

Slightly firmer tone to sterling

There was a subdued mood to proceedings on financial markets at the start of the trading week. A lack of any major macro data/events contributed to the lacklustre action. Although, on commodity markets, oil prices continued to move lower, with Brent down near \$62 per barrel.

Equity markets traded sideways for much of the day. Most of the main indices ended the day broadly unchanged from their respective starting positions. This included the benchmark S&P 500 index, which was flat at the closing bell on Wall Street last night.

It was a similar story of limited moves on currency markets. After coming into the European session yesterday hampered somewhat by the surprise weekend breakdown in German government coalition talks, the euro managed to largely hold its ground. Elsewhere, sterling has been displaying a slightly firmer tone over the last 24 hours. This may in part be due to some optimism emerging regarding the prospect of progress in the Brexit talks.

Sterling has built further on its gains from last week against the dollar. As trading gets underway this morning, the GBP/USD pair opens at the \$1.325 mark. The EUR/GBP cross is trading near the midpoint of the 88-89p band. Meantime, EUR/USD continues to change hands near \$1.175.

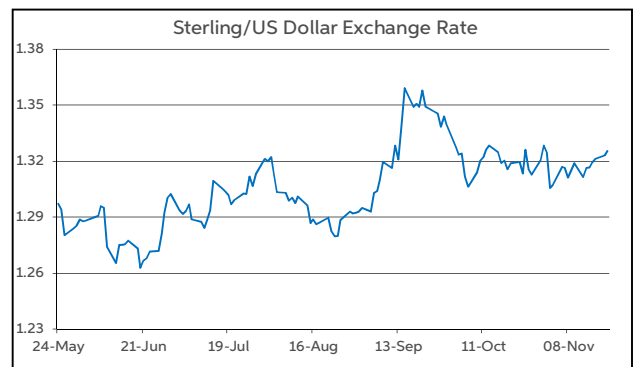
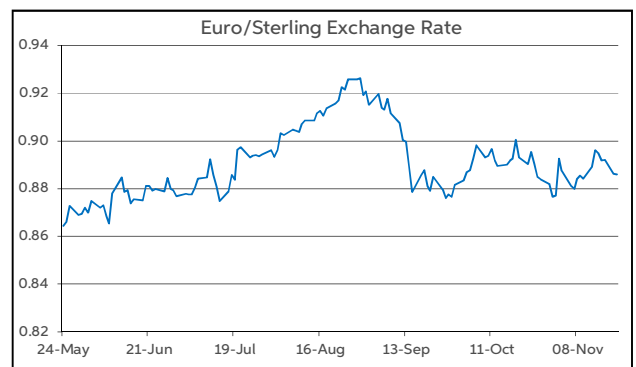
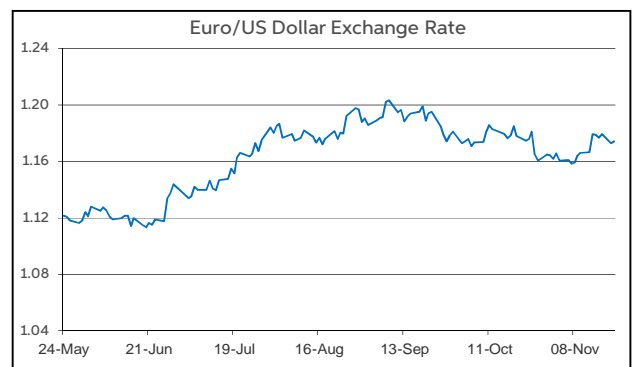
Today, the global macro schedule is somewhat busier in terms of releases, although it may still be uninspiring from a currency market viewpoint. The main releases of note are UK public finance data and US existing home sales (both October). Meanwhile, markets will be keeping a watchful eye on political newsflow out of Germany, which could result in some volatility for the euro.

John Fahey, Senior Economist, AIB

		% Change	
		Day *	End 2016
EUR/USD	1.1744	0.11	11.71
EUR/GBP	0.8858	-0.28	3.99
GBP/USD	1.3256	0.40	7.46
GBP/EUR	1.1286	0.28	-3.84
USD/JPY	112.46	0.35	-3.77
EUR/JPY	132.08	0.45	7.26

* v Previous Day's European Open

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	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.125	1.29	1.45	1.91	1.94	2.15
EUR	0.00	-0.37	-0.33	-0.19	-0.17	0.21
GBP	0.50	0.49	0.53	0.78	0.85	1.09

	Latest Close	% Changes	
		on Day	End 2016 to Date
Dow Jones	23430.33	+0.31	+18.56
S&P 500	2582.14	+0.13	+15.33
FTSE 100	7389.46	+0.12	+3.45
DJ Stoxx 50	3561.41	+0.39	+8.23
ISEQ	6941.25	+0.65	+6.51
Nikkei	22416.48	+0.70	+17.28

All rates quoted are indicative market rates

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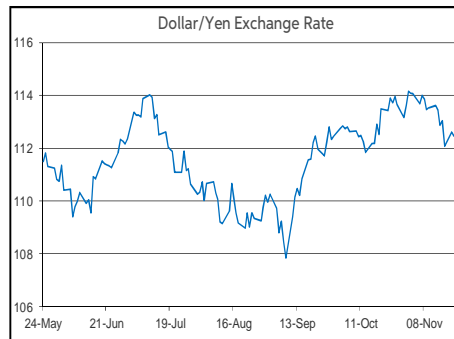
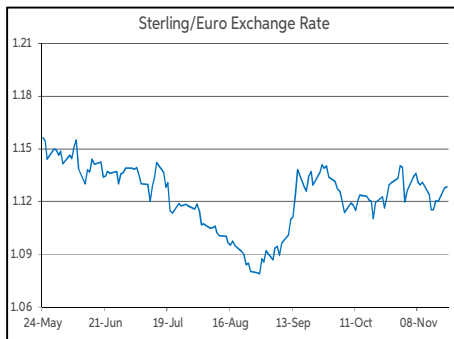
FX Spot	Karl Cooke Shane Gargan Adrian Flanagan Enda Homan	FX Options	Mark Tuite Lenny Hogan	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

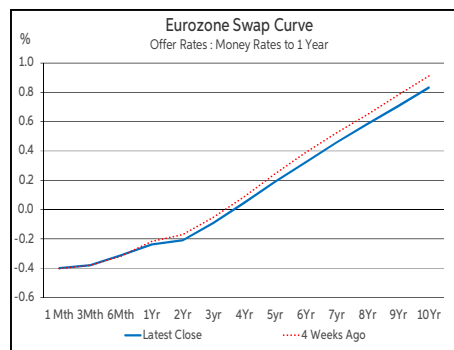
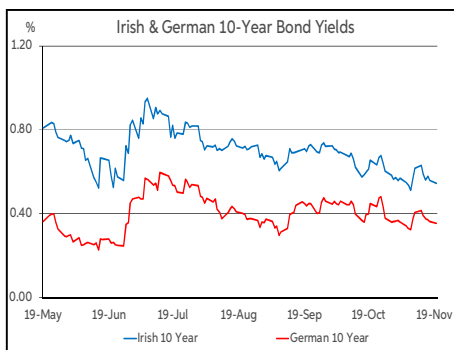
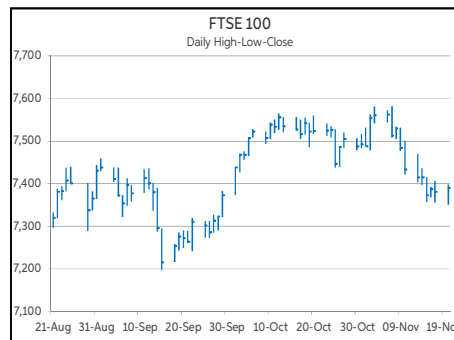
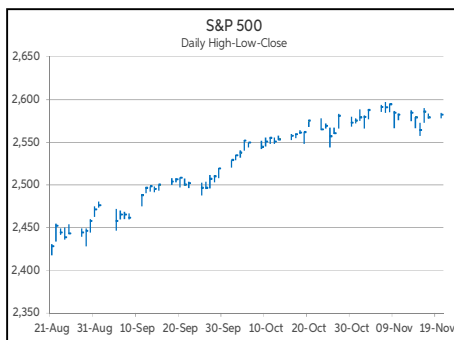
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Euro		Sterling		Dollar	
EUR/GBP	0.8858	GBP/EUR	1.1286	USD/JPY	112.46
EUR/USD	1.1746	GBP/USD	1.3258	USD/CAD	1.2806
EUR/JPY	132.09	GBP/CAD	1.697	USD/CHF	0.9922
EUR/SEK	9.9808	GBP/NZD	1.9467	USD/CNY	6.6315
EUR/DKK	7.4423	GBP/JPY	149.1	USD/BRL	3.2572
EUR/NOK	9.7521	GBP/SEK	11.2659	USD/RUB	59.4655
EUR/CHF	1.1654	GBP/DKK	8.3996	USD/INR	65.0075
EUR/AUD	1.556	GBP/NOK	11.0083	AUD/USD	0.7547
EUR/HKD	9.1728	GBP/CHF	1.3156	NZD/USD	0.6809
EUR/CAD	1.5039	GBP/AUD	1.7563		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 16
10 Year Yield %				
US	2.37	+2	-0	-8
Germany	0.36	-1	-8	+16
UK	1.29	-1	-1	+5
5 Year Swap %				
US	2.11	+1	+5	+15
Eurozone	0.19	-2	-6	+11
UK	1.08	+0	+2	+20
2 Year Swap %				
US	1.88	-0	+9	+44
Eurozone	-0.21	-3	-4	-5
UK	0.83	+0	+2	+23
10 Year Government Bond Spreads to Benchmark bps				
Ireland	19	-1	-1	-36
Belgium	21	+1	-3	-10
France	33	+1	-7	-15
Italy	145	-2	-11	-16
Spain	115	-3	-3	-2
Portugal	155	-4	-27	-198
Greece	482	+4	-24	-186



Commodities				
	Close	% Change		
		Day	4 Weeks	End 16
Brent Oil	62.22	-0.80	+8.45	+9.50
West Texas Oil	56.21	-0.64	+8.28	+4.58
CRB - All Commodity	189.21	-0.62	+2.44	-1.71
CRB - Food	342.28	-2.02	-1.41	+1.04
Gold \$	1276.8	-1.36	-0.44	+10.81

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