

Sterling slightly softer

Sterling came into the start of the week on currency markets yesterday on the defensive. This was on the back of weekend comments from the BoE's Vlieghe which indicated that he could vote for a rate cut at the next MPC meeting later this month.

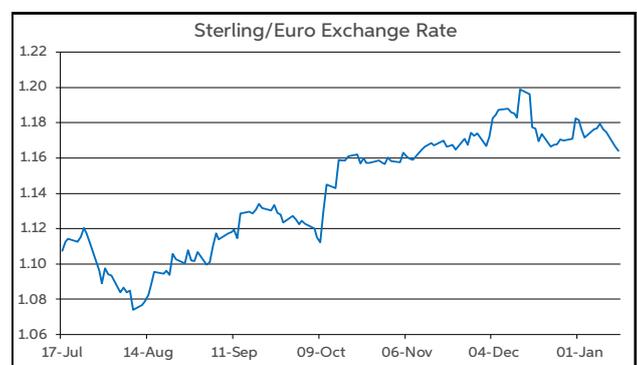
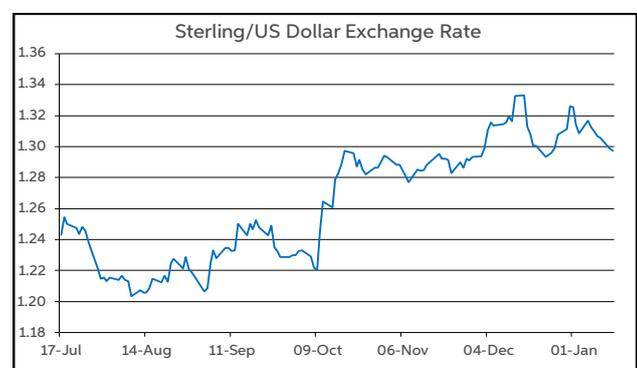
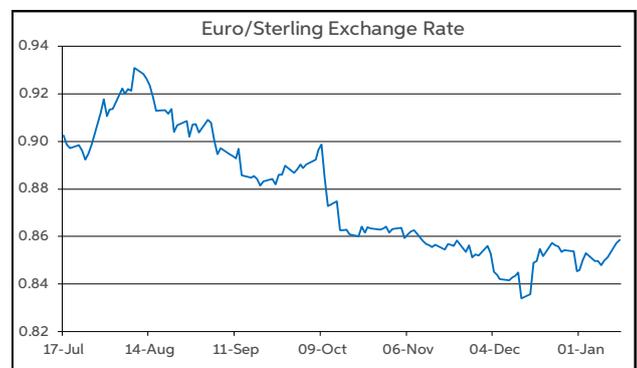
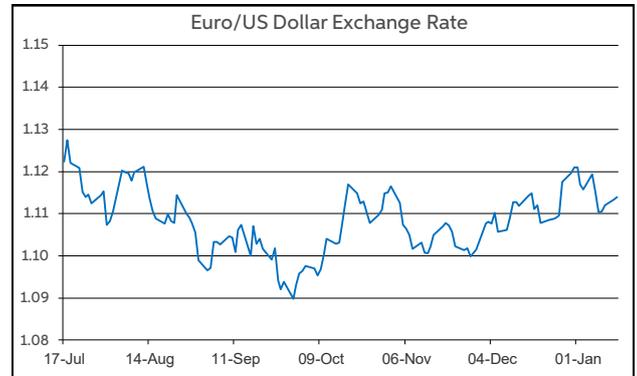
This followed a raft of dovish remarks from other MPC members last week, including Governor Carney. The market is now pricing in a 25bps rate cut from the BoE this year, with expectations building that this could happen sooner rather than later. This was evident in falls in UK swap rates and Gilt yields yesterday.

Data-wise, attention was also on the UK yesterday with GDP figures for the 3 months to November published. The headline growth rate printed ahead of expectations (+0.1% vs f'cast -0.1%). However, this was largely as a result of revisions made to historical data. Overall, the data suggest a challenging Q4 for the UK economy.

As trading gets underway this morning, sterling pairs show the currency has remained on the back foot over the past 24 hours. EUR/GBP has moved into the upper half of the 85-86p band. At the same time, cable (GBP/USD) has slipped below the \$1.30 threshold. Elsewhere, EUR/USD continues to change hands in the lower half of the \$1.11-1.12 range.

Today, the main data highlight is US CPI for December. Base effects may see the drag from lower oil prices fade, helping the headline rate of inflation pick up to 2.3%, from 2.1%. In contrast, the core measure is forecast to have held at 2.3%. Overall though, barring any major surprises, the release is unlikely to prompt much of a reaction in the dollar. Meantime, there is little out in the Eurozone or the UK to influence either the euro or sterling.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.1142	0.12	-0.61
EUR/GBP	0.8589	0.59	1.60
GBP/USD	1.2972	-0.46	-2.16
GBP/EUR	1.1641	-0.58	-1.57
USD/JPY	110.03	0.37	1.31
EUR/JPY	122.61	0.49	0.64

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.625	1.68	1.83	1.96	1.63	1.63
EUR	0.00	-0.46	-0.40	-0.25	-0.29	-0.13
GBP	0.75	0.67	0.75	0.87	0.71	0.79

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

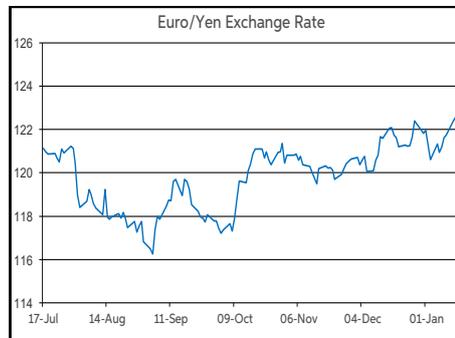
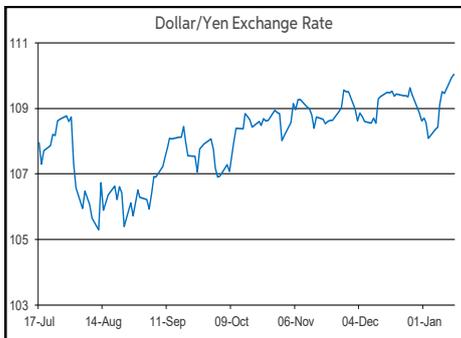
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

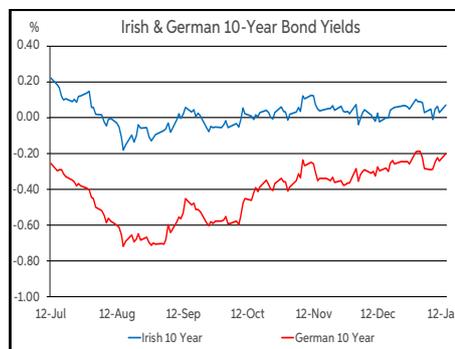
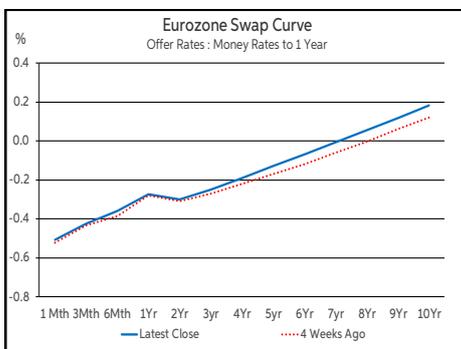
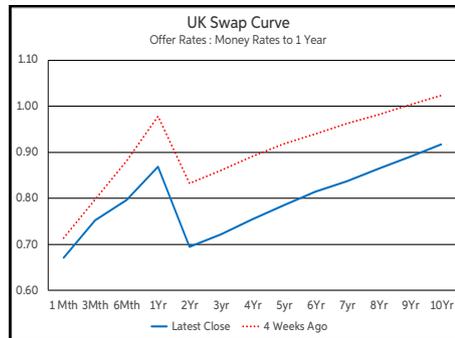
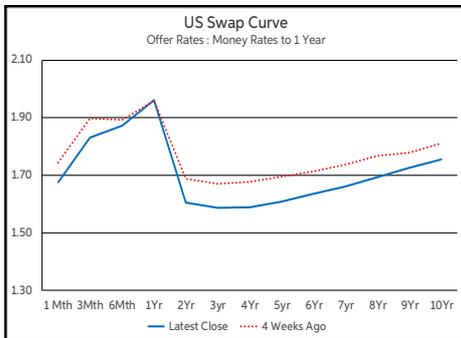
Tuesday 14 January 2020
07:25 am



Euro		Sterling		Dollar	
EUR/GBP	0.8588	GBP/EUR	1.1641	USD/JPY	110.03
EUR/USD	1.1141	GBP/USD	1.2972	USD/CAD	1.3059
EUR/JPY	122.6	GBP/CAD	1.6946	USD/CHF	0.9704
EUR/SEK	10.5391	GBP/NZD	1.9572	USD/CNY	6.8877
EUR/DKK	7.4726	GBP/JPY	142.73	USD/BRL	4.1473
EUR/NOK	9.902	GBP/SEK	12.2678	USD/RUB	61.4
EUR/CHF	1.0814	GBP/DKK	8.7002	USD/INR	70.935
EUR/AUD	1.6145	GBP/NOK	11.5238	AUD/USD	0.69
EUR/HKD	8.661	GBP/CHF	1.2591	NZD/USD	0.6626
EUR/CAD	1.4556	GBP/AUD	1.8798		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 19
10 Year Yield %				
US	1.85	+3	-2	-7
Germany	-0.20	+4	+8	-1
UK	0.75	-2	-7	-7
5 Year Swap %				
US	1.61	-0	-9	-10
Eurozone	-0.13	+2	+4	-1
UK	0.79	-5	-13	-11
2 Year Swap %				
US	1.61	-1	-8	-9
Eurozone	-0.30	+0	+1	-1
UK	0.70	-6	-14	-11
10 Year Government Bond Spreads to Benchmark bps				
Ireland	27	+0	-1	-1
Belgium	26	+0	-1	-1
France	28	+0	-2	-3
Italy	157	+1	+1	+1
Spain	67	-0	-2	+3
Portugal	62	+0	-3	+1
Greece	156	-1	-4	-4



Commodities				
	% Change			
	Close	Day	4 Weeks	End 19
Brent Oil	64.2	-1.20	-1.74	-2.73
West Texas Oil	58.17	-1.44	-3.39	-4.86
Gold \$	1548.6	-0.89	+4.88	+2.03

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