

BoE firmly in focus

There was once again a relatively subdued tone to currency markets yesterday. A sparse data calendar and an absence of surprises from the conclusion of the Fed meeting last night meant there was little to provide direction.

As expected the FOMC voted to keep the fed funds target range at its current 1.50-1.75%. Meanwhile, in the press conference Chair Powell again stressed that the central bank is on hold in the near term. However, US yields did move lower following the meeting and markets are now looking for nearly two rate cuts from the Fed.

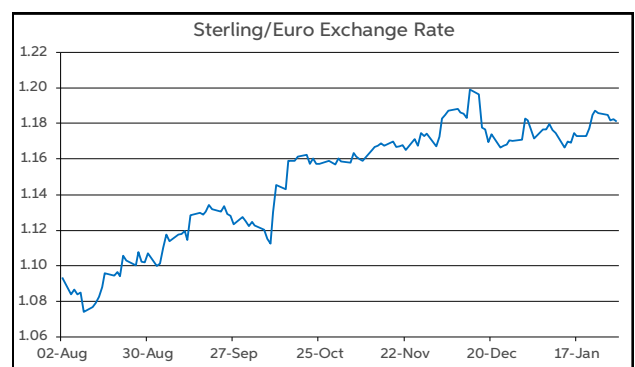
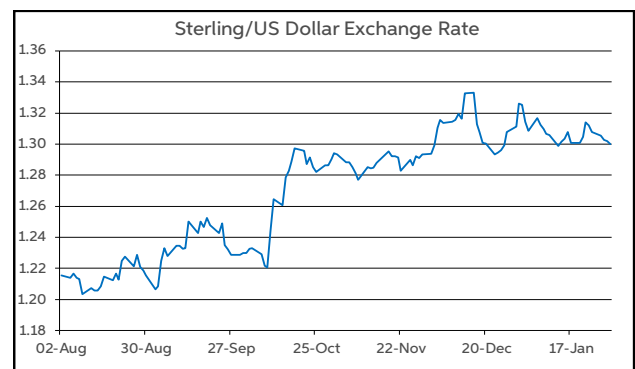
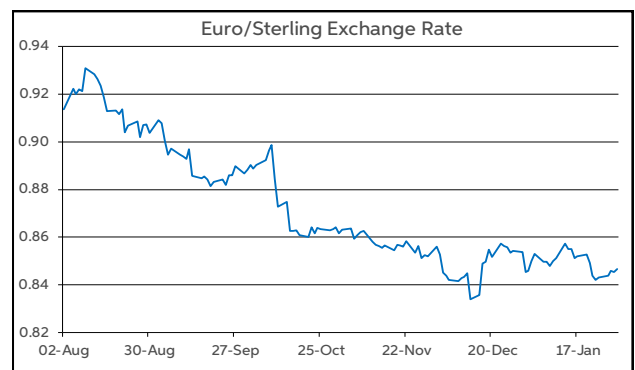
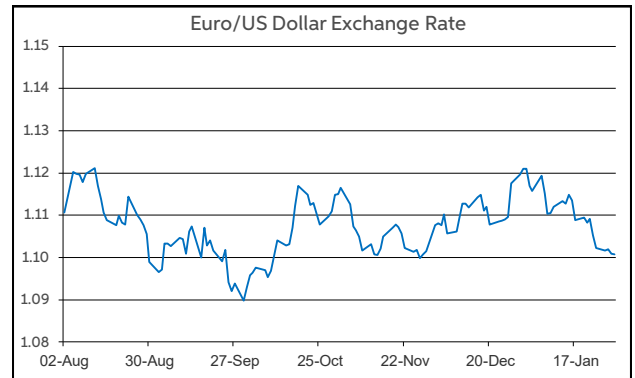
In level terms, the lack of action on FX markets is reflected in EUR/USD opening this morning down at the \$1.10 threshold, having briefly tested below this strong support level. Meantime, cable (GBP/USD) is at the \$1.30 mark, while EUR/GBP is trading in the upper half of the 84-85p band.

Today, the focus is squarely on the conclusion of the BoE's January meeting. The market sees a 25bps rate cut as a 50:50 call. Weak UK macro data for Q4 would typically suggest that an easing of policy is likely. However, stronger January survey data on the back of a lowering of near-term Brexit risk makes a cut today a close call.

Should the BoE ease policy, sterling would likely come under pressure. If the central bank stays on hold, moves in the currency may hinge on the vote split, Governor Carney's remarks, and the Monetary Policy Report. Indications of a possible near term rate cut may remove some of the upside for sterling in this case.

Data-wise, the schedule includes the US GDP for Q4 (f'cast +2.1% s.a.a.r.) and the January EC sentiment indices in the Eurozone. However, currency reaction to the releases may be limited.

Conor Beakey, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.1008	-0.05	-1.80
EUR/GBP	0.8466	0.13	0.14
GBP/USD	1.3001	-0.17	-1.95
GBP/EUR	1.1809	-0.13	-0.14
USD/JPY	108.86	-0.23	0.23
EUR/JPY	119.84	-0.28	-1.63

* 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	1.65	1.78	1.85	1.46	1.38
EUR	0.00	-0.46	-0.40	-0.27	-0.35	-0.26
GBP	0.75	0.63	0.70	0.81	0.65	0.67

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

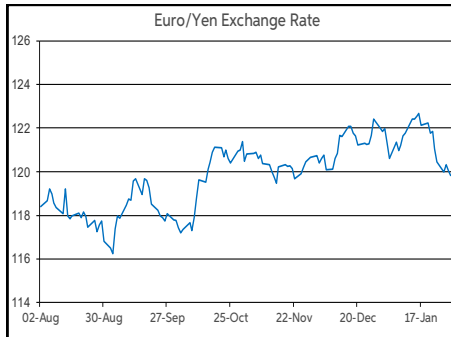
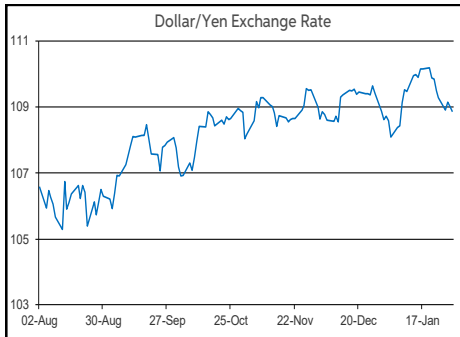
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

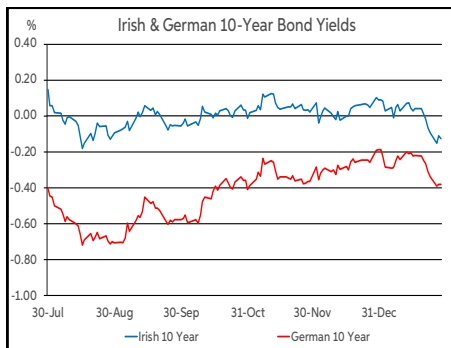
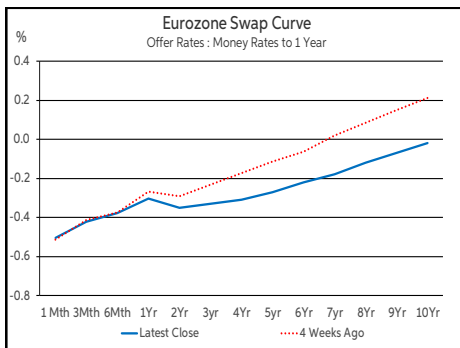
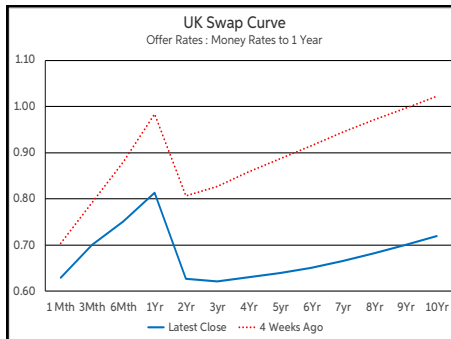
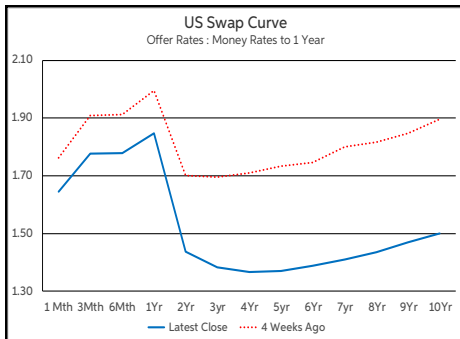
Thursday 30 January 2020
07:16 am



Euro		Sterling		Dollar	
EUR/GBP	0.8466	GBP/EUR	1.1809	USD/JPY	108.86
EUR/USD	1.1008	GBP/USD	1.3001	USD/CAD	1.3208
EUR/JPY	119.84	GBP/CAD	1.7177	USD/CHF	0.9722
EUR/SEK	10.6048	GBP/NZD	1.9982	USD/CNY	6.9364
EUR/DKK	7.4725	GBP/JPY	141.53	USD/BRL	4.2303
EUR/NOK	10.1296	GBP/SEK	12.5184	USD/RUB	63.03
EUR/CHF	1.0703	GBP/DKK	8.8235	USD/INR	71.51
EUR/AUD	1.6356	GBP/NOK	11.959	AUD/USD	0.6727
EUR/HKD	8.5486	GBP/CHF	1.264	NZD/USD	0.6505
EUR/CAD	1.4543	GBP/AUD	1.9316		



	Close	Change bps		
		Day	4 Weeks	End 19
10 Year Yield %				
US	1.58	-8	-34	-34
Germany	-0.38	+0	-19	-19
UK	0.51	-4	-31	-31
5 Year Swap %				
US	1.37	-8	-36	-34
Eurozone	-0.27	-4	-16	-15
UK	0.64	-3	-25	-25
2 Year Swap %				
US	1.44	-9	-27	-26
Eurozone	-0.35	-2	-6	-6
UK	0.63	-1	-18	-18
10 Year Government Bond Spreads to Benchmark bps				
Ireland	25	-2	-2	-2
Belgium	23	-4	-4	-4
France	25	-3	-6	-6
Italy	133	-7	-23	-23
Spain	67	-1	+3	+3
Portugal	64	-0	+4	+4
Greece	150	-1	-10	-10



	% Change			
	Close	Day	4 Weeks	End 19
Brent Oil	59.81	+0.50	-9.38	-9.38
West Texas Oil	53.29	-0.08	-12.84	-12.84
Gold \$	1577.5	+0.69	+3.94	+3.94

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