

Markets adopt a cautious tone

Heightened tensions in the Middle East have seen markets adopt a risk-off tone at the beginning of 2020. Oil prices spiked following the assassination of a senior Iranian military commander in Iraq on Thursday night by the US. The bout of risk aversion on markets has benefitted safe haven currencies, primarily the yen. The dollar is also slightly higher, but a weak manufacturing ISM for December provided an unhelpful backdrop for the currency on Friday.

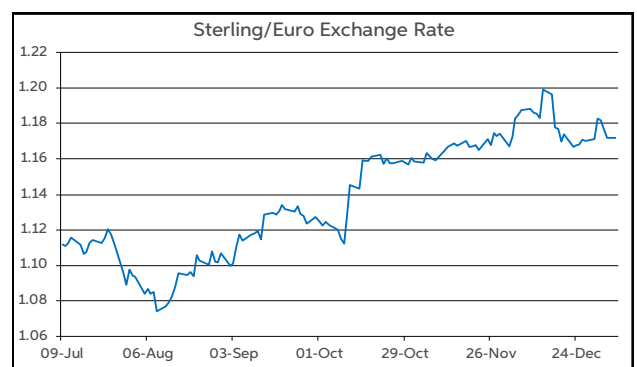
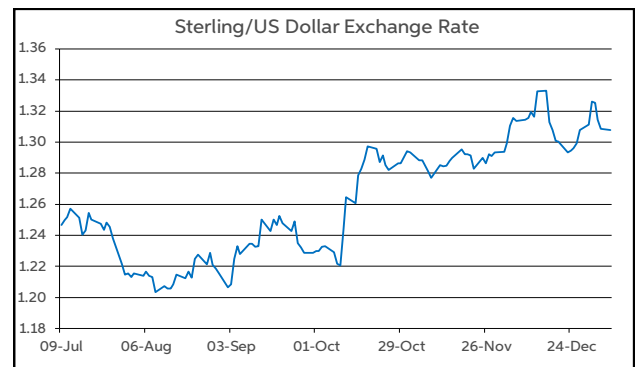
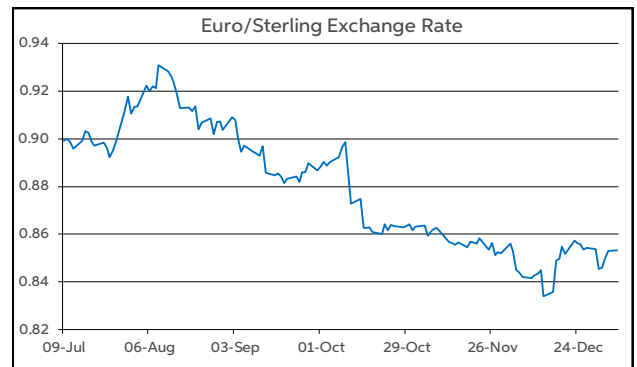
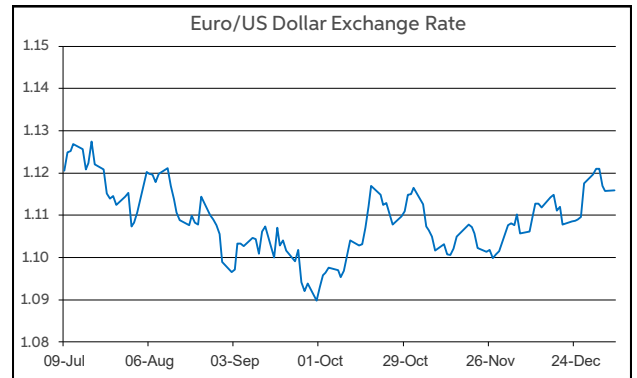
In level terms, EUR/USD is trading just above the midpoint of the \$1.11-1.12 band, while GBP/USD is below the \$1.31 level. Meantime, a slight softening of sterling has seen EUR/GBP move further above the 85p threshold.

The more uncertain geo-political climate has seen bond yields decline globally. German, UK and US 10-year yields have fallen by between 5 and 8bps. Equities also came under pressure on Friday, shedding some gains from Thursday's session.

This week, tensions in the Middle-East may continue to act as a support for the dollar. The other main source of influence for the US currency will be the December employment report. Payrolls surged by 266k in November. Some pullback is to be expected, though the forecast is still for a solid gain of 160k. Evidence that US jobs growth remains strong could aid the dollar.

In the Eurozone, a raft of data is due this week, including the EC sentiment indices and preliminary HICP inflation readings (both December). We do not anticipate any major euro impact, though it is worth noting that there is risk of a downside surprise in the ECI. Similarly, the data calendar is unlikely to be a source of direction for sterling. Although with Parliament reconvening this week, Brexit newsflow remains a potential mover for the currency.

Conor Beakey, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.1159	-0.04	-0.45
EUR/GBP	0.8532	0.28	0.92
GBP/USD	1.3075	-0.35	-1.39
GBP/EUR	1.1714	-0.28	-0.91
USD/JPY	108.06	-0.53	-0.51
EUR/JPY	120.6	-0.10	-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	1.71	1.87	1.96	1.60	1.61
EUR	0.00	-0.44	-0.38	-0.24	-0.31	-0.19
GBP	0.75	0.71	0.80	0.96	0.80	0.86

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

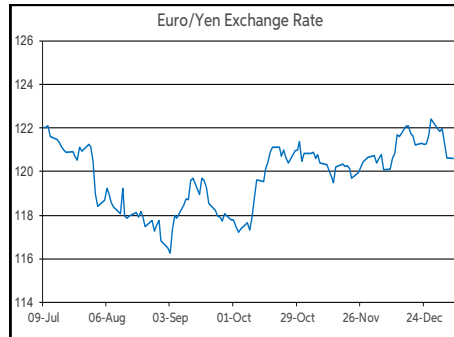
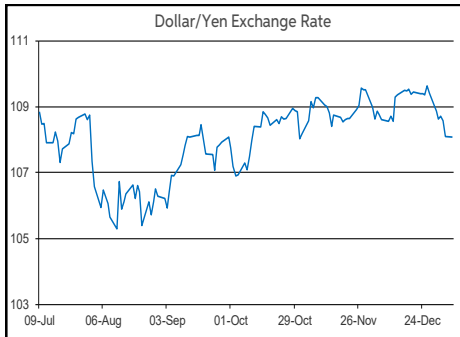
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

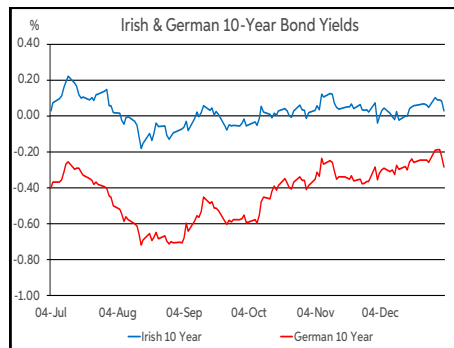
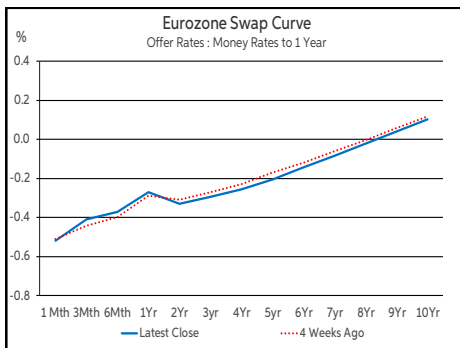
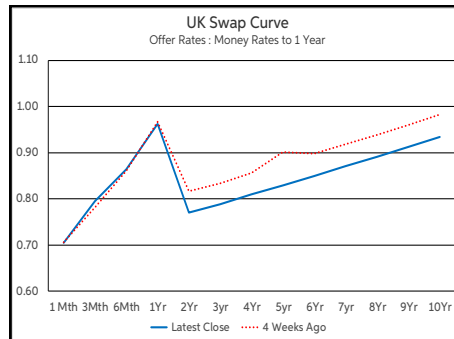
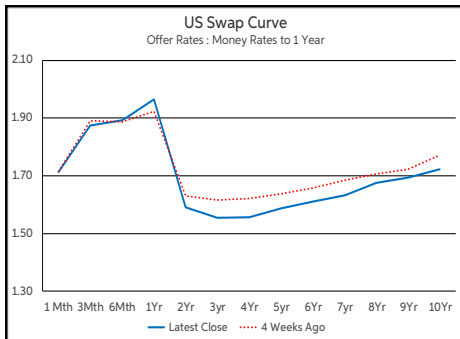
Monday 06 January 2020
07:20 am



Euro		Sterling		Dollar	
EUR/GBP	0.8532	GBP/EUR	1.1714	USD/JPY	108.06
EUR/USD	1.1159	GBP/USD	1.3075	USD/CAD	1.2982
EUR/JPY	120.6	GBP/CAD	1.6975	USD/CHF	0.971
EUR/SEK	10.5227	GBP/NZD	1.9664	USD/CNY	6.9777
EUR/DKK	7.4729	GBP/JPY	141.29	USD/BRL	4.0669
EUR/NOK	9.8805	GBP/SEK	12.327	USD/RUB	62.23
EUR/CHF	1.0836	GBP/DKK	8.7548	USD/INR	72.0536
EUR/AUD	1.6077	GBP/NOK	11.5778	AUD/USD	0.6941
EUR/HKD	8.6706	GBP/CHF	1.2697	NZD/USD	0.6649
EUR/CAD	1.4489	GBP/AUD	1.8836		



Debt Markets				
	Close	Day	4 Weeks	End 19
10 Year Yield %				
US	1.79	-8	-5	-13
Germany	-0.29	-6	+1	-10
UK	0.73	-5	-3	-9
5 Year Swap %				
US	1.59	-10	-5	-13
Eurozone	-0.21	-7	-4	-9
UK	0.83	-5	-7	-6
2 Year Swap %				
US	1.59	-6	-4	-11
Eurozone	-0.33	-4	-2	-4
UK	0.77	-4	-5	-4
10 Year Government Bond Spreads to Benchmark bps				
Ireland	31	+1	-2	+4
Belgium	27	+0	-1	+0
France	30	+0	-1	-1
Italy	161	-2	-12	+5
Spain	65	-1	-11	+0
Portugal	63	-1	-7	+2
Greece	165	+4	-10	+6



Commodities				
	Close	Day	4 Weeks	End 19
Brent Oil	68.6	+3.55	+6.54	+3.94
West Texas Oil	63	+2.99	+6.42	+3.04
Gold \$	1551.9	+1.50	+6.29	+2.25

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