

## Oil prices rise on Middle-East tensions

Markets adopted a subdued tone for much of yesterday before risk appetite deteriorated overnight. This followed an escalation in ongoing tensions between the US and Iran. Oil prices rose sharply following the announcement of a US airstrike on a senior Iranian military commander, with Brent crude up at \$68.25 a barrel, from \$66.25 at yesterday's close (+3.0%).

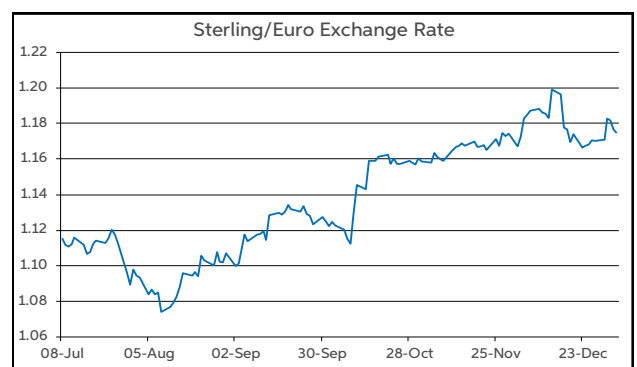
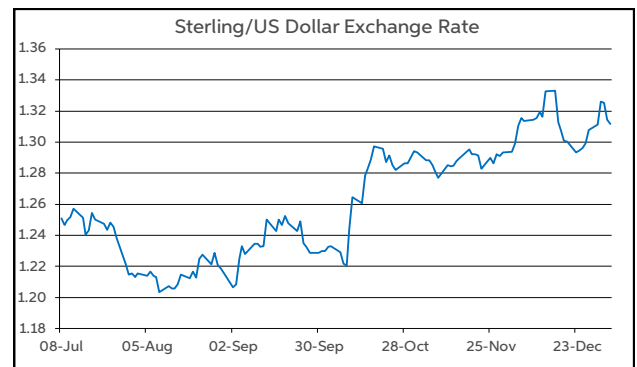
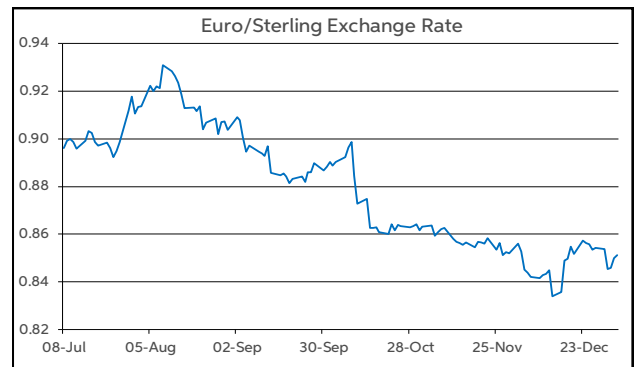
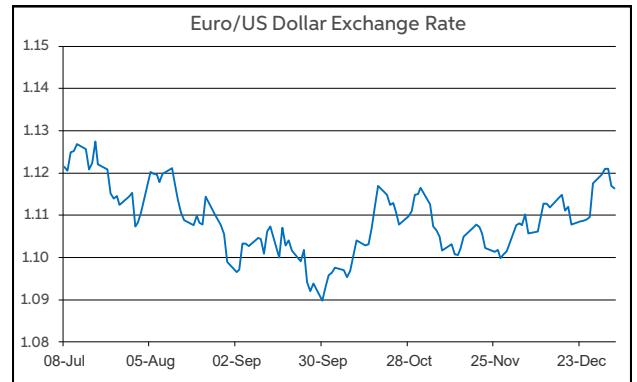
In terms of the impact on forex markets, safe haven currencies have experienced some demand as a result of the more uncertain geo-political environment. The yen has been the primary beneficiary, though the dollar is also trading somewhat higher.

In level terms, the gains for the dollar have seen EUR/USD move back to the midpoint of the \$1.11-1.12 band. Meantime, the dollar strength, combined with some sterling weakness, is reflected in GBP/USD opening down at the \$1.31 level. EUR/GBP is changing hands just above the 85p threshold.

Elsewhere on financial markets, equities had a good start to 2020 yesterday, with the main indices up approximately 1% on the day. However, they may come under pressure today given the dip in sentiment. Indeed, Asian shares slipped overnight. Meantime, bonds have experienced some safe haven demand.

Today, the data highlight is the December reading of the manufacturing ISM in the US. The index is expected to have improved in the month and may provide a somewhat supportive backdrop for the dollar. The Fed's December meeting minutes are also due, but no fresh policy insights are expected. The data schedule in the Eurozone and UK is relatively quiet, though both the euro and sterling may prove sensitive to shifts in sentiment as markets continue to react to last night's developments.

**Conor Beakey, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.1162	-0.36	-0.43
EUR/GBP	0.8511	0.39	0.67
GBP/USD	1.3111	-0.77	-1.12
GBP/EUR	1.1743	-0.39	-0.67
USD/JPY	108.05	-0.63	-0.52
EUR/JPY	120.6	-1.01	-1.01

\* 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	1.73	1.90	1.99	1.62	1.63
EUR	0.00	-0.44	-0.38	-0.25	-0.29	-0.16
GBP	0.75	0.70	0.80	0.98	0.80	0.87

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

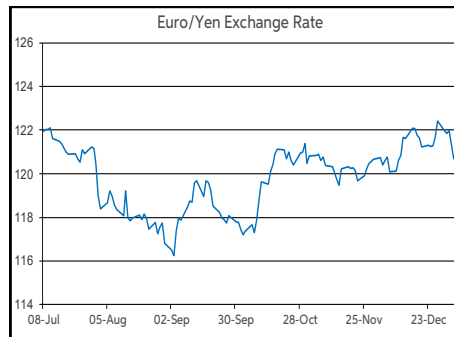
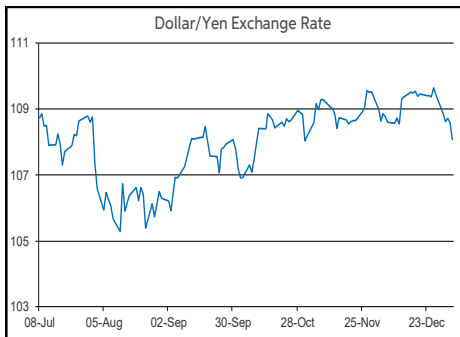
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBI 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

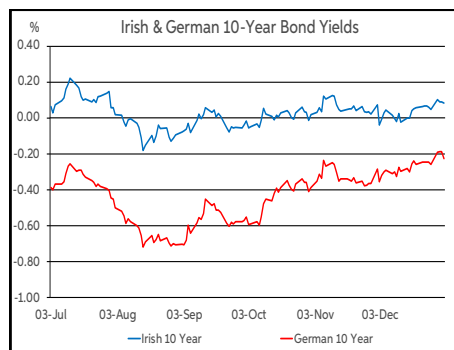
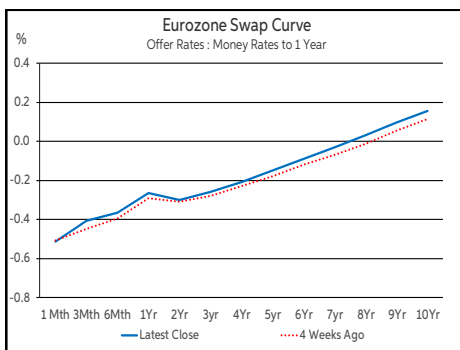
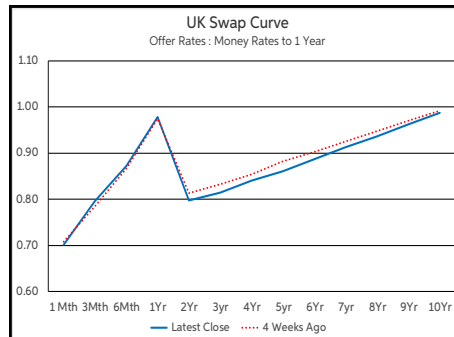
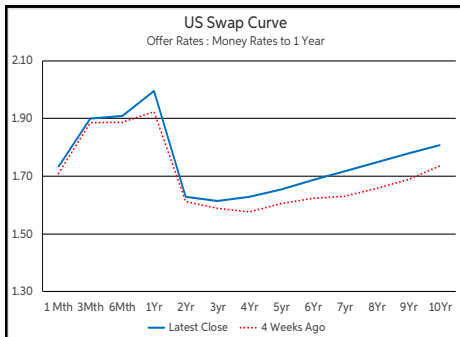
Friday 03 January 2020  
07:16 am



Euro		Sterling		Dollar	
EUR/GBP	0.8512	GBP/EUR	1.1744	USD/JPY	108.02
EUR/USD	1.1164	GBP/USD	1.3112	USD/CAD	1.299
EUR/JPY	120.62	GBP/CAD	1.7036	USD/CHF	0.9702
EUR/SEK	10.51	GBP/NZD	1.9663	USD/CNY	6.9705
EUR/DKK	7.4724	GBP/JPY	141.64	USD/BRL	4.025
EUR/NOK	9.8379	GBP/SEK	12.3423	USD/RUB	61.92
EUR/CHF	1.0829	GBP/DKK	8.7758	USD/INR	71.665
EUR/AUD	1.6034	GBP/NOK	11.5567	AUD/USD	0.6961
EUR/HKD	8.6836	GBP/CHF	1.2723	NZD/USD	0.6667
EUR/CAD	1.4503	GBP/AUD	1.8835		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 19
<b>10 Year Yield %</b>				
US	1.88	-4	+7	-4
Germany	-0.23	-4	+7	-4
UK	0.79	-3	+2	-3
<b>5 Year Swap %</b>				
US	1.66	-8	+5	-6
Eurozone	-0.15	-4	+3	-3
UK	0.86	-3	-2	-3
<b>2 Year Swap %</b>				
US	1.63	-7	+2	-7
Eurozone	-0.30	-1	+1	-1
UK	0.80	-1	-2	-1
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	31	+3	-2	+3
Belgium	27	-0	-2	-0
France	30	-1	-2	-1
Italy	163	+6	-11	+6
Spain	65	+1	-11	+1
Portugal	63	+3	-8	+3
Greece	162	+2	-19	+2



Commodities				
	% Change			
	Close	Day	4 Weeks	End 19
Brent Oil	66.25	+0.38	+4.51	+0.38
West Texas Oil	61.17	+0.05	+4.71	+0.05
Gold \$	1529.0	+0.75	+3.61	+0.74

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