

## Quiet start to the new year

Sterling has remained relatively range bound since Christmas despite the EU and UK finally agreed on a trade deal last week. The agreement has been approved by the EU and UK Governments. It is being applied on a provisional basis from the 1st January, until the full ratification process is complete

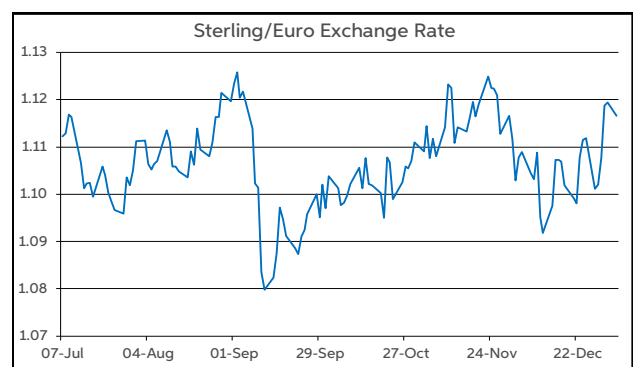
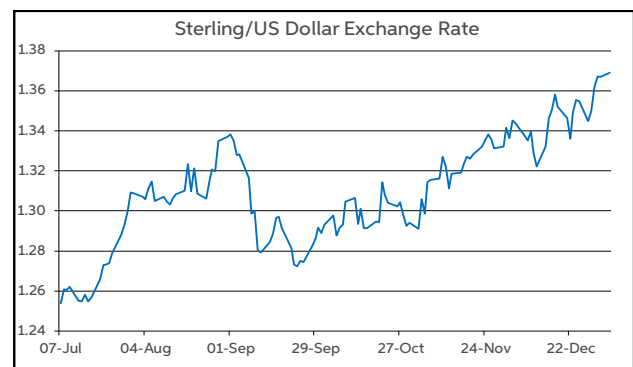
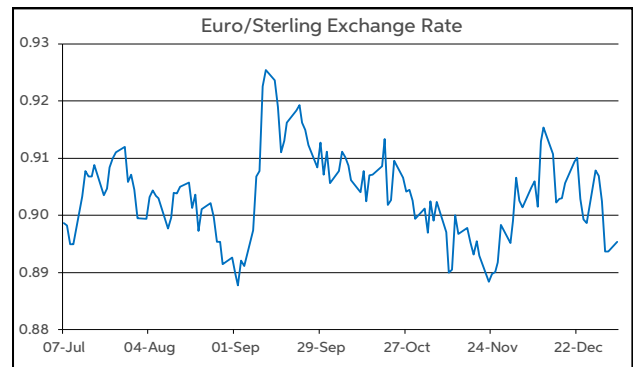
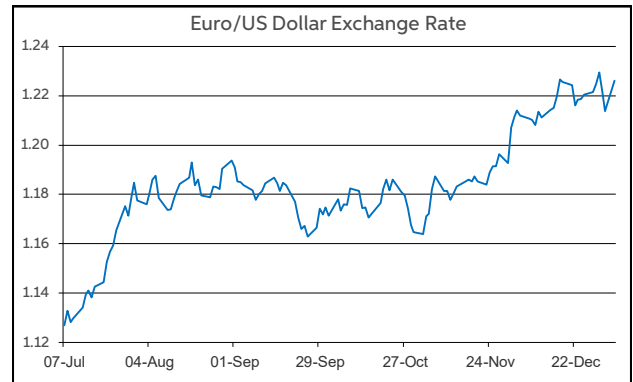
The gains by sterling were limited as a trade agreement had been generally expected by the markets. Furthermore, the UK's strict lockdown announced before Christmas is acting as a headwind on the currency. Thus, EUR/GBP only fell back modestly to 89.5p on the news, with cable rising to 1.365. Elsewhere, the dollar range traded against the euro in a \$1.21-23 corridor over the past week.

Meanwhile, there was generally a mixed tone to quiet equity markets over the Christmas holiday period as investors took to the side lines after a rollercoaster year. In any event, there was very little on the data front to move markets. The cautious tone to investor sentiment remains this morning, as focus turns to the key Senate races in the US this week. Currency-wise, the euro is opening at 89.5p against sterling and \$1.226 against the dollar.

Turning to the week ahead, there are a number of important releases culminating on Friday in the US employment report for December. This is expected to show that the recovery in the labour market stalled, with payrolls forecast to rise by just 100k and the unemployment rate edging higher to 6.8%.

Ahead of this, we get December ISM data on the US manufacturing and services sectors. In the Eurozone, the highlight is inflation data for December, with the annual HICP rate forecast to remain in negative territory.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.2265	1.10	0.43
EUR/GBP	0.8955	0.10	0.20
GBP/USD	1.3692	0.13	0.14
GBP/EUR	1.1162	-0.10	-0.20
USD/JPY	102.91	-0.03	-0.32
EUR/JPY	126.21	0.07	0.04

\* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates						
	Base Rate	Money Market		Swap Rates		
		1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	0.125	0.14	0.24	0.18	0.22	0.45
EUR	0.00	-0.55	-0.55	-0.54	-0.52	-0.46
GBP	0.10	0.02	0.03	0.00	0.04	0.21

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

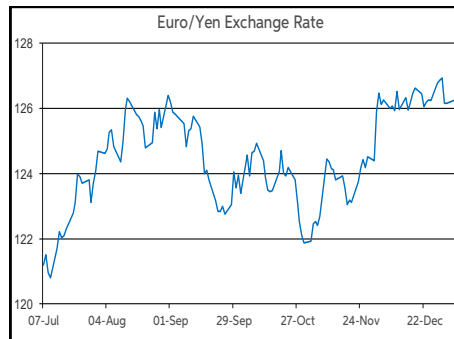
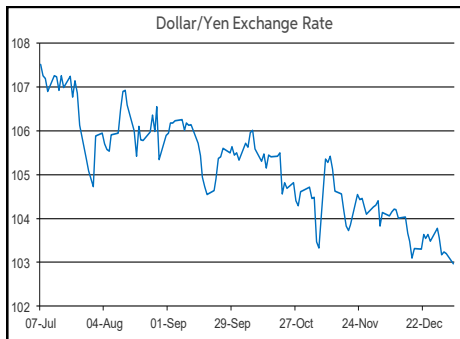
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

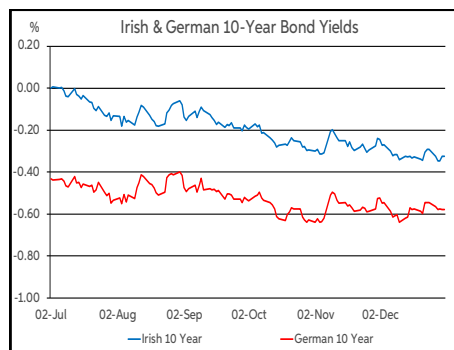
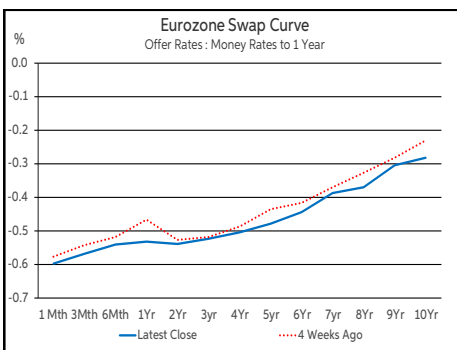
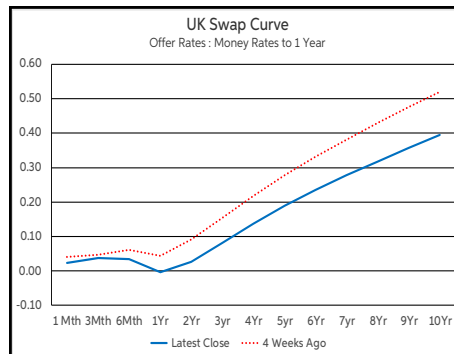
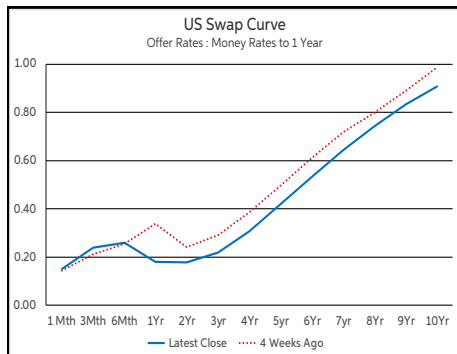
Monday 04 January 2021  
07:31 am



Euro		Sterling		Dollar	
EUR/GBP	0.8957	GBP/EUR	1.1162	USD/JPY	102.95
EUR/USD	1.2264	GBP/USD	1.3693	USD/CAD	1.2687
EUR/JPY	126.26	GBP/CAD	1.7377	USD/CHF	0.8829
EUR/SEK	10.0303	GBP/NZD	1.8978	USD/CNY	6.4649
EUR/DKK	7.4406	GBP/JPY	140.97	USD/BRL	5.1935
EUR/NOK	10.4333	GBP/SEK	11.1981	USD/RUB	73.3675
EUR/CHF	1.0828	GBP/DKK	8.3061	USD/INR	73.007
EUR/AUD	1.588	GBP/NOK	11.6477	AUD/USD	0.7722
EUR/HKD	9.5071	GBP/CHF	1.2089	NZD/USD	0.7212
EUR/CAD	1.5566	GBP/AUD	1.7727		



	Close	Change bps		
		Day	4 Weeks	End 20
<b>10 Year Yield %</b>				
US	0.92	-1	-6	+0
Germany	-0.58	-1	-3	+0
UK	0.20	-2	-16	+0
Ireland	-0.30	-2	-6	+0
Belgium	-0.38	-0	-4	+0
France	-0.34	-0	-3	+0
Italy	0.52	-0	-7	+0
Spain	0.06	-0	-3	+0
Portugal	0.06	+1	+1	+0
Greece	0.63	+0	-1	+0
<b>5 Year Swap %</b>				
US	0.42	-0	-4	-0
Eurozone	-0.48	-2	-2	-2
UK	0.19	+0	-8	+0
<b>2 Year Swap %</b>				
US	0.18	-1	-2	-1
Eurozone	-0.54	-1	-1	-1
UK	0.03	+0	-5	+0
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	27	-2	-3	+0
Belgium	19	+0	-0	+0
France	23	+0	-0	+0
Italy	110	+0	-4	+0
Spain	63	+0	+0	+0
Portugal	64	+2	+4	+0
Greece	120	+0	+2	+0



	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	51.8	+0.90	+5.18	+0.00
West Texas Oil	48.35	+0.23	+4.59	+0.00
Gold \$	1898.1	+0.09	+3.29	+0.09

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