

Fed hints at easing

Investor sentiment deteriorated sharply last week on the back of concerns linked to the coronavirus. The outbreak turned global, with a significant increase in cases reported in Italy and South Korea. Fears of a possible pandemic spooked markets. The main equity indices entered into correction territory (i.e. fell over 10%).

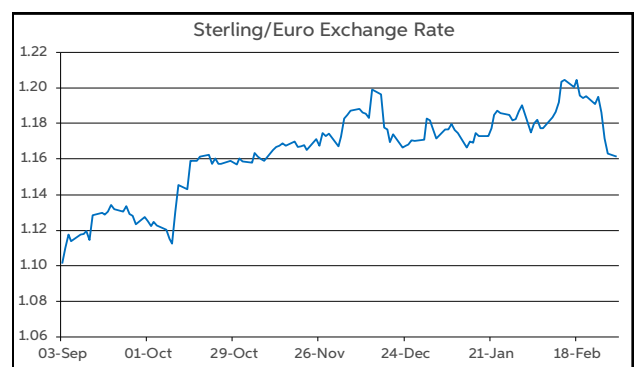
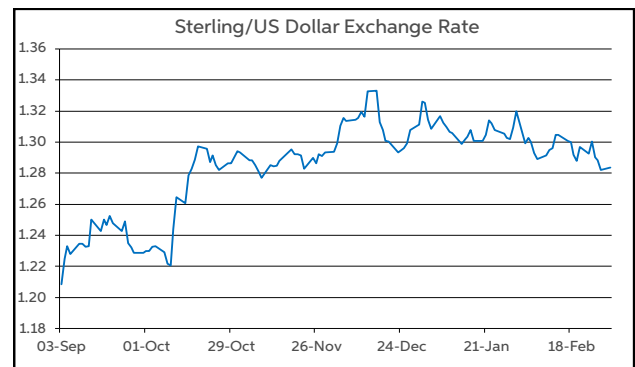
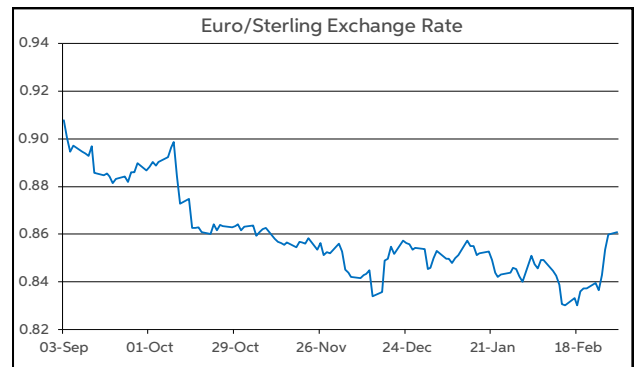
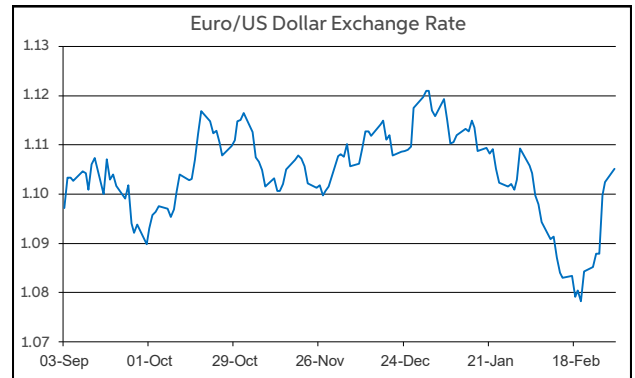
Concerns over the economic fall out has led markets to price in significant policy easing. Fed Chair Powell issued a statement on Friday stating the central bank will use its tools to “act to support the economy”. Futures contracts are now pointing to four 25bp rate cuts in the US in 2020. More limited easing of 40 and 15bps, respectively, is expected from the BoE and the ECB.

The relative moves in interest rate markets boosted the euro and weighed on the dollar last week. EUR/USD opens this morning at the midpoint of \$1.10-1.11, having begun last week at \$1.08. Meanwhile, EUR/GBP is trading up at 86p, with sterling negatively impacted by Brexit related headlines. Elsewhere, cable (GBP/USD) is changing hands in the lower half of the \$1.28-1.29 range.

This week, the focus will remain on coronavirus developments. It was notable that the Chinese official PMIs (released over the weekend) plummeted in February. FX-wise, the implications of the outbreak for policy will remain a key driver for the main pairs, meaning the dollar could stay under pressure. Attention will also be centred on the Super Tuesday Democratic Primaries.

As a result, this week’s US employment report for February (payrolls forecast at 178k) due on Friday may attract less attention than usual. Meantime, there is little out from a data perspective in the Eurozone and UK. Sterling, though, could experience some volatility as EU-UK trade talks get underway today.

Conor Beakey, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.1055	0.52	-1.38
EUR/GBP	0.861	0.90	1.85
GBP/USD	1.2839	-0.36	-3.17
GBP/EUR	1.161	-0.89	-1.81
USD/JPY	108.29	-0.54	-0.29
EUR/JPY	119.74	-0.02	-1.72

* v Previous Day's European Open

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Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.625	1.52	1.46	1.38	0.88	0.94
EUR	0.00	-0.49	-0.42	-0.31	-0.45	-0.37
GBP	0.75	0.68	0.67	0.75	0.59	0.59

All rates quoted are indicative market rates

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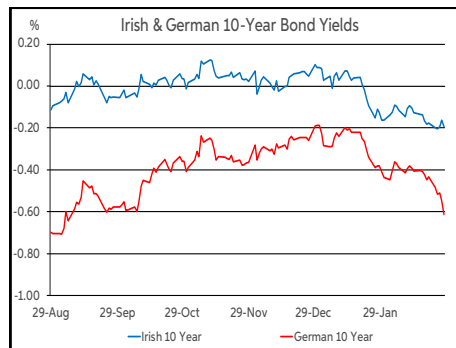
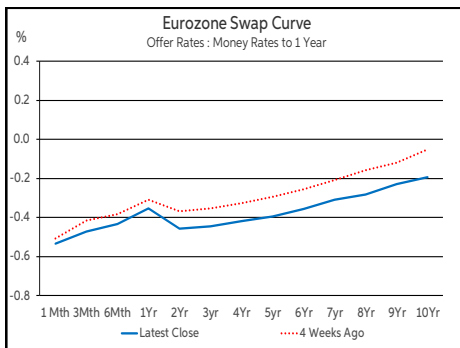
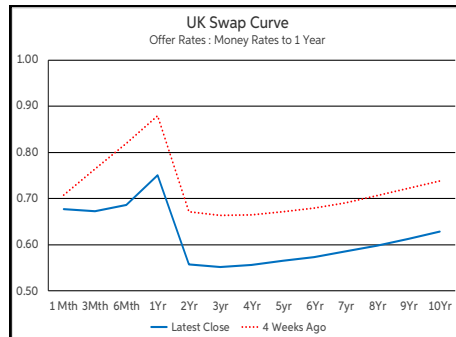
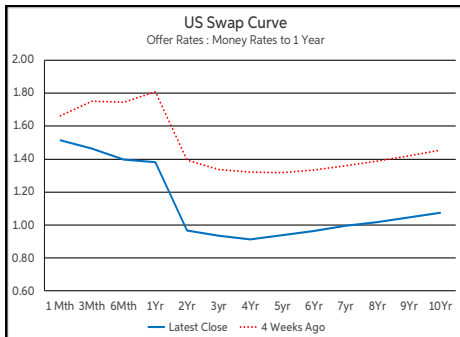
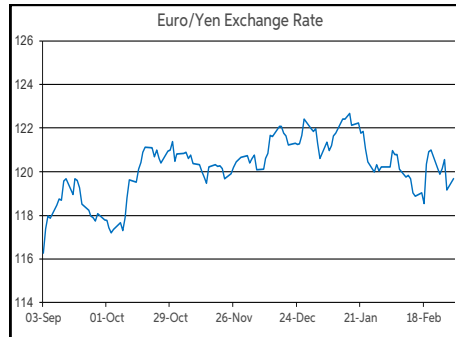
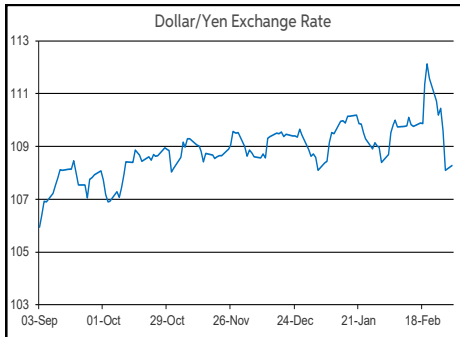
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

Monday 02 March 2020
07:20 am



Euro		Sterling		Dollar	
EUR/GBP	0.861	GBP/EUR	1.161	USD/JPY	108.29
EUR/USD	1.1055	GBP/USD	1.2839	USD/CAD	1.3351
EUR/JPY	119.74	GBP/CAD	1.7144	USD/CHF	0.964
EUR/SEK	10.5645	GBP/NZD	2.0593	USD/CNY	6.9692
EUR/DKK	7.4725	GBP/JPY	139.03	USD/BRL	4.4733
EUR/NOK	10.3507	GBP/SEK	12.2648	USD/RUB	66.5895
EUR/CHF	1.0659	GBP/DKK	8.6769	USD/INR	72.193
EUR/AUD	1.6921	GBP/NOK	12.0172	AUD/USD	0.6532
EUR/HKD	8.6037	GBP/CHF	1.2377	NZD/USD	0.6232
EUR/CAD	1.476	GBP/AUD	1.9652		



Debt Markets				
	Close	Day	4 Weeks	End 19
10 Year Yield %				
US	1.16	-11	-34	-76
Germany	-0.61	-7	-18	-43
UK	0.44	-3	-9	-38
Ireland	-0.19	-3	-3	-28
Belgium	-0.23	-2	-2	-31
France	-0.29	-3	-11	-41
Italy	1.11	+5	+19	-27
Spain	0.28	-2	+6	-18
Portugal	0.28	-3	+8	-14
Greece	1.29	+11	+17	-12
5 Year Swap %				
US	0.94	-16	-38	-77
Eurozone	-0.39	-5	-10	-28
UK	0.57	-5	-11	-33
2 Year Swap %				
US	0.97	-15	-43	-73
Eurozone	-0.46	-6	-9	-17
UK	0.56	-6	-11	-25
10 Year Government Bond Spreads to Benchmark bps				
Ireland	42	+4	+15	+14
Belgium	39	+4	+15	+12
France	32	+4	+7	+1
Italy	172	+11	+37	+16
Spain	89	+5	+24	+25
Portugal	89	+4	+25	+28
Greece	190	+18	+35	+30

Commodities				
	Close	Day	4 Weeks	End 19
Brent Oil	50.52	-3.18	-13.14	-23.45
West Texas Oil	44.83	-4.96	-13.09	-26.68
Gold \$	1585.5	-3.48	-0.32	+4.46

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