | Sterling | | Dollar | |
|---------|---------|----------|---------|---------|---------|
| EUR/GBP | 0.8371 | GBP/EUR | 1.1944 | USD/JPY | 110.38 |
| EUR/USD | 1.0867 | GBP/USD | 1.2983 | USD/CAD | 1.3285 |
| EUR/JPY | 119.98 | GBP/CAD | 1.7241 | USD/CHF | 0.9758 |
| EUR/SEK | 10.5758 | GBP/NZD | 2.0577 | USD/CNY | 7.0239 |
| EUR/DKK | 7.4703 | GBP/JPY | 143.31 | USD/BRL | 4.3878 |
| EUR/NOK | 10.1972 | GBP/SEK | 12.6291 | USD/RUB | 65.6469 |
| EUR/CHF | 1.0608 | GBP/DKK | 8.9225 | USD/INR | 71.735 |
| EUR/AUD | 1.6525 | GBP/NOK | 12.1797 | AUD/USD | 0.6576 |
| EUR/HKD | 8.4659 | GBP/CHF | 1.2669 | NZD/USD | 0.6308 |
| EUR/CAD | 1.4434 | GBP/AUD | 1.9738 | | |



| Debt Markets | | | | |
|---|-------|-----|---------|--------|
| | Close | Day | 4 Weeks | End 19 |
| 10 Year Yield % | | | | |
| US | 1.35 | -2 | -31 | -57 |
| Germany | -0.52 | -3 | -14 | -33 |
| UK | 0.52 | -2 | -3 | -30 |
| Ireland | -0.21 | -1 | -9 | -29 |
| Belgium | -0.19 | -1 | -8 | -27 |
| France | -0.25 | -1 | -16 | -37 |
| Italy | 0.98 | +2 | -4 | -39 |
| Spain | 0.20 | +0 | -10 | -25 |
| Portugal | 0.16 | +1 | -10 | -26 |
| Greece | 1.03 | +6 | -10 | -38 |
| 5 Year Swap % | | | | |
| US | 1.15 | -2 | -30 | -56 |
| Eurozone | -0.35 | -3 | -12 | -23 |
| UK | 0.62 | -3 | -5 | -27 |
| 2 Year Swap % | | | | |
| US | 1.23 | -2 | -30 | -47 |
| Eurozone | -0.41 | -3 | -8 | -12 |
| UK | 0.62 | -3 | -1 | -19 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 31 | +3 | +4 | +3 |
| Belgium | 33 | +2 | +6 | +6 |
| France | 26 | +2 | -2 | -4 |
| Italy | 150 | +5 | +9 | -7 |
| Spain | 72 | +4 | +3 | +8 |
| Portugal | 68 | +5 | +3 | +7 |
| Greece | 154 | +10 | +3 | -5 |



| Commodities | | | | |
|----------------|--------|-------|---------|--------|
| | Close | Day | 4 Weeks | End 19 |
| Brent Oil | 54.95 | -2.40 | -7.66 | -16.74 |
| West Texas Oil | 49.78 | -3.08 | -6.66 | -18.58 |
| Gold \$ | 1635.7 | -1.53 | +4.41 | +7.77 |

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