

Morning Comment

AIB Treasury Economic Research Unit



Wednesday 15 January 2020
07:24 am

Dull day on markets

It has been a fairly dull 24 hours on financial markets. All of the main markets have been confined to tight ranges. The lack of action was no great surprise given the dearth of data or events to influence market direction.

Indeed, the only data highlight yesterday was US CPI figures for December. Both the headline at 2.3% (from 2.1%) and core rate at 2.3% (unchanged from November) were bang in line with market expectations. The increase in the headline rate was largely due to higher gasoline and other energy costs. The unchanged core rate indicates that underlying inflation remains steady. Meantime, both the UK and Eurozone macro diaries were very sparse yesterday.

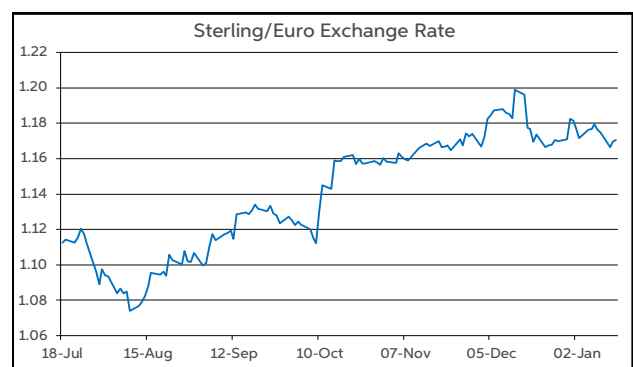
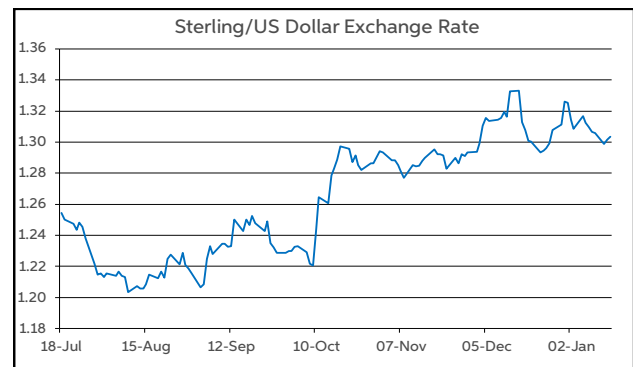
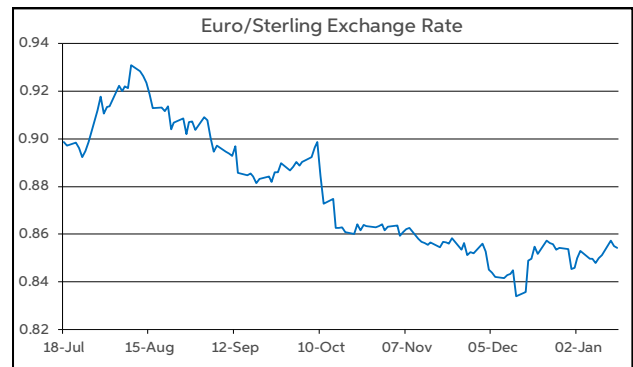
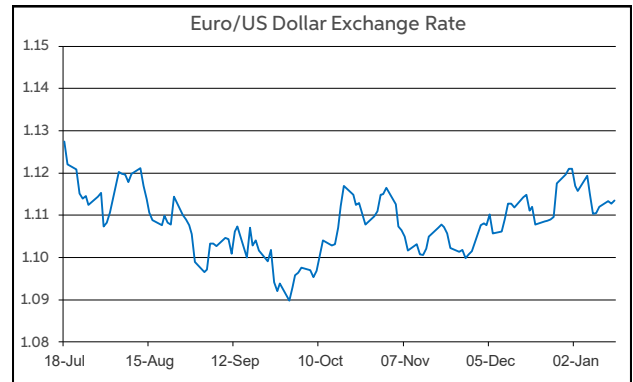
On the currency front, the uneventful trading is reflected in the main forex pairs trading this morning at levels similar to yesterday's open. Of the limited action to register, sterling is modestly higher.

In level terms, EUR/GBP has edged back below the midpoint of the 85-86p band, while GBP/USD has managed to regain the \$1.30 threshold. Meantime, EUR/USD continues to change hands in the lower half of the \$1.11-1.12 trading range.

Elsewhere, the main global equity indices have been mostly in a side-ways pattern. At the closing bell on Wall Street last night, the S&P 500 was slightly lower on the day.

Looking ahead to today, it's the turn of the UK to release inflation data for December. In the Eurozone, the main release of note is industrial production figures for November. Meantime, the US schedule features the Fed's Beige book. Overall, none of these items are likely to awaken the main FX pairs from their winter slumber.

John Fahey, Senior Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2019 |
| EUR/USD | 1.1134 | -0.01 | -0.68 |
| EUR/GBP | 0.8541 | -0.37 | 1.03 |
| GBP/USD | 1.3035 | 0.36 | -1.69 |
| GBP/EUR | 1.1703 | 0.37 | -1.02 |
| USD/JPY | 109.92 | -0.12 | 1.21 |
| EUR/JPY | 122.39 | -0.14 | 0.46 |

* 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 | 1.67 | 1.84 | 1.96 | 1.62 | 1.62 |
| EUR | 0.00 | -0.46 | -0.39 | -0.25 | -0.28 | -0.13 |
| GBP | 0.75 | 0.68 | 0.76 | 0.86 | 0.70 | 0.78 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

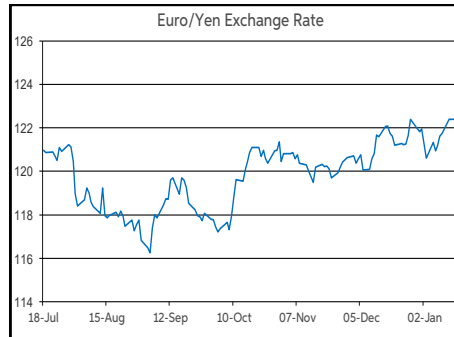
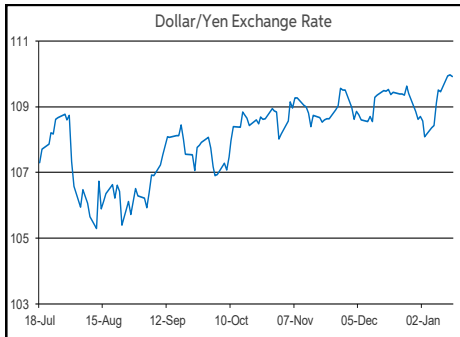
| | | | | | | | |
|---------|--|----------------|------------|------------------|------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke Shane Gargan Enda Homan | FX Options | Mark Tuite | Reuters Phone | AIB 00353-1-7724018 | Morning Comment | John Fahey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

Opening Levels

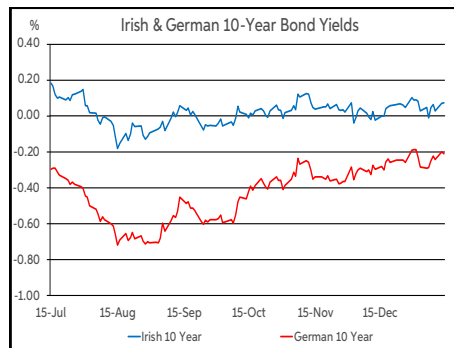
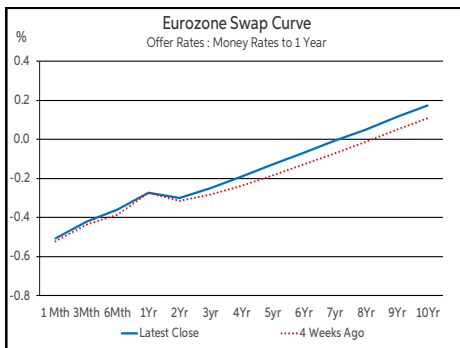
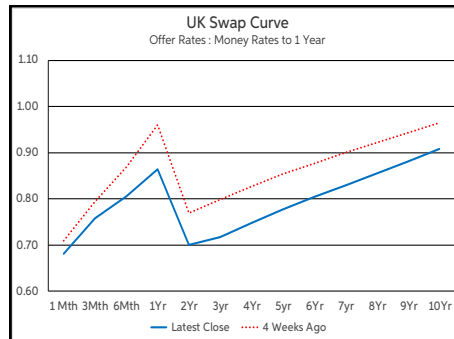
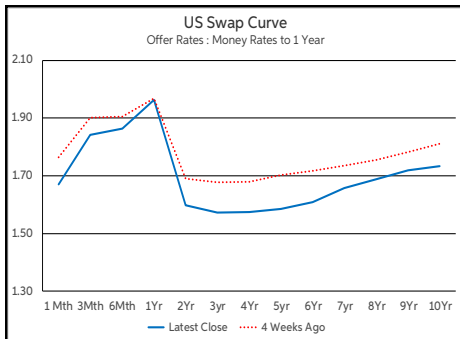
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| Euro | | Sterling | | Dollar | |
|---------|---------|----------|---------|---------|---------|
| EUR/GBP | 0.8541 | GBP/EUR | 1.1703 | USD/JPY | 109.92 |
| EUR/USD | 1.1134 | GBP/USD | 1.3035 | USD/CAD | 1.306 |
| EUR/JPY | 122.39 | GBP/CAD | 1.7025 | USD/CHF | 0.9673 |
| EUR/SEK | 10.5385 | GBP/NZD | 1.9716 | USD/CNY | 6.8895 |
| EUR/DKK | 7.4724 | GBP/JPY | 143.28 | USD/BRL | 4.1326 |
| EUR/NOK | 9.875 | GBP/SEK | 12.3337 | USD/RUB | 61.4257 |
| EUR/CHF | 1.0771 | GBP/DKK | 8.7478 | USD/INR | 70.885 |
| EUR/AUD | 1.6142 | GBP/NOK | 11.5562 | AUD/USD | 0.6897 |
| EUR/HKD | 8.66 | GBP/CHF | 1.2606 | NZD/USD | 0.661 |
| EUR/CAD | 1.4543 | GBP/AUD | 1.8899 | | |



| Debt Markets | | | | |
|---|-------|------------|---------|--------|
| | Close | Change bps | | |
| | | Day | 4 Weeks | End 19 |
| 10 Year Yield % | | | | |
| US | 1.81 | -4 | -6 | -11 |
| Germany | -0.21 | -1 | +9 | -2 |
| UK | 0.72 | -3 | -4 | -10 |
| Ireland | 0.07 | +0 | +7 | -2 |
| Belgium | 0.05 | -1 | +8 | -3 |
| France | 0.08 | -1 | +8 | -4 |
| Italy | 1.38 | +1 | +12 | +1 |
| Spain | 0.47 | -0 | +9 | +1 |
| Portugal | 0.42 | -1 | +7 | -0 |
| Greece | 1.38 | +1 | +7 | -3 |
| 5 Year Swap % | | | | |
| US | 1.59 | -5 | -12 | -13 |
| Eurozone | -0.13 | -1 | +6 | -1 |
| UK | 0.78 | -1 | -8 | -11 |
| 2 Year Swap % | | | | |
| US | 1.60 | -3 | -9 | -10 |
| Eurozone | -0.30 | -1 | +2 | -1 |
| UK | 0.70 | -0 | -7 | -11 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 28 | +1 | -2 | +1 |
| Belgium | 26 | +0 | -1 | -1 |
| France | 29 | +1 | -1 | -2 |
| Italy | 160 | +3 | +3 | +3 |
| Spain | 68 | +1 | -0 | +4 |
| Portugal | 63 | +1 | -2 | +2 |
| Greece | 159 | +3 | -2 | -1 |



| Commodities | | | | |
|----------------|----------|-------|---------|--------|
| | % Change | | | |
| | Close | Day | 4 Weeks | End 19 |
| Brent Oil | 64.49 | +0.45 | -2.44 | -2.29 |
| West Texas Oil | 58.34 | +0.29 | -4.17 | -4.58 |
| Gold \$ | 1546.6 | -0.12 | +4.74 | +1.90 |

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