

Growing expectations of BoE rate cut

On a quiet day on markets, one of the more noteworthy developments yesterday was increased speculation that the BoE may ease policy soon. Futures contracts are now pricing in an over 60% probability of a rate cut at the January MPC meeting.

The impetus for the move yesterday appeared to be a combination of further dovish comments by the BoE's Saunders (who has previously voted for a cut) and weak inflation data. In December, core CPI decelerated to 1.4%, from 1.7%. This represented an over 3-year low and is well below the BoE's 2% target level.

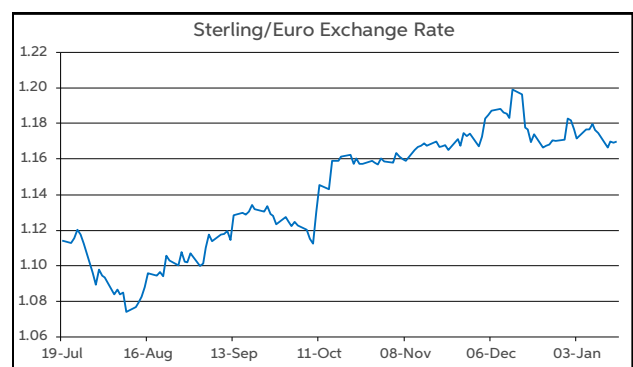
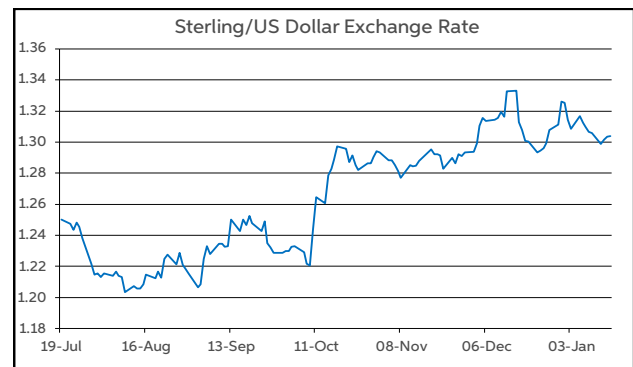
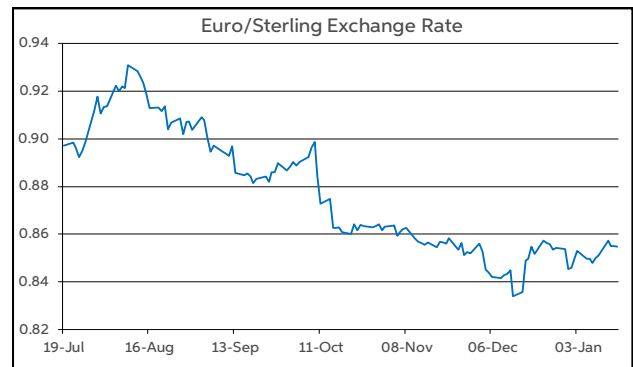
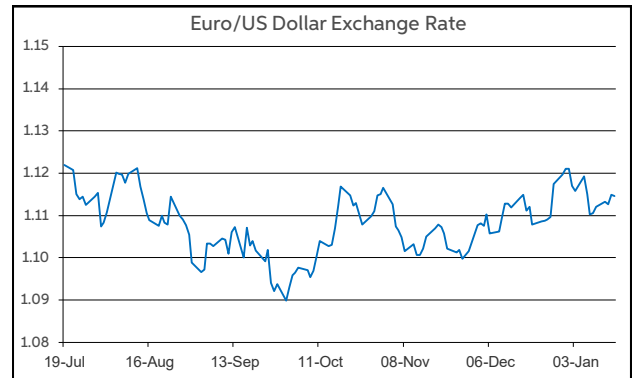
On currency markets, sterling was largely unresponsive to the shift in UK rate expectations. Meanwhile, both the euro and the dollar were confined to narrow trading ranges. This was to be expected given the quiet macro schedules in the Eurozone and US.

In level terms, the limited moves on FX markets see the main pairs continuing to trade close to yesterday's opening levels. EUR/USD is at the midpoint of the \$1.11-1.12 band, while EUR/GBP is operating at the 85.5p mark. Meanwhile, cable (GBP/USD) is changing hands in the lower half of the \$1.30-1.31 range.

Turning to the day ahead, the highlight is the December retail sales report in the US. It is expected that Cyber Monday may provide a small boost to retail expenditure, with the headline rate forecast at a solid 0.3%. This could provide a somewhat supportive backdrop to the dollar.

In the Eurozone today, ECB President Lagarde is scheduled to speak and the central bank's account of its December meeting is due. However, we don't expect any fresh policy insights so euro impact may be limited. For sterling, the diary has a barren look to it.

Conor Beakey, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.1147	0.12	-0.56
EUR/GBP	0.8546	0.04	1.09
GBP/USD	1.3041	0.07	-1.64
GBP/EUR	1.1697	-0.04	-1.08
USD/JPY	109.95	0.04	1.23
EUR/JPY	122.56	0.16	0.60

* 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	1.95	1.62	1.63
EUR	0.00	-0.46	-0.39	-0.24	-0.30	-0.14
GBP	0.75	0.66	0.73	0.83	0.65	0.72

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

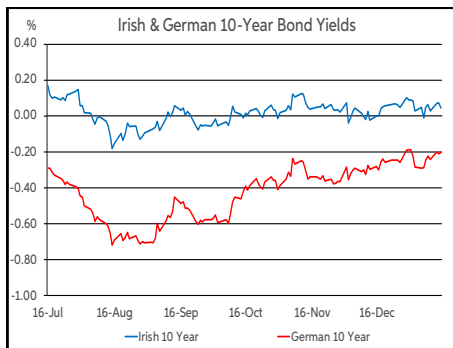
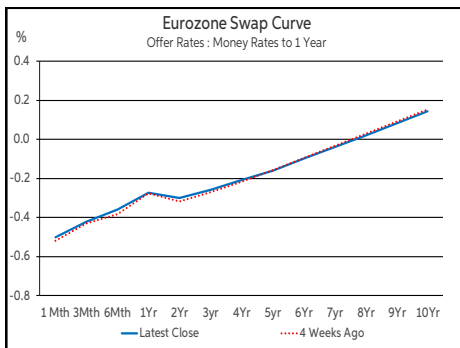
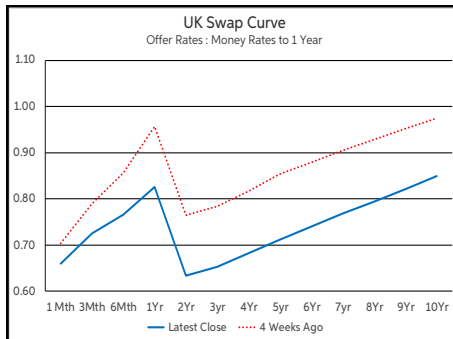
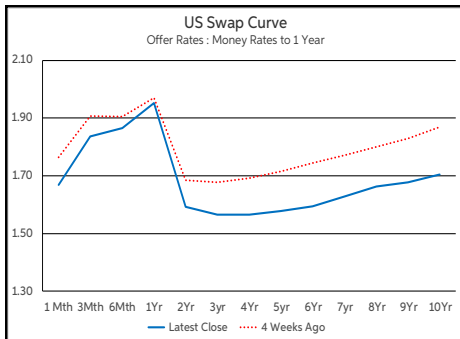
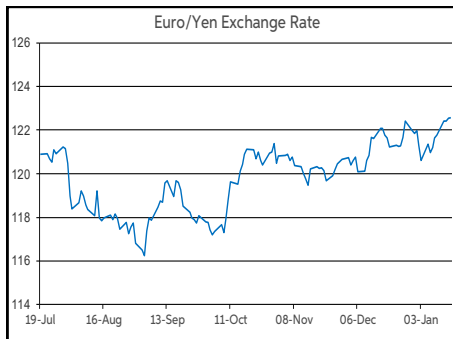
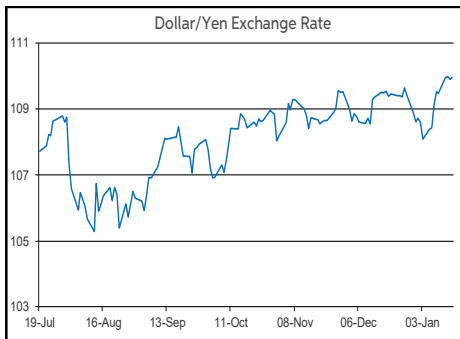
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBI 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

Thursday 16 January 2020
07:21 am



Euro		Sterling		Dollar	
EUR/GBP	0.8546	GBP/EUR	1.1697	USD/JPY	109.95
EUR/USD	1.1147	GBP/USD	1.3041	USD/CAD	1.3044
EUR/JPY	122.56	GBP/CAD	1.7004	USD/CHF	0.9647
EUR/SEK	10.553	GBP/NZD	1.9669	USD/CNY	6.8893
EUR/DKK	7.4726	GBP/JPY	143.39	USD/BRL	4.1753
EUR/NOK	9.8787	GBP/SEK	12.3431	USD/RUB	61.51
EUR/CHF	1.0756	GBP/DKK	8.7403	USD/INR	70.895
EUR/AUD	1.6145	GBP/NOK	11.5567	AUD/USD	0.6902
EUR/HKD	8.6606	GBP/CHF	1.2579	NZD/USD	0.6628
EUR/CAD	1.4534	GBP/AUD	1.8887		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 19
10 Year Yield %				
US	1.78	-3	-14	-13
Germany	-0.20	+1	+5	-2
UK	0.65	-7	-12	-17
Ireland	0.04	-3	+0	-4
Belgium	0.02	-4	+0	-7
France	0.04	-4	-0	-8
Italy	1.39	+0	+6	+1
Spain	0.44	-3	+2	-1
Portugal	0.38	-4	+0	-4
Greece	1.38	-0	+14	-3
5 Year Swap %				
US	1.58	-4	-14	-13
Eurozone	-0.16	-4	-0	-4
UK	0.71	-7	-14	-18
2 Year Swap %				
US	1.59	-4	-9	-11
Eurozone	-0.30	-1	+2	-1
UK	0.63	-8	-13	-18
10 Year Government Bond Spreads to Benchmark bps				
Ireland	25	-4	-5	-3
Belgium	22	-4	-5	-5
France	25	-4	-5	-6
Italy	159	-1	+1	+3
Spain	64	-4	-3	+0
Portugal	58	-4	-5	-3
Greece	158	-1	+9	-2

Commodities				
	% Change			
	Close	Day	4 Weeks	End 19
Brent Oil	64	-0.76	-3.28	-3.03
West Texas Oil	57.86	-0.82	-5.04	-5.36
Gold \$	1556.4	+0.63	+5.47	+2.55

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