

Sterling falls sharply on trade concerns

The action on currency markets yesterday saw sterling come under some significant downward pressure. The move came as Prime Minister Johnson and EU Negotiator Barnier outlined their conflicting positions ahead of the upcoming UK-EU trade talks.

In his speech Barnier continued to insist on a “level playing field”, while the British PM again emphasised that the UK will not be a rule-taker post Brexit. Overall, the speeches served as a reminder of how difficult it will be to put a deal in place by end-year. If one cannot be agreed, the UK may resort to trading with the EU on WTO terms from January 1st 2021, a de facto hard Brexit.

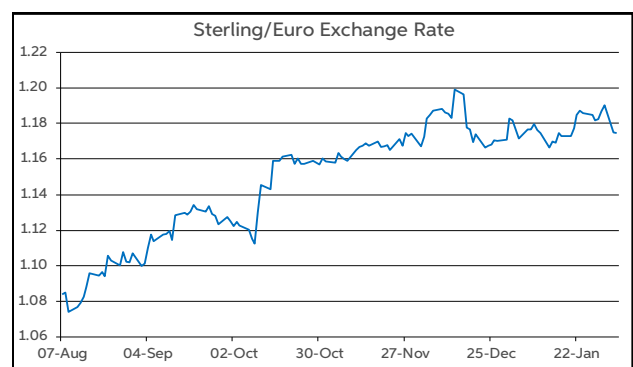
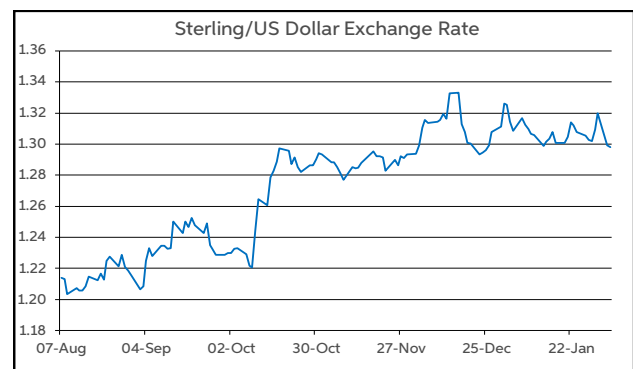
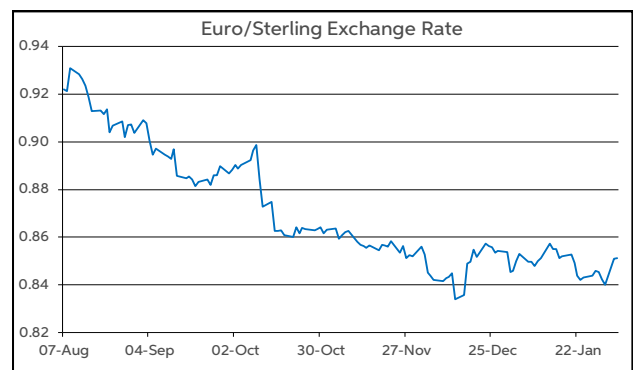
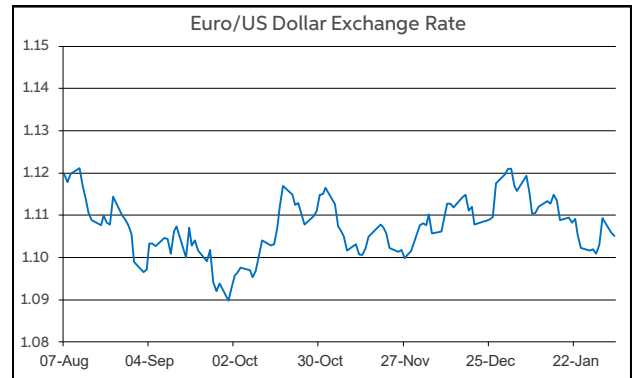
Data-wise, the January reading of the manufacturing ISM provided a somewhat supportive backdrop for the dollar. The data surprised strongly to the upside of expectations (50.9 vs f’cast 48.5), moving back into expansionary territory for the first time since July.

In level terms, all of the above is reflected in EUR/GBP opening this morning back above the 85p threshold, while cable (GBP/USD) has moved below the \$1.30 level. Meantime, EUR/USD is changing hands at the midpoint of the \$1.10-1.11 range.

Elsewhere on financial markets, there was an improvement in risk appetite. The main equity indices, which have been sensitive to newsflow surrounding the coronavirus, moved higher. At the close on Wall Street, the S&P 500 was up 0.7%. Oil prices also recovered some ground, having dropped sharply on Monday.

Today, there is little out from a data perspective to guide the main pairs. Therefore, it could be a quiet day on currency markets. Although, sentiment may remain sensitive to headlines surrounding UK-EU trade talks, as well as the coronavirus.

Conor Beake, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.1052	-0.29	-1.41
EUR/GBP	0.8514	1.12	0.71
GBP/USD	1.2982	-1.38	-2.09
GBP/EUR	1.1742	-1.10	-0.70
USD/JPY	108.87	0.33	0.24
EUR/JPY	120.35	0.06	-1.21

* 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	1.67	1.74	1.77	1.45	1.39
EUR	0.00	-0.45	-0.39	-0.28	-0.36	-0.29
GBP	0.75	0.71	0.76	0.87	0.67	0.66

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

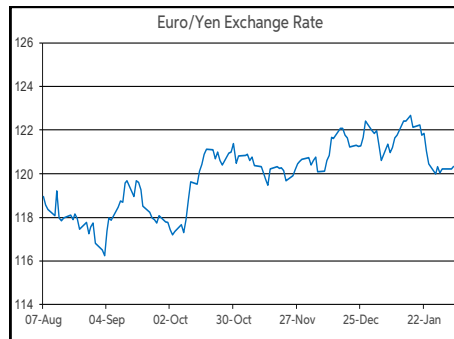
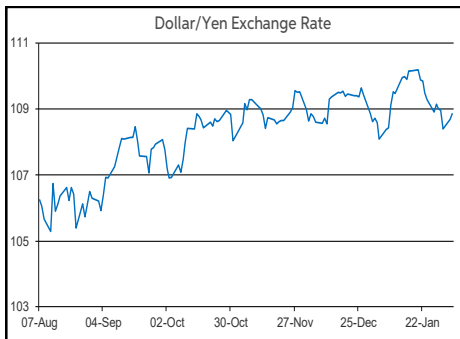
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

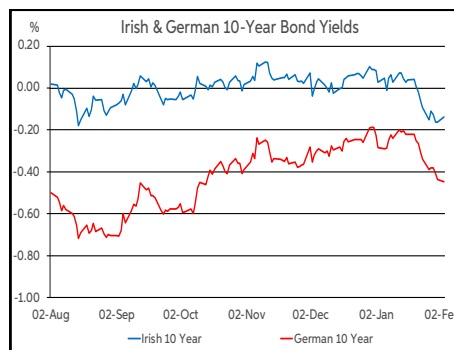
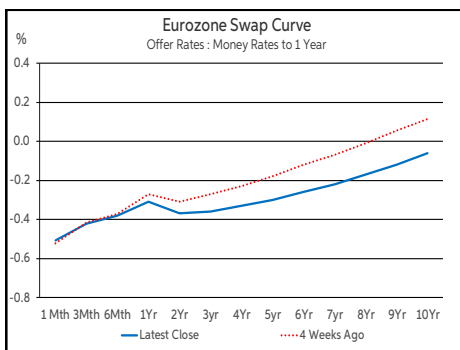
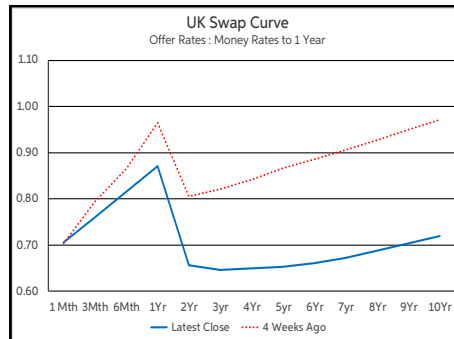
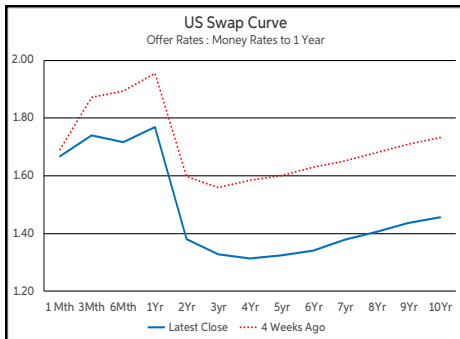
Tuesday 04 February 2020
07:18 am



Euro		Sterling		Dollar	
EUR/GBP	0.8514	GBP/EUR	1.1742	USD/JPY	108.87
EUR/USD	1.1052	GBP/USD	1.2982	USD/CAD	1.3288
EUR/JPY	120.35	GBP/CAD	1.7249	USD/CHF	0.9678
EUR/SEK	10.6521	GBP/NZD	2.0064	USD/CNY	6.9892
EUR/DKK	7.4725	GBP/JPY	141.34	USD/BRL	4.2476
EUR/NOK	10.2191	GBP/SEK	12.513	USD/RUB	63.499
EUR/CHF	1.07	GBP/DKK	8.7749	USD/INR	71.13
EUR/AUD	1.6449	GBP/NOK	11.9988	AUD/USD	0.6718
EUR/HKD	8.5859	GBP/CHF	1.2564	NZD/USD	0.6468
EUR/CAD	1.4686	GBP/AUD	1.9317		



Debt Markets				
	Close	Day	4 Weeks	End 19
10 Year Yield %				
US	1.52	+2	-28	-39
Germany	-0.45	-1	-16	-26
UK	0.51	-1	-25	-31
Ireland	-0.14	+3	-18	-23
Belgium	-0.20	+1	-19	-28
France	-0.19	+0	-21	-31
Italy	0.94	+2	-40	-43
Spain	0.24	+1	-14	-22
Portugal	0.22	+2	-13	-20
Greece	1.16	+5	-22	-25
5 Year Swap %				
US	1.33	+1	-28	-39
Eurozone	-0.30	-1	-12	-18
UK	0.65	-2	-21	-24
2 Year Swap %				
US	1.38	-1	-22	-32
Eurozone	-0.37	+0	-6	-8
UK	0.66	-2	-15	-15
10 Year Government Bond Spreads to Benchmark bps				
Ireland	31	+4	-3	+3
Belgium	25	+1	-4	-2
France	26	+1	-5	-5
Italy	138	+3	-25	-18
Spain	68	+2	+1	+4
Portugal	67	+3	+2	+6
Greece	161	+6	-6	+1



Commodities				
	Close	Day	4 Weeks	End 19
Brent Oil	54.45	-6.38	-20.98	-17.50
West Texas Oil	50.06	-2.95	-20.88	-18.12
Gold \$	1576.9	-0.86	+0.69	+3.89

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, p.l.c. and Allied Irish Bank (GB). In Northern Ireland it is distributed by First Trust Bank. In the United States of America it is distributed by Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and First Trust Bank are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.