

Euro loses ground to sterling and the dollar

On the currency front last week, both sterling and the dollar managed to hold a firmer tone. This meant that the euro lost ground against both currencies.

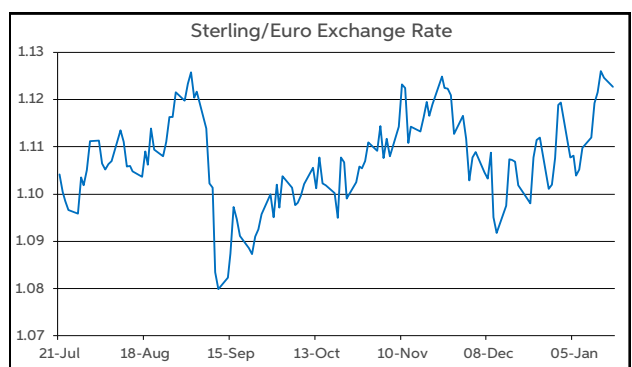
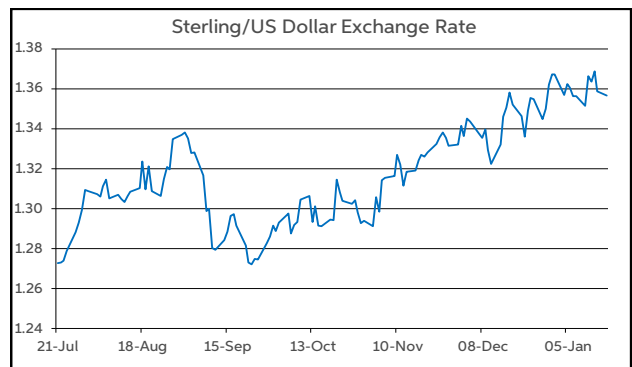
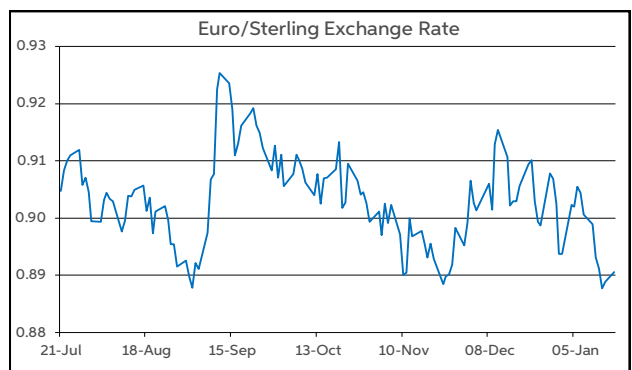
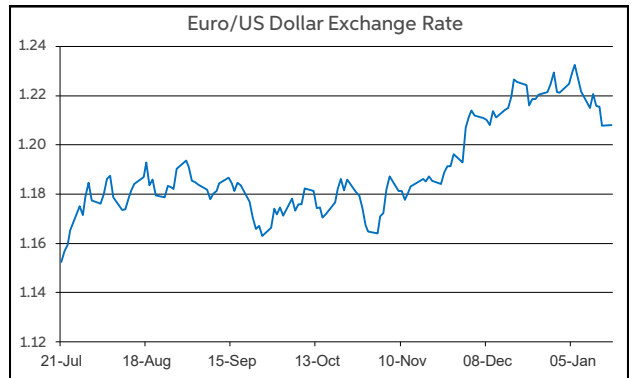
Sterling was aided by less dovish soundings from some key BoE members, including Governor Bailey in relation to the possibility of negative interest rates. Meantime, Friday's GDP data for November, showing a less severe contraction than forecast, helped to reinforce the view that a negative interest rate policy from the BoE was less likely.

Meanwhile, the dollar was supported by rising US treasury yields. This was on the back of the expectation that the incoming Biden administration (inauguration this week) will implement a significant stimulus package. Some unwinding of very short dollar positions may also have helped the currency.

In level terms, all of the above is reflected in EUR/GBP starting this week down near to the 89p mark. Meantime, the EUR/USD pair is changing hands below the \$1.21 threshold. Elsewhere, GBP/USD open this morning above the midpoint of \$1.35-1.36.

This week, we get the first ECB meeting of 2021. However, no policy changes are envisaged. Therefore, it could be a non-event for the euro. Data-wise, the flash PMI's from the US, Eurozone and UK are the main highlight. They are expected to show a continuation of the trend from last year—whereby services underperforms manufacturing given the disproportionate impact of the restrictions on firms in this sector. However, unless the data spring a major surprise versus expectations, the impact on the respective currencies may be limited.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.2081	-0.47	-1.08
EUR/GBP	0.8906	0.33	-0.35
GBP/USD	1.3564	-0.80	-0.80
GBP/EUR	1.1226	-0.33	0.35
USD/JPY	103.73	-0.06	0.47
EUR/JPY	125.32	-0.54	-0.67

* 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	0.22	0.54
EUR	0.00	-0.56	-0.55	-0.55	-0.53	-0.45
GBP	0.10	0.03	0.03	-0.01	0.08	0.25

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

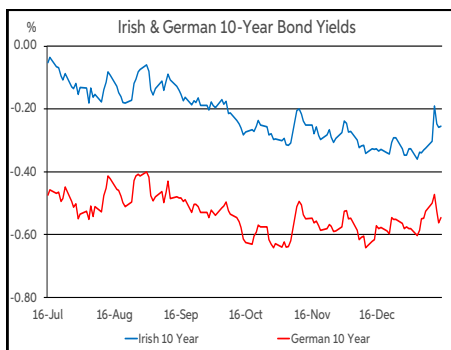
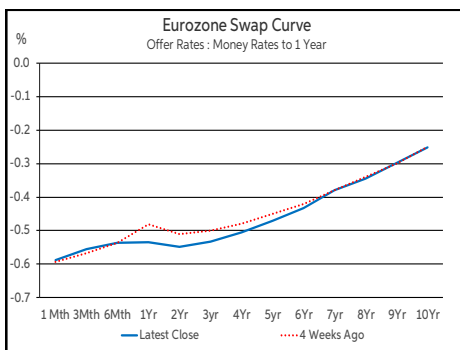
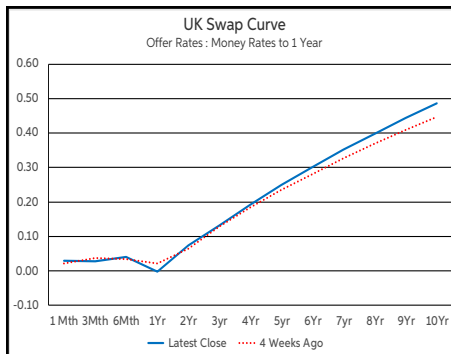
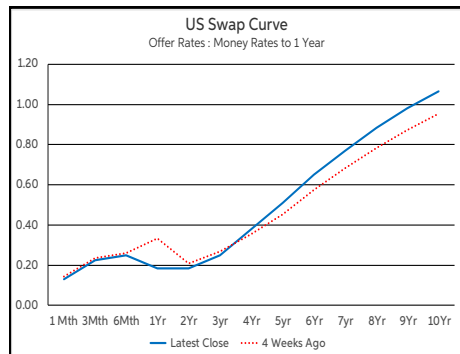
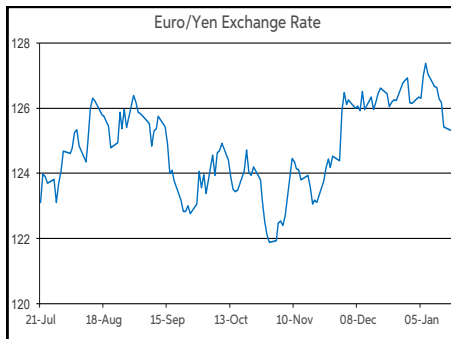
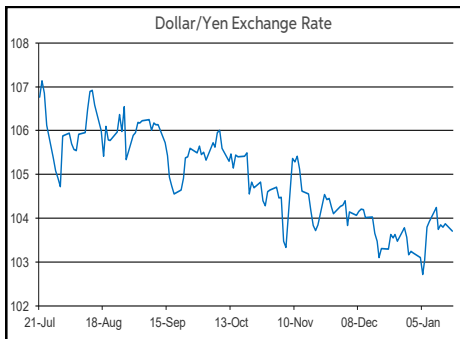
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

Monday 18 January 2021
07:24 am



Euro		Sterling		Dollar	
EUR/GBP	0.8906	GBP/EUR	1.1226	USD/JPY	103.73
EUR/USD	1.2081	GBP/USD	1.3564	USD/CAD	1.2782
EUR/JPY	125.32	GBP/CAD	1.7332	USD/CHF	0.8911
EUR/SEK	10.1396	GBP/NZD	1.904	USD/CNY	6.4813
EUR/DKK	7.4392	GBP/JPY	140.7	USD/BRL	5.2927
EUR/NOK	10.373	GBP/SEK	11.3808	USD/RUB	73.8801
EUR/CHF	1.0767	GBP/DKK	8.3516	USD/INR	73.21
EUR/AUD	1.5706	GBP/NOK	11.6427	AUD/USD	0.7691
EUR/HKD	9.3672	GBP/CHF	1.2089	NZD/USD	0.7124
EUR/CAD	1.5443	GBP/AUD	1.7634		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 20
10 Year Yield %				
US	1.09	-4	+14	+17
Germany	-0.54	+1	+3	+3
UK	0.29	-1	+4	+9
Ireland	-0.24	+0	+3	+7
Belgium	-0.36	+1	+2	+2
France	-0.32	+1	+1	+2
Italy	0.58	-3	+5	+6
Spain	0.06	-0	+1	+1
Portugal	0.00	-1	-4	-6
Greece	0.67	-2	+2	+4
5 Year Swap %				
US	0.51	-2	+8	+9
Eurozone	-0.47	-1	-1	-1
UK	0.25	-1	+2	+6
2 Year Swap %				
US	0.19	-2	+2	-1
Eurozone	-0.55	-2	-3	-2
UK	0.07	-0	+2	+5
10 Year Government Bond Spreads to Benchmark bps				
Ireland	31	-1	+0	+4
Belgium	18	+1	-1	-1
France	22	+0	-2	-1
Italy	113	-3	+2	+3
Spain	60	-1	-2	-3
Portugal	55	-2	-7	-9
Greece	121	-3	-1	+1

Commodities				
	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	55.1	-2.34	+5.43	+6.37
West Texas Oil	52.25	-2.28	+6.55	+8.07
Gold \$	1826.6	-1.07	-2.88	-3.69

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, p.l.c. and Allied Irish Bank (GB). In Northern Ireland it is distributed by First Trust Bank. In the United States of America it is distributed by Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and First Trust Bank are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.