

## US Senate run-offs in focus

There was a mixed tone to financial markets yesterday to kick-off the first full trading week of 2021. In Europe, the Eurostoxx 50 was up 0.3% while the FTSE, assisted by a weaker sterling outperformed, up 1.7%. However, across the Atlantic, the S&P 500 was down 1.5% as focus turned to today's two key Senate run-off races in Georgia, with control of the US Senate up for grabs.

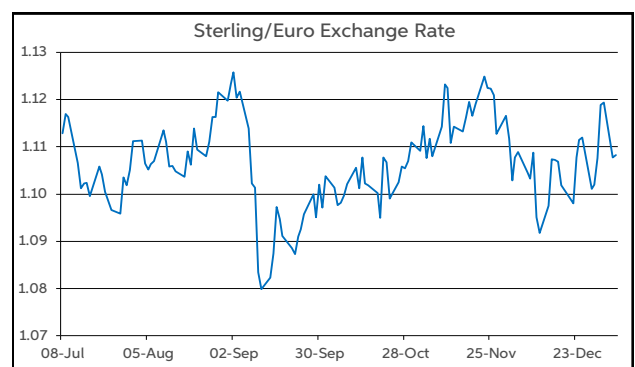
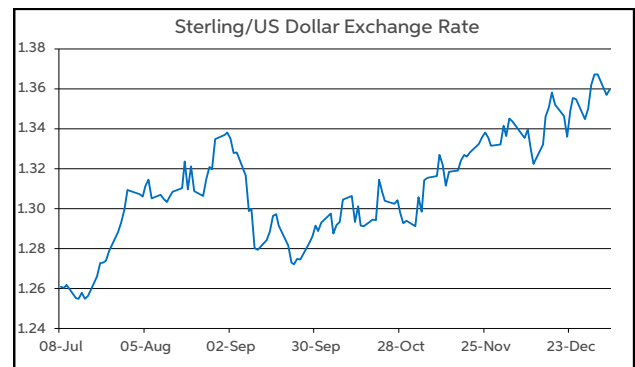
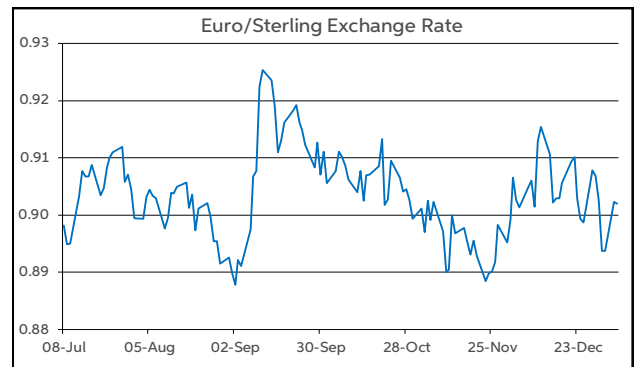
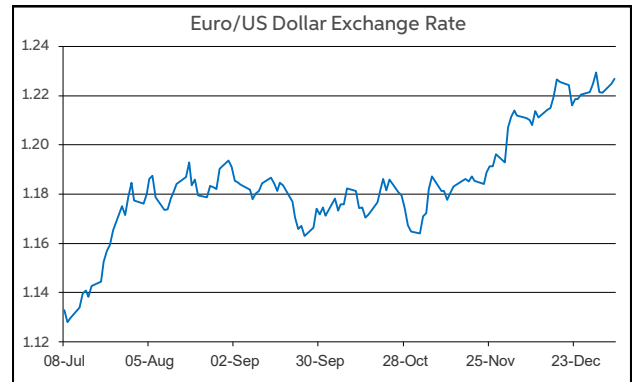
Polls suggest that the Democratic candidates are slightly ahead. The twin races are of critical importance for the incoming Biden Administration, as without control of the Senate, Republicans can hamstring its legislative agenda, including plans for higher corporation tax. The result is expected to be known by early Wednesday morning.

Currency-wise, sterling came under pressure, as the UK Government introduced a third national lockdown to combat the spread of the new variant of Covid-19. The currency lost over 0.5% against the euro and the dollar yesterday.

In level terms, this sees EUR/GBP open this morning in the bottom half of the 90-91p band. Meanwhile, cable (GBP/USD) is changing hands back at the \$1.36 handle. Elsewhere, EUR/USD remains range bound, operating above the halfway mark of \$1.22-1.23.

Data-wise, this morning German retail sales printed much stronger than expected, up 1.9% m/m (vs. -2% f'cast) in November. Meanwhile, later today in the US the manufacturing ISM is projected to remain expansionary, but to fall to 56.6 from 57.5 in December. Although, barring any surprises this is unlikely to impact the dollar, with Covid related developments and the Senate races more likely to provide direction for markets.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.227	0.13	0.47
EUR/GBP	0.9021	0.75	0.94
GBP/USD	1.3599	-0.61	-0.54
GBP/EUR	1.1082	-0.74	-0.93
USD/JPY	102.91	-0.09	-0.32
EUR/JPY	126.28	0.05	0.10

\* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates						
		Money Market		Swap Rates		
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	0.125	0.14	0.24	0.18	0.20	0.43
EUR	0.00	-0.55	-0.55	-0.54	-0.54	-0.47
GBP	0.10	0.02	0.03	-0.02	0.05	0.18

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

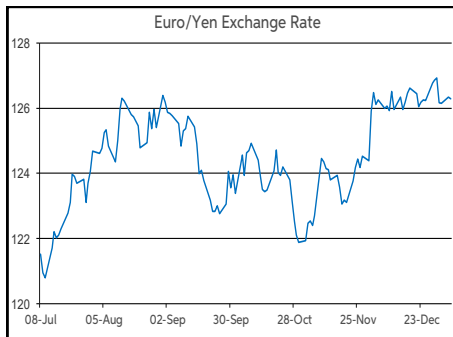
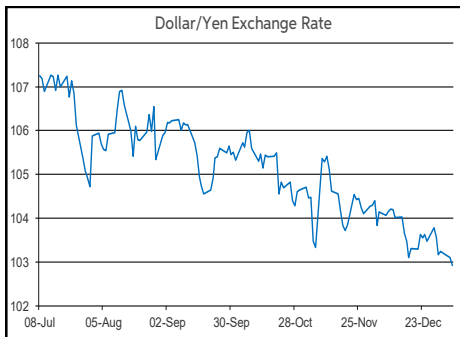
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

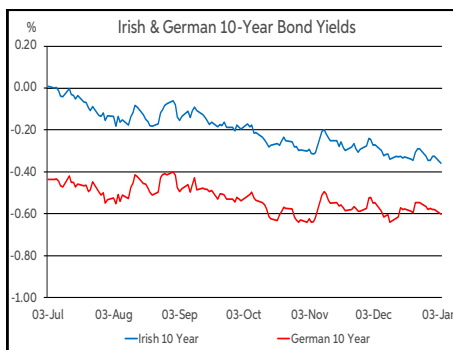
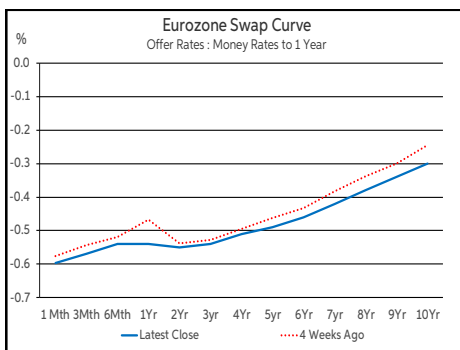
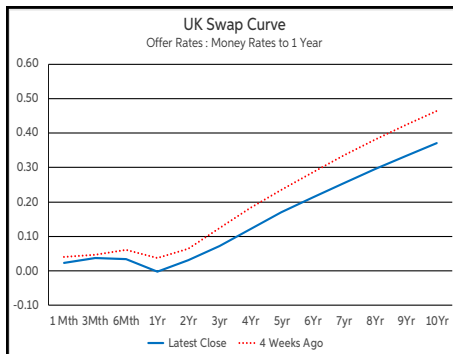
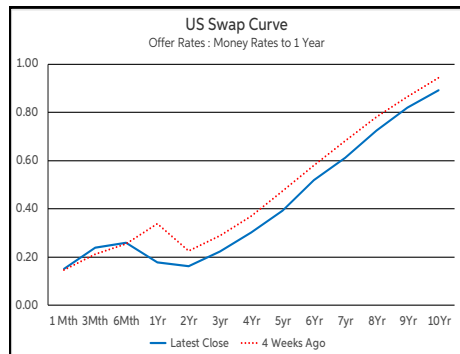
Tuesday 05 January 2021  
07:28 am



Euro		Sterling		Dollar	
EUR/GBP	0.902	GBP/EUR	1.1083	USD/JPY	102.91
EUR/USD	1.2269	GBP/USD	1.36	USD/CAD	1.2739
EUR/JPY	126.25	GBP/CAD	1.7328	USD/CHF	0.8803
EUR/SEK	10.0795	GBP/NZD	1.8827	USD/CNY	6.458
EUR/DKK	7.4407	GBP/JPY	139.96	USD/BRL	5.2968
EUR/NOK	10.4465	GBP/SEK	11.1685	USD/RUB	74.3942
EUR/CHF	1.08	GBP/DKK	8.2467	USD/INR	73.105
EUR/AUD	1.5885	GBP/NOK	11.5827	AUD/USD	0.7723
EUR/HKD	9.5106	GBP/CHF	1.1967	NZD/USD	0.7219
EUR/CAD	1.5633	GBP/AUD	1.7603		



Debt Markets				
	Close	Day	4 Weeks	End 20
<b>10 Year Yield %</b>				
US	0.92	+0	-1	+0
Germany	-0.60	-2	-1	-2
UK	0.17	-2	-11	-2
<b>5 Year Swap %</b>				
US	0.39	-3	-4	-3
Eurozone	-0.49	-3	-1	-3
UK	0.17	-2	-6	-2
<b>2 Year Swap %</b>				
US	0.16	-3	-6	-3
Eurozone	-0.55	-2	-1	-2
UK	0.03	+0	-2	+0
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	29	+2	-2	+2
Belgium	19	-0	-2	-0
France	23	-0	-1	-0
Italy	112	+2	-4	+2
Spain	63	-1	-1	-1
Portugal	62	-2	+1	-2
Greece	123	+3	+1	+3



Commodities				
	Close	Day	4 Weeks	End 20
Brent Oil	51.09	-1.37	+4.71	-1.37
West Texas Oil	47.47	-1.82	+3.83	-1.82
Gold \$	1942.3	+2.33	+4.22	+2.41

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