

Firmer tone to the dollar

Equity markets started the first full trading week in 2021 in a positive mood, with the main European and US indices recording gains of around 2%, despite rising Covid case numbers. The positive risk sentiment was boosted by the Democrats taking control of the Senate in the US, which is seen as increasing the prospects of more fiscal spending, as well as EU approval of the Moderna vaccine against Covid-19.

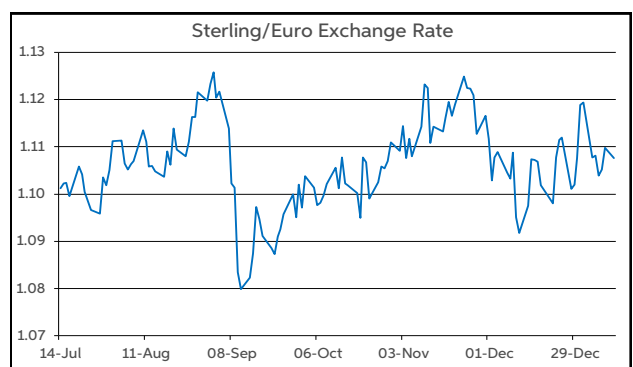
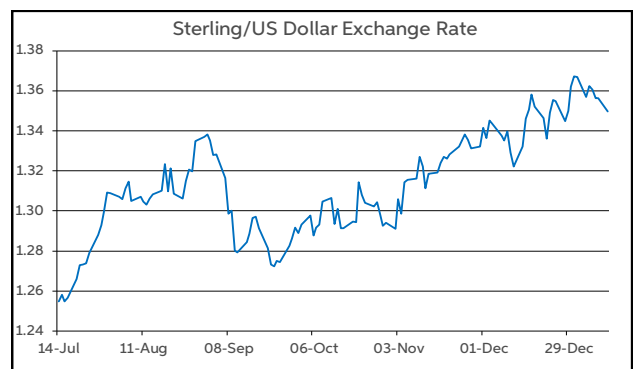
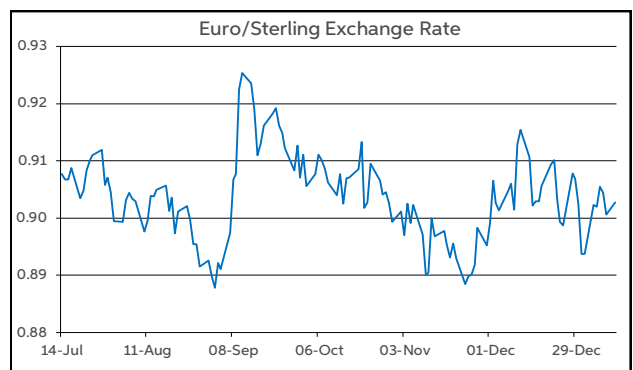
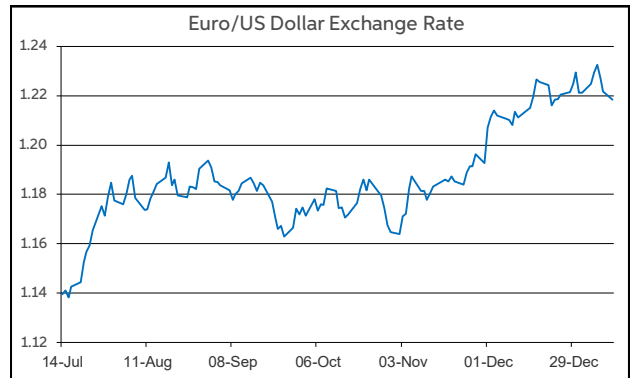
Currency-wise, the main pairs stayed within narrow trading ranges. EUR/GBP operated within 89-91p all week, and opens this morning in the heart of this range. Although, downward pressure on the dollar abated during the second half of last week, the greenback was only able to make limited gains. However, a softer tone to risk sentiment overnight sees EUR/USD open below the \$1.22 mark. Cable (GBP/USD) is operating at the \$1.35 handle.

This week, the main highlight will be the release of UK GDP for November. The forecast is for output to fall by 4%, which would bring GDP back to 11.6% below its pre-Covid level. However, the contraction is not as severe as in the spring as manufacturing, construction and schools were all allowed to stay open.

In the US, industrial production is expected to rise by 0.4% in December. The other main US release, CPI inflation is projected to edge up to 1.3% from 1.2%. Meanwhile, in the Eurozone, industrial production is forecast to rise by 0.2% in November.

Today, a sparse data schedule suggests a quiet start to the week. However, a speech titled "Let's Talk About Negative Interest Rates", by BoE MPC member Tenreyro bears watching.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.2185	-0.57	-0.23
EUR/GBP	0.9025	-0.13	0.98
GBP/USD	1.3498	-0.46	-1.28
GBP/EUR	1.1075	0.13	-0.98
USD/JPY	104.13	0.22	0.86
EUR/JPY	126.89	-0.36	0.58

* 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	0.13	0.22	0.18	0.23	0.55
EUR	0.00	-0.56	-0.55	-0.53	-0.52	-0.46
GBP	0.10	0.03	0.03	-0.01	0.07	0.24

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

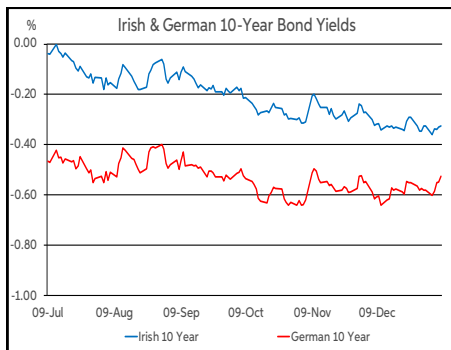
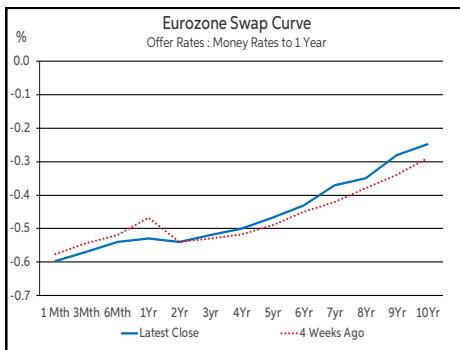
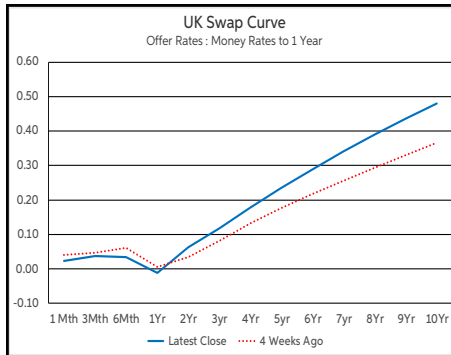
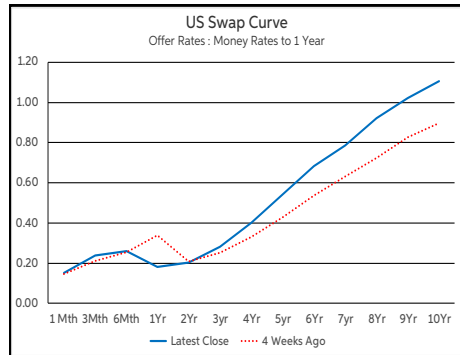
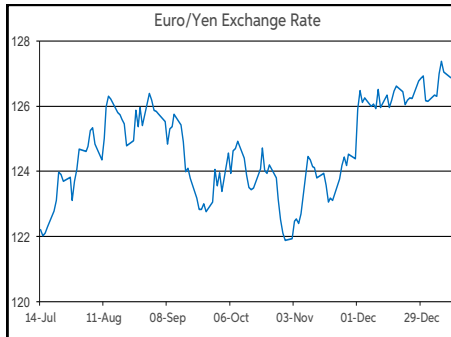
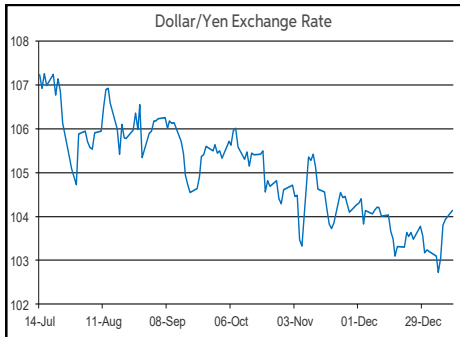
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

Monday 11 January 2021
07:26 am



Euro		Sterling		Dollar	
EUR/GBP	0.9024	GBP/EUR	1.1076	USD/JPY	104.13
EUR/USD	1.2185	GBP/USD	1.35	USD/CAD	1.2747
EUR/JPY	126.9	GBP/CAD	1.7213	USD/CHF	0.8878
EUR/SEK	10.0744	GBP/NZD	1.8757	USD/CNY	6.4753
EUR/DKK	7.4367	GBP/JPY	140.58	USD/BRL	5.4178
EUR/NOK	10.355	GBP/SEK	11.1536	USD/RUB	74.3798
EUR/CHF	1.0821	GBP/DKK	8.2365	USD/INR	73.426
EUR/AUD	1.5808	GBP/NOK	11.4748	AUD/USD	0.7707
EUR/HKD	9.4493	GBP/CHF	1.1985	NZD/USD	0.7193
EUR/CAD	1.5538	GBP/AUD	1.7512		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 20
10 Year Yield %				
US	1.12	+4	+22	+20
Germany	-0.52	+3	+12	+6
UK	0.29	+0	+12	+9
Ireland	-0.28	+1	+3	+2
Belgium	-0.36	-0	+7	+2
France	-0.32	-0	+6	+2
Italy	0.50	-3	-2	-2
Spain	0.04	-1	+4	-1
Portugal	-0.02	-4	+1	-8
Greece	0.60	-3	-1	-3
5 Year Swap %				
US	0.54	+3	+14	+12
Eurozone	-0.47	-1	+3	-1
UK	0.24	+0	+6	+4
2 Year Swap %				
US	0.20	+1	+3	+1
Eurozone	-0.54	-1	+1	-1
UK	0.06	-0	+4	+4
10 Year Government Bond Spreads to Benchmark bps				
Ireland	23	-2	-9	-4
Belgium	15	-3	-5	-4
France	20	-3	-6	-3
Italy	102	-6	-15	-8
Spain	56	-4	-8	-7
Portugal	50	-7	-11	-14
Greece	111	-5	-13	-9

Commodities				
	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	55.99	+2.96	+12.05	+8.09
West Texas Oil	52.14	+2.98	+11.91	+7.84
Gold \$	1848.3	-3.36	+0.50	-2.54

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