

Fed cuts rates by 50bps

The US Fed yesterday announced a 50bps reduction in the fed funds rate to a 1.0-1.25% target range. This follows last week's sell-off on equity markets where most of the main indices fell by 12-13%. In its brief meeting statement, the Fed noted the evolving risks posed by the Coronavirus to economic activity in outlining its rationale for cutting rates. The decision to cut was unanimous.

The statement also emphasised that the Fed will be closely monitoring developments and will act as appropriate to support the economy. Futures contracts indicate that the market is expecting more US rate cuts. A 25bps cut is anticipated by its end April meeting and another 25bps reduction over the summer.

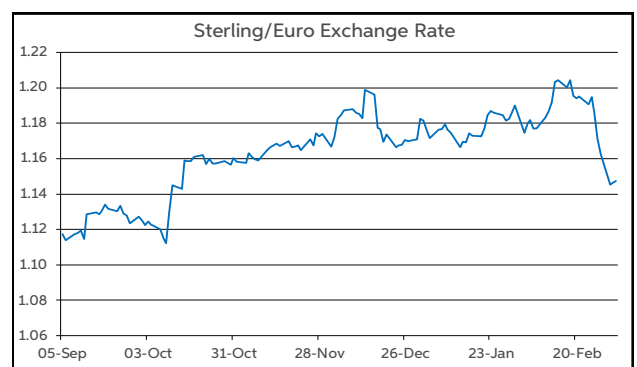
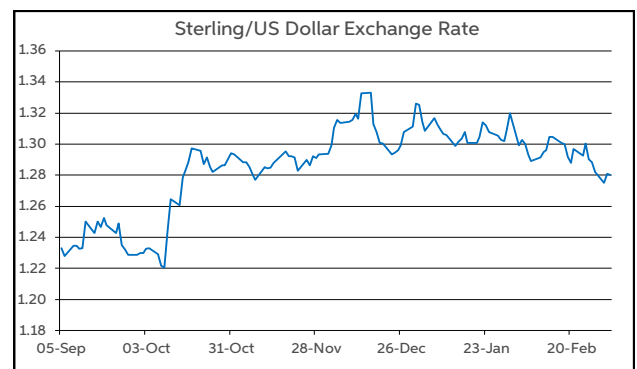
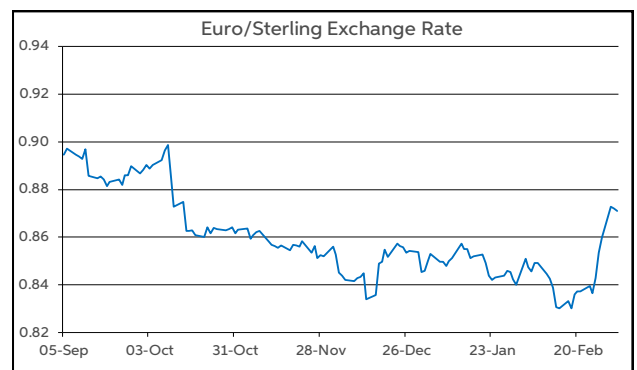
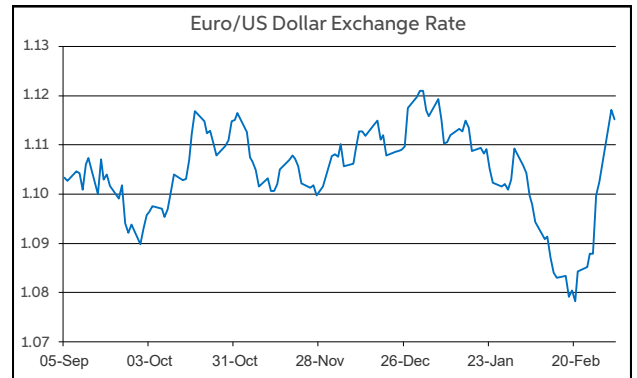
The markets are now expecting the ECB to reduce the deposit rate by 10bps to -0.60% at its next meeting (12th March). A 25bps rate cut from the BoE is also priced in for March.

In terms of risk appetite, the S&P 500 initially rallied on the Fed announcement, but this proved short-lived. At the closing bell last night, the index was down 2.8%. This followed a 4.6% gain on Monday. Overnight, the Nikkei finished the session flat on the day.

On the currency front, the dollar was modestly lower immediately following the Fed rate cut. Overall though, the main FX pairs have been confined to narrow ranges over the past 24 hours. EUR/USD opens at the midpoint of \$1.11-1.12, while GBP/USD is at the \$1.28 mark. Meanwhile, EUR/GBP remains near to 87p.

Today, market attention will remain focused on Coronavirus related developments. As a result, we would expect market sentiment/action will remain volatile.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.1154	0.10	-0.50
EUR/GBP	0.8711	-0.07	3.04
GBP/USD	1.2801	0.16	-3.45
GBP/EUR	1.1476	0.07	-2.95
USD/JPY	107.56	-0.18	-0.97
EUR/JPY	119.98	-0.08	-1.52

* 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	1.38	1.31	1.25	0.74	0.80
EUR	0.00	-0.49	-0.43	-0.33	-0.48	-0.40
GBP	0.75	0.64	0.64	0.71	0.48	0.52

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

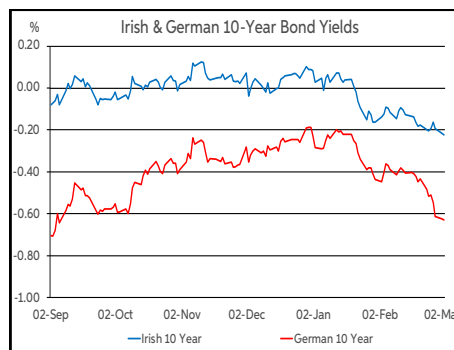
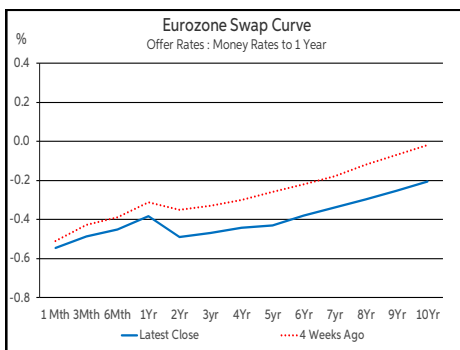
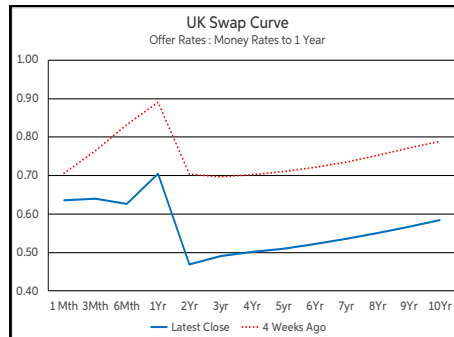
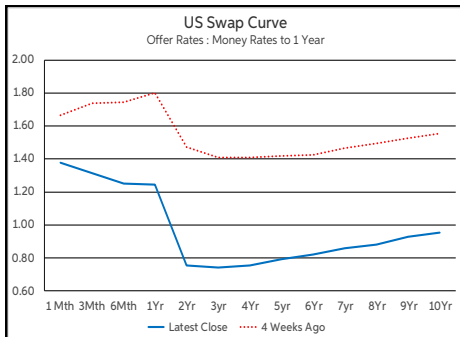
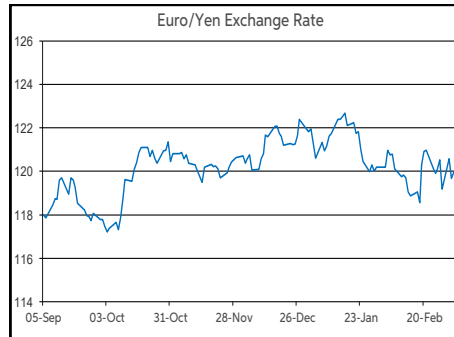
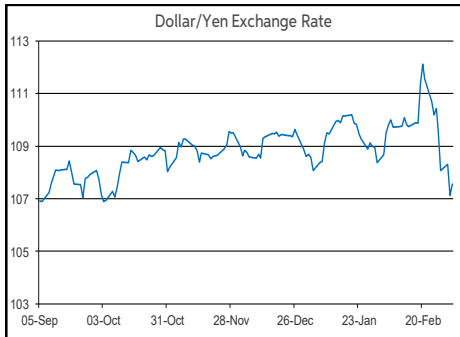
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		Equity Options	Gary Luff				

Opening Levels

Wednesday 04 March 2020
07:25 am



Euro		Sterling		Dollar	
EUR/GBP	0.8711	GBP/EUR	1.1476	USD/JPY	107.56
EUR/USD	1.1154	GBP/USD	1.2801	USD/CAD	1.3357
EUR/JPY	119.98	GBP/CAD	1.7097	USD/CHF	0.9591
EUR/SEK	10.5447	GBP/NZD	2.0386	USD/CNY	6.9356
EUR/DKK	7.4724	GBP/JPY	137.69	USD/BRL	4.5144
EUR/NOK	10.3208	GBP/SEK	12.0987	USD/RUB	65.9452
EUR/CHF	1.0699	GBP/DKK	8.5745	USD/INR	73.483
EUR/AUD	1.6894	GBP/NOK	11.8448	AUD/USD	0.66
EUR/HKD	8.664	GBP/CHF	1.2279	NZD/USD	0.6277
EUR/CAD	1.4898	GBP/AUD	1.9389		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 19
10 Year Yield %				
US	1.00	-15	-60	-92
Germany	-0.63	-1	-23	-44
UK	0.38	-2	-18	-43
5 Year Swap %				
US	0.79	-20	-63	-92
Eurozone	-0.43	-5	-17	-31
UK	0.51	-3	-20	-38
2 Year Swap %				
US	0.75	-21	-72	-95
Eurozone	-0.49	-4	-14	-20
UK	0.47	-5	-23	-34
10 Year Government Bond Spreads to Benchmark bps				
Ireland	41	-0	+13	+13
Belgium	37	-3	+13	+10
France	29	-3	+4	-2
Italy	161	-15	+26	+5
Spain	81	-10	+15	+16
Portugal	82	-10	+16	+21
Greece	188	-8	+33	+28

Commodities				
	% Change			
	Close	Day	4 Weeks	End 19
Brent Oil	51.86	-0.08	-3.89	-21.42
West Texas Oil	47.27	+1.05	-4.68	-22.69
Gold \$	1640.1	+3.08	+5.62	+8.06

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