

## BoE rate cut a close call

While the moves on currency markets last week remained within relatively tight ranges, there was some activity nonetheless. Sterling traded higher after a batch of January survey data (PMIs and CBI) surprised to the upside of expectations. This in turn saw markets pare back their expectations of a BoE rate cut in January.

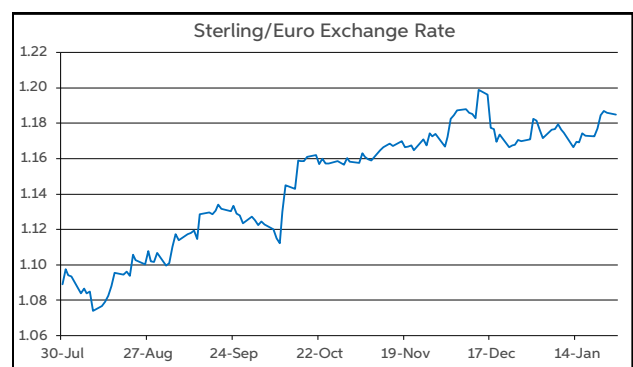
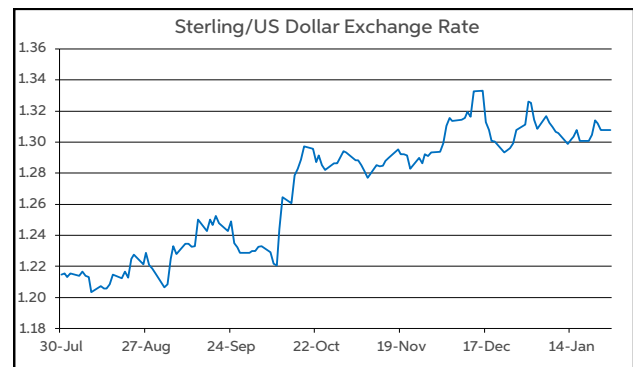
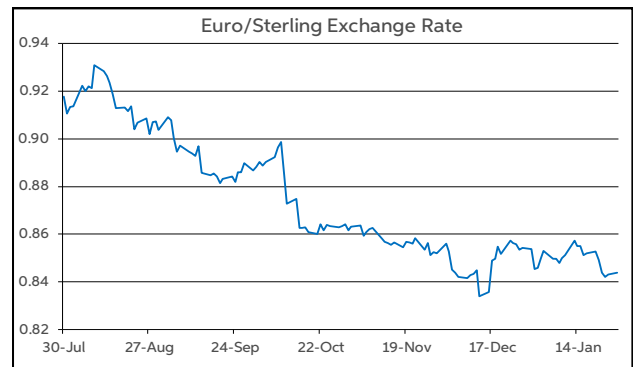
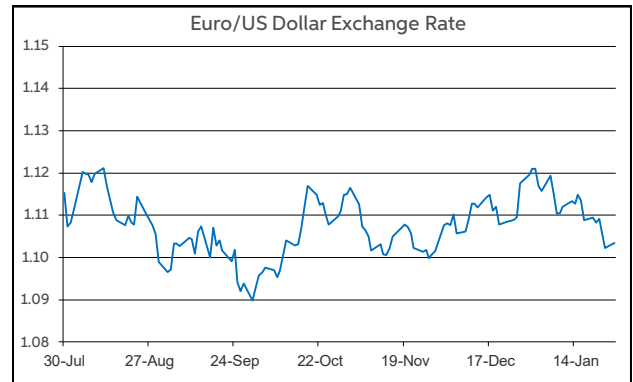
At the same time, safe haven currencies such as the yen and the dollar experienced some modest support. This coincided with a bout of risk aversion on markets linked to concerns surrounding the spread of the Coronavirus in China. Meanwhile, the euro was holding a slightly softer tone over the period.

All of the above is reflected in EUR/USD opening this morning in the lower half of the \$1.10-1.11 range and EUR/GBP trading below the midpoint of the 84-85p band. Meantime, cable (GBP/USD) is changing hands in the upper half of \$1.30-1.31.

This week, there is event risk for sterling with the much anticipated BoE meeting. Futures contracts suggest the market now sees a 25 bps rate cut in January as a 50:50 call. A cut would likely see the currency come under pressure. On the other hand, if the BoE remains on hold and suggests no policy easing in the near term, then sterling could make some modest gains. The Fed will also meet, but in contrast it looks set to be a non-event for the dollar. While the market is still looking for one more rate cut by year end, no change in policy is expected this week.

Data-wise, there is a relatively busy diary (incl. US and Eurozone Q4 GDP and inflation data) but we don't foresee many releases having much FX impact. However, given the strong risk off tone in overnight trading linked to heightened concerns over the Coronavirus, safe haven demand could impact currency markets.

**John Fahey, Senior Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.1034	-0.12	-1.57
EUR/GBP	0.8439	0.26	-0.18
GBP/USD	1.3075	-0.37	-1.39
GBP/EUR	1.1849	-0.26	0.18
USD/JPY	109.03	-0.46	0.39
EUR/JPY	120.31	-0.59	-1.25

\* 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	1.66	1.80	1.88	1.51	1.47
EUR	0.00	-0.45	-0.39	-0.26	-0.32	-0.22
GBP	0.75	0.63	0.69	0.80	0.63	0.66

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

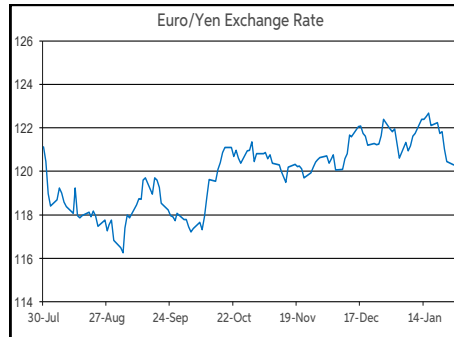
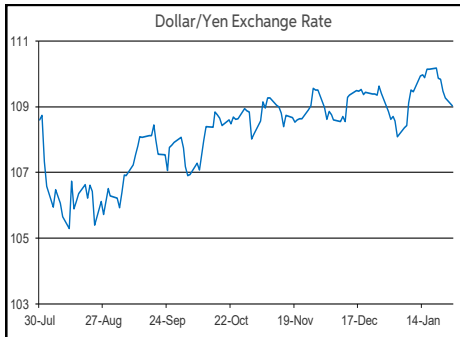
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

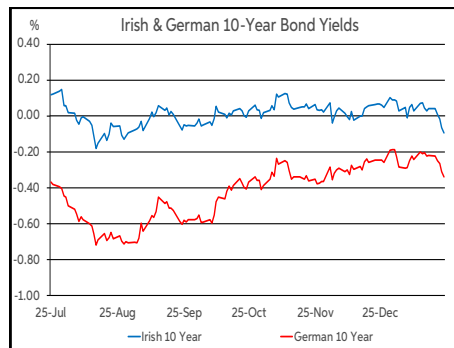
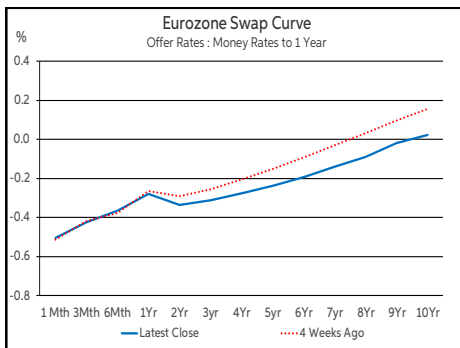
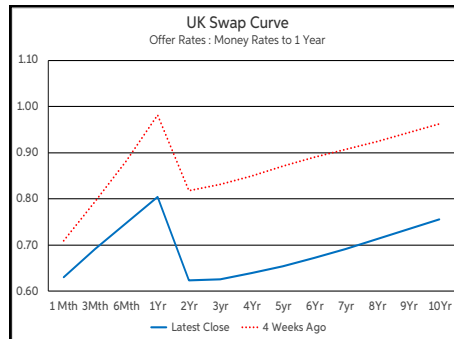
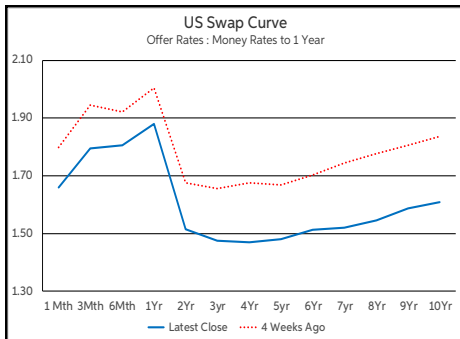
Monday 27 January 2020  
07:23 am



Euro		Sterling		Dollar	
EUR/GBP	0.8439	GBP/EUR	1.1849	USD/JPY	109.03
EUR/USD	1.1034	GBP/USD	1.3075	USD/CAD	1.3164
EUR/JPY	120.31	GBP/CAD	1.7209	USD/CHF	0.9706
EUR/SEK	10.5715	GBP/NZD	1.9886	USD/CNY	6.9364
EUR/DKK	7.4727	GBP/JPY	142.56	USD/BRL	4.1832
EUR/NOK	10.0136	GBP/SEK	12.5204	USD/RUB	62.2369
EUR/CHF	1.0712	GBP/DKK	8.8529	USD/INR	71.407
EUR/AUD	1.6237	GBP/NOK	11.8605	AUD/USD	0.6795
EUR/HKD	8.5806	GBP/CHF	1.2692	NZD/USD	0.6572
EUR/CAD	1.4524	GBP/AUD	1.9237		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 19
<b>10 Year Yield %</b>				
US	1.68	-5	-19	-23
Germany	-0.34	-3	-8	-15
UK	0.56	-3	-19	-26
Ireland	-0.09	-3	-14	-18
Belgium	-0.10	-2	-12	-18
France	-0.08	-2	-13	-20
Italy	1.22	-3	-15	-15
Spain	0.34	-2	-5	-12
Portugal	0.33	-1	-4	-9
Greece	1.29	-3	-10	-12
<b>5 Year Swap %</b>				
US	1.48	-6	-19	-23
Eurozone	-0.24	-5	-9	-12
UK	0.65	-3	-22	-24
<b>2 Year Swap %</b>				
US	1.52	-5	-16	-18
Eurozone	-0.34	-4	-4	-5
UK	0.62	-1	-19	-19
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	25	+0	-6	-3
Belgium	24	+1	-3	-3
France	26	+1	-5	-5
Italy	156	+0	-7	-0
Spain	68	+2	+3	+4
Portugal	67	+2	+4	+6
Greece	163	+0	-2	+3



Commodities				
	% Change			
	Close	Day	4 Weeks	End 19
Brent Oil	60.69	-2.18	-10.96	-8.05
West Texas Oil	54.09	-2.56	-12.42	-11.53
Gold \$	1570.9	+0.47	+3.97	+3.50

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