

Euro extends gains as market prices in big US rate cuts

The action on currency markets yesterday saw the euro extending its gains against both the dollar and sterling. Relative moves in the respective interest rate markets were supportive of the currency.

The dollar came into the day on the defensive on news of the first 'unknown origin' case of the Coronavirus in the US. The currency has remained under pressure over the past 24 hours. Sterling has also been on the back foot, in part hampered by the hard-line negotiating stance outlined by the UK government ahead of next week's trade talks with the EU.

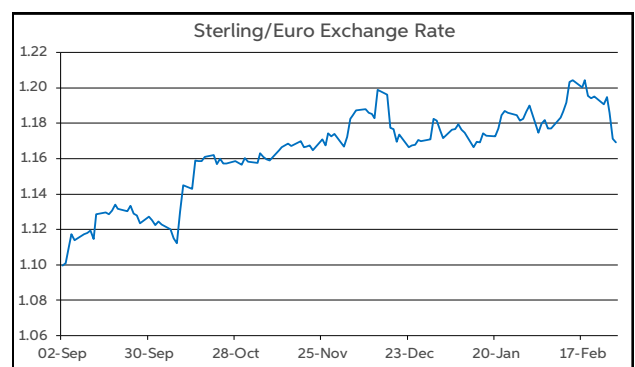
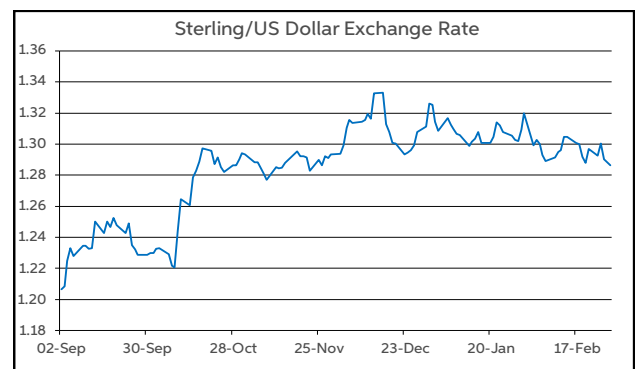
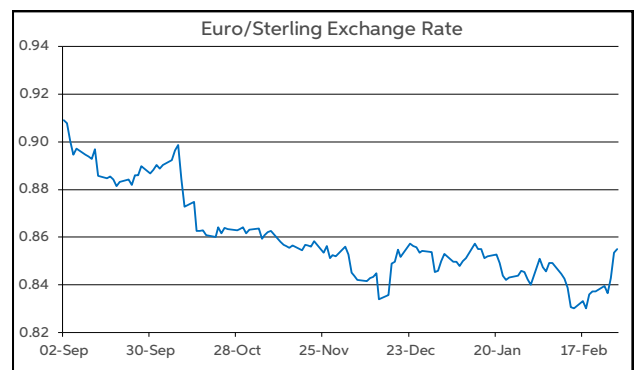
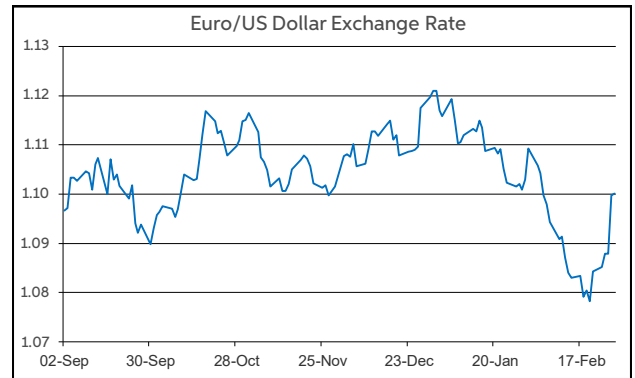
The dollar is being particularly impacted by growing market expectations of major rate cuts in the US to offset the impact on economic activity arising from restrictions to contain the spreading of the Coronavirus. The scope to cut rates is much greater in the US than elsewhere. Thus, futures contracts indicate the market is pricing in 50bps of rate cuts from the Fed by June (75bps in total now by year end), a 25bps BoE cut by mid-summer and around 10bps of easing from the ECB by the end of the year.

In level terms, EUR/USD opens this morning back up at the \$1.10 level and EUR/GBP has regained the 85p threshold. Meanwhile, GBP/USD has edged back below the \$1.29 mark.

Investor sentiment continued to show its fragility to Coronavirus newsflow. In Europe, the Euro Stoxx 50 fell by over 3%. Meantime, on Wall Street last night, the S&P 500 was 4.5% lower on the day and entered correction territory. In overnight action, the Nikkei fell 3.7%.

Today, the focus will remain on Coronavirus developments with sentiment in markets staying very fragile.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.1002	0.88	-1.86
EUR/GBP	0.855	1.38	1.14
GBP/USD	1.2868	-0.47	-2.95
GBP/EUR	1.1693	-1.36	-1.12
USD/JPY	108.95	-0.99	0.31
EUR/JPY	119.87	-0.12	-1.61

* 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	1.58	1.58	1.54	1.05	1.04
EUR	0.00	-0.48	-0.42	-0.31	-0.43	-0.36
GBP	0.75	0.71	0.72	0.80	0.58	0.60

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

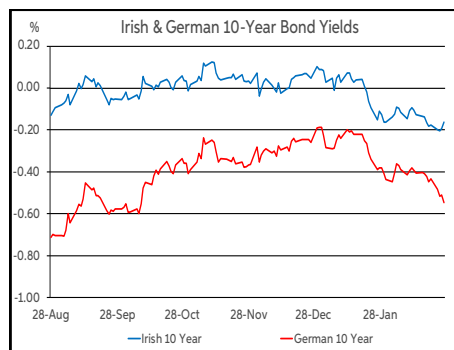
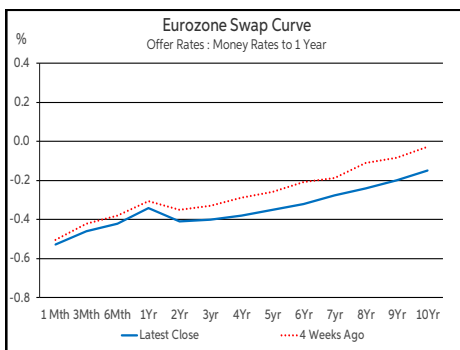
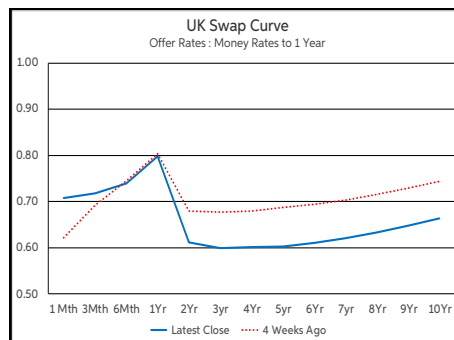
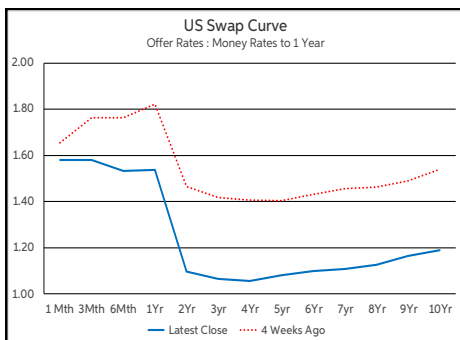
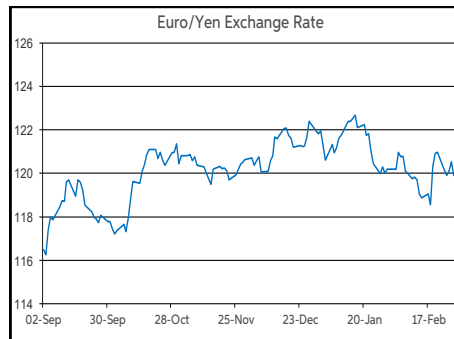
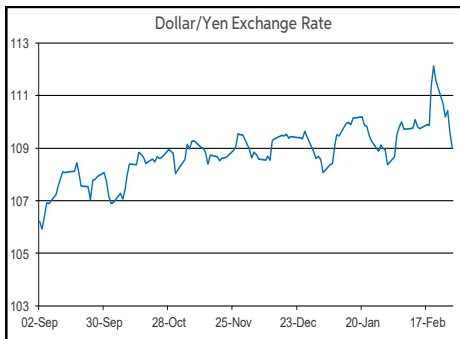
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		Equity Options	Gary Luff				

Opening Levels

Friday 28 February 2020
07:33 am



Euro		Sterling		Dollar	
EUR/GBP	0.855	GBP/EUR	1.1693	USD/JPY	108.95
EUR/USD	1.1002	GBP/USD	1.2868	USD/CAD	1.3434
EUR/JPY	119.87	GBP/CAD	1.7285	USD/CHF	0.9668
EUR/SEK	10.6665	GBP/NZD	2.0584	USD/CNY	7.0032
EUR/DKK	7.4722	GBP/JPY	140.18	USD/BRL	4.4861
EUR/NOK	10.3869	GBP/SEK	12.4726	USD/RUB	66.755
EUR/CHF	1.0637	GBP/DKK	8.7369	USD/INR	72.1425
EUR/AUD	1.6839	GBP/NOK	12.1448	AUD/USD	0.6533
EUR/HKD	8.576	GBP/CHF	1.2438	NZD/USD	0.6249
EUR/CAD	1.4783	GBP/AUD	1.9692		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 19
10 Year Yield %				
US	1.27	-6	-32	-65
Germany	-0.55	-4	-14	-36
UK	0.47	-3	-7	-35
Ireland	-0.16	+3	+0	-25
Belgium	-0.20	-3	-3	-28
France	-0.27	-3	-11	-39
Italy	1.06	+8	+13	-32
Spain	0.30	+6	+3	-16
Portugal	0.30	+10	+7	-12
Greece	1.18	+3	+11	-23
5 Year Swap %				
US	1.08	-7	-32	-63
Eurozone	-0.35	-2	-9	-23
UK	0.60	-1	-8	-29
2 Year Swap %				
US	1.10	-12	-37	-60
Eurozone	-0.41	-1	-6	-12
UK	0.61	-0	-7	-20
10 Year Government Bond Spreads to Benchmark bps				
Ireland	39	+7	+14	+11
Belgium	35	+1	+11	+8
France	28	+1	+3	-3
Italy	161	+12	+27	+4
Spain	85	+10	+17	+20
Portugal	85	+14	+21	+24
Greece	172	+6	+25	+13

Commodities				
	% Change			
	Close	Day	4 Weeks	End 19
Brent Oil	52.18	-2.34	-10.48	-20.94
West Texas Oil	47.17	-3.08	-9.62	-22.85
Gold \$	1642.8	+0.15	+4.33	+8.23

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