

## Dollar under pressure

The mood on stock markets remained mixed yesterday, as investors continue to assess the roll out of vaccines around the globe against the backdrop of tighter and extended lockdowns in the West. At the closing bell on Wall Street, the S&P 500 was up 0.7%, while in Europe, the Eurostoxx 50 fell by 0.5%. Elsewhere, oil prices rose by almost 6%, as Saudi Arabia agreed to cut supply.

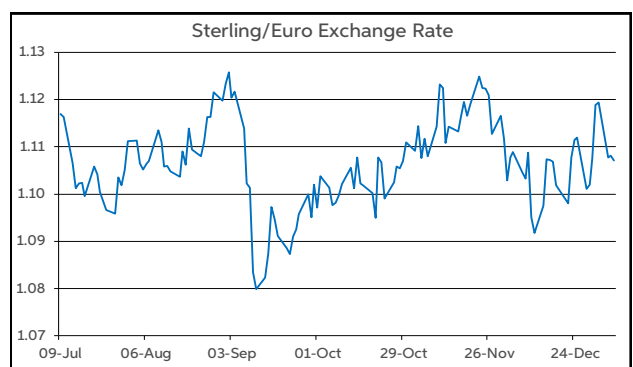
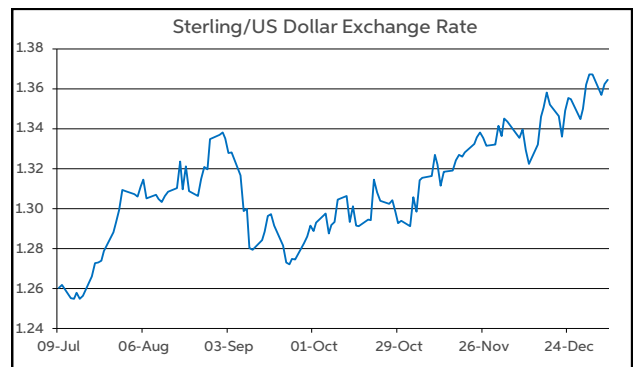
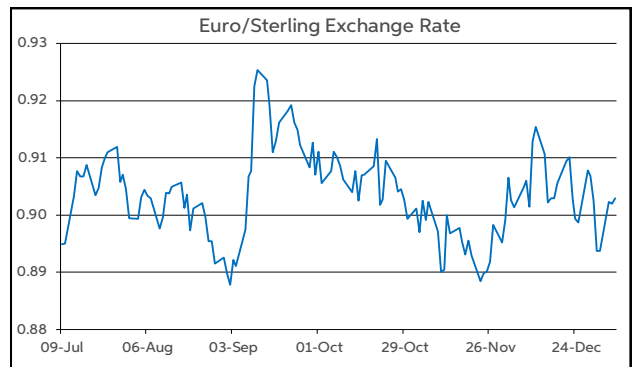
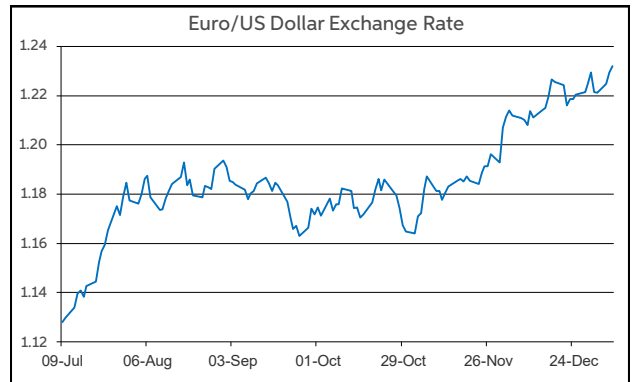
In the UK, further supports totalling £4.6bn were announced for businesses as the country entered its third national lockdown, with the economy likely to contract again in Q1 2021. Data-wise, the US manufacturing ISM for December rose to 60.7 from 57.5, reaching its highest level since August 2018.

Elsewhere, early indications are that the Democrats seem likely to win both seats in the Georgia Senate runoffs, and with them control of the upper house. Full Democrat control of Congress is likely to result in increased fiscal spending and higher corporation taxes for businesses. Overnight, the yield on 10Yr US Treasuries rose to 1%, its highest level since March, while the dollar has also come under some downward pressure. However, neither race has officially been called.

In level terms, EUR/USD opens this morning above the \$1.23 mark. Meanwhile, GBP/USD is operating near the midpoint of the \$1.36-1.37 range. EUR/GBP remains relatively unchanged, starting the day at 90.3p.

Today, inflation in both Germany and France is expected to remain subdued, at -0.6% and 0.2% respectively in December. Elsewhere, the release of the Fed minutes from the latest monetary policy meeting may provide some direction for the dollar.

**Daniel Noonan, Economist, AIB**



| Today's Opening FX Rates |        |          |          |
|--------------------------|--------|----------|----------|
|                          |        | % Change |          |
|                          |        | Day *    | End 2020 |
| EUR/USD                  | 1.2322 | 0.42     | 0.89     |
| EUR/GBP                  | 0.9031 | 0.09     | 1.05     |
| GBP/USD                  | 1.3644 | 0.35     | -0.21    |
| GBP/EUR                  | 1.1071 | -0.09    | -1.04    |
| USD/JPY                  | 102.69 | -0.25    | -0.53    |
| EUR/JPY                  | 126.55 | 0.17     | 0.31     |

\* 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       | 0.22  | 0.49  |
| EUR                    | 0.00      | -0.57        | -0.55 | -0.53      | -0.52 | -0.46 |
| GBP                    | 0.10      | 0.02         | 0.03  | -0.02      | 0.05  | 0.20  |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

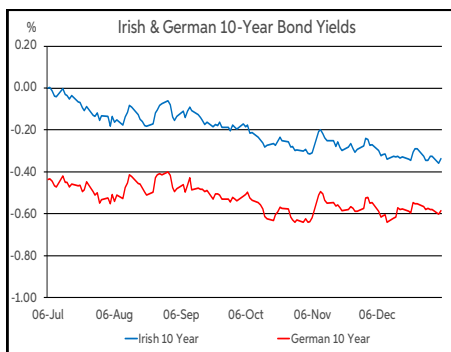
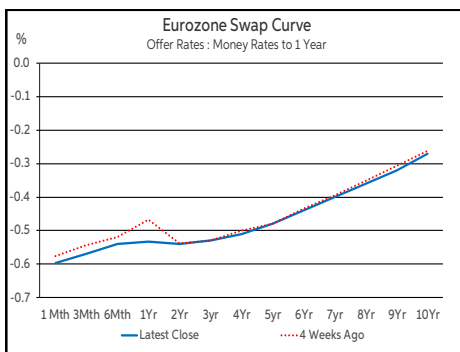
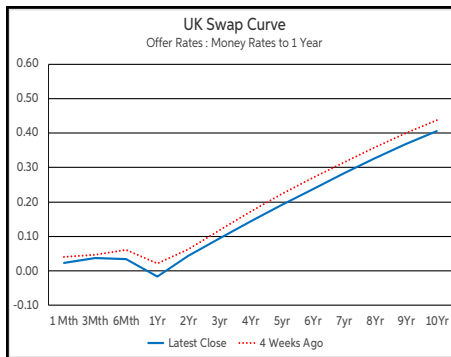
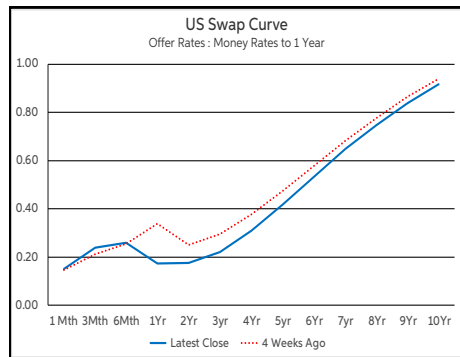
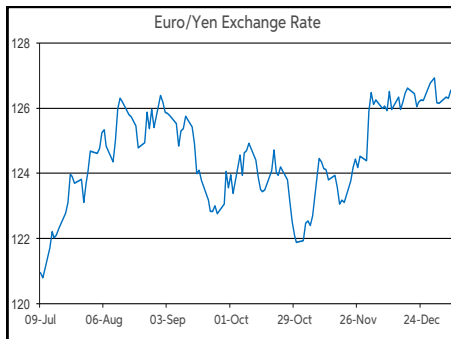
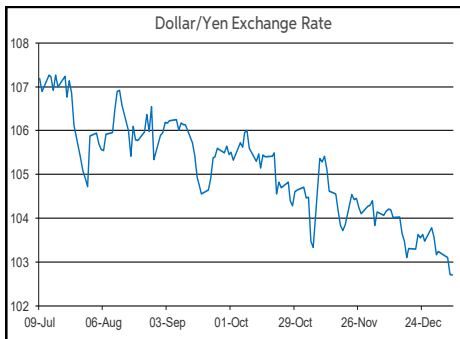
|         |  |                |            |               |                           |                 |                                   |
|---------|--|----------------|------------|---------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl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

# Opening Levels

Wednesday 06 January 2021  
07:24 am



| Euro    |         | Sterling |         | Dollar  |        |
|---------|---------|----------|---------|---------|--------|
| EUR/GBP | 0.9031  | GBP/EUR  | 1.1071  | USD/JPY | 102.69 |
| EUR/USD | 1.2322  | GBP/USD  | 1.3644  | USD/CAD | 1.266  |
| EUR/JPY | 126.55  | GBP/CAD  | 1.7275  | USD/CHF | 0.877  |
| EUR/SEK | 10.049  | GBP/NZD  | 1.8745  | USD/CNY | 6.4575 |
| EUR/DKK | 7.4394  | GBP/JPY  | 140.12  | USD/BRL | 5.2854 |
| EUR/NOK | 10.3825 | GBP/SEK  | 11.1181 | USD/RUB | 73.52  |
| EUR/CHF | 1.0808  | GBP/DKK  | 8.2368  | USD/INR | 73.112 |
| EUR/AUD | 1.5816  | GBP/NOK  | 11.4983 |         |        |
| EUR/HKD | 9.5523  | GBP/CHF  | 1.1965  | AUD/USD | 0.7791 |
| EUR/CAD | 1.5601  | GBP/AUD  | 1.7513  | NZD/USD | 0.7277 |



| Debt Markets  |       |            |         |        |
|---|-------|------------|---------|--------|
|   | Close | Change bps |         |        |
|   |       | Day        | 4 Weeks | End 20 |
| <b>10 Year Yield %</b>                                  |       |            |         |        |
| US  | 0.95  | +4         | +3      | +4     |
| Germany   | -0.58 | +2         | +3      | -1     |
| UK  | 0.21  | +4         | -5      | +2     |
| Ireland   | -0.31 | +0         | -1      | -1     |
| Belgium   | -0.38 | +3         | +3      | +1     |
| France  | -0.33 | +3         | +3      | +1     |
| Italy   | 0.53  | +1         | -2      | +1     |
| Spain   | 0.04  | +2         | +1      | -1     |
| Portugal  | 0.01  | -1         | +1      | -5     |
| Greece  | 0.62  | -1         | -2      | -0     |
| <b>5 Year Swap %</b>                                    |       |            |         |        |
| US  | 0.42  | +2         | -2      | -0     |
| Eurozone  | -0.48 | +1         | +1      | -2     |
| UK  | 0.19  | +2         | -3      | +0     |
| <b>2 Year Swap %</b>                                    |       |            |         |        |
| US  | 0.18  | +0         | -3      | -2     |
| Eurozone  | -0.54 | +1         | +1      | -1     |
| UK  | 0.04  | +1         | -1      | +2     |
| <b>10 Year Government Bond Spreads to Benchmark bps</b> |       |            |         |        |
| Ireland   | 27    | -1         | -4      | +0     |
| Belgium   | 21    | +2         | +0      | +2     |
| France  | 25    | +2         | +0      | +2     |
| Italy   | 112   | -0         | -5      | +2     |
| Spain   | 63    | +0         | -2      | -0     |
| Portugal  | 59    | -3         | -2      | -4     |
| Greece  | 121   | -2         | -5      | +1     |

| Commodities    |          |       |         |        |
|----------------|----------|-------|---------|--------|
|                | % Change |       |         |        |
|                | Close    | Day   | 4 Weeks | End 20 |
| Brent Oil      | 53.6     | +4.91 | +9.75   | +3.47  |
| West Texas Oil | 49.78    | +4.87 | +9.07   | +2.96  |
| Gold \$        | 1949.4   | +0.36 | +4.17   | +2.79  |

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