Morning Comment

AIB Treasury Economic Research Unit



Wednesday 13 January 2021 07:28 am

Cautious mood on markets

Markets were in a cautious mood yesterday. A sparse macro calendar provided little in the way of new direction. The S&P 500 closed flat for the day, while in Europe, the Eurostoxx 50 was down 0.2%. On bond markets, yields on benchmark European bonds continued to rise, with some spill-over from rising US Treasury yields impacting the market. On the currency front, there was a firmer tone to sterling and slight dollar weakness.

The gains for sterling coincided with comments from BoE Governor Bailey that suggest he is not in favour of implementing negative interest rates. The markets expectation of a 10bps cut were pushed back until December following his comments also.

The firmer tone to sterling sees EUR/GBP open this morning back towards 89p. Meanwhile, GBP/USD is changing hands in the top half of the £1.36-1.37 range. Elsewhere, EUR/USD has regained \$1.22 amid a slightly softer dollar tone.

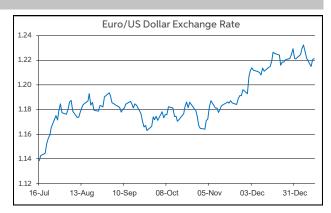
Today, Eurozone industrial production is forecast to have increased by 0.2% in November. Output is expected to rise despite tighter restrictions, as construction and manufacturing activities were allowed to remain open. Although, despite this rise output would still be 3.3% below its pre-pandemic levels. However, barring any surprises the release may not impact the euro. Elsewhere, ECB President Lagarde is speaking which may be of interest for euro watchers.

In the US, CPI Inflation for December is expected to rise to 1.3% from 1.2%. The core rate of CPI is projected to remain unchanged at 1.6% as weak demand for certain goods (e.g. Airplane tickets), and lower oil prices continue to keep inflation subdued.

Daniel Noonan, Economist, AIB

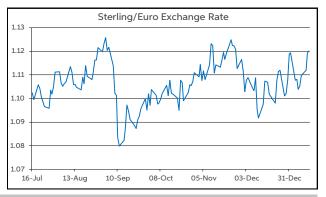
Today's Opening FX Rates				
		% Change		
		Day *	End 2020	
EUR/USD	1.2218	0.54	0.04	
EUR/GBP	0.8924	-0.52	-0.15	
GBP/USD	1.3686	1.06	0.10	
GBP/EUR	1.12	0.53	0.15	
USD/JPY	103.64	-0.57	0.39	
EUR/JPY	126.62	-0.03	0.36	
* v Previous Day's European Open				
See Next Page for More Rates				

Opening Interest Rates						
	Money Market Swap Rates					
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	0.125	0.13	0.22	0.18	0.22	0.56
EUR	0.00	-0.55	-0.55	-0.53	-0.50	-0.42
GBP	0.10	0.03	0.03	0.01	0.11	0.29









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
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Opening Levels



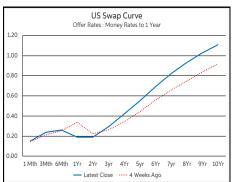
Euro)
EUR/GBP	0.8924
EUR/USD	1.2218
EUR/JPY	126.62
EUR/SEK	10.0702
EUR/DKK	7.4389
EUR/NOK	10.3017
EUR/CHF	1.0818
EUR/AUD	1.5716
EUR/HKD	9.4724
EUR/CAD	1.5534

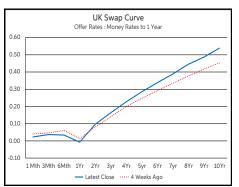
Sterling	
GBP/EUR	1.12
GBP/USD	1.3686
GBP/CAD	1.7403
GBP/NZD	1.8931
GBP/JPY	141.84
GBP/SEK	11.2832
GBP/DKK	8.3315
GBP/NOK	11.536
GBP/CHF	1.212
GBP/AUD	1.7606

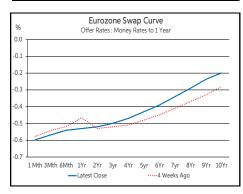
Dollar				
USD/JPY	103.64			
USD/CAD	1.271			
USD/CHF	0.8854			
USD/CNY	6.455			
USD/BRL	5.3226			
USD/RUB	73.5225			
USD/INR	73.115			
AUD/USD	0.7773			
NZD/USD	0.7226			













	Debt	Markets		
			Change bps	5
	Close	Day	4 Weeks	End 20
10 Year Yield %				
US	1.13	-2	+22	+21
Germany	-0.47	+2	+14	+11
UK	0.36	+4	+9	+16
Ireland	-0.17	+9	+14	+14
Belgium	-0.31	+3	+11	+8
France	-0.26	+3	+12	+8
Italy	0.64	+10	+16	+12
Spain	0.12	+5	+13	+6
Portugal	0.06	+8	+11	-1
Greece	0.69	+4	+12	+6
 5 Year Swap %				
US	0.55	-0	+14	+13
Eurozone	-0.43	+1	+6	+3
UK	0.29	+4	+4	+10
2 Year Swap %				
US	0.19	-2	+1	-O
Eurozone	-0.52	+0	+2	+1
UK	0.10	+3	+3	+7
10 Year Governm	ent Bond Spre	ads to Ben	chmark bps	
Ireland	30	+7	-1	+3
Belgium	16	+1	-3	-3
France	21	+1	-3	-2
Italy	111	+8	+2	+1
Spain	59	+3	-1	-4
Portugal	52	+5	-3	-11
Greece	116	+1	-2	-5

Commodities						
	% Change					
	Close Day 4 Weeks End 20					
Brent Oil	56.58	+1.65	+11.47	+9.23		
West Texas Oil	53.08	+1.78	+11.56	+9.78		
Gold\$	1855.6	+0.59	+0.12	-2.15		

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