

## Gains for sterling ahead of key week

Sterling was the big mover on currency markets last week. It made gains of c. 2%. The catalyst for this were positive developments in relation to reaching a Brexit deal. This reduced concerns of the risk of a no-deal scenario. It was also noteworthy that UK futures markets pushed out the timing of a BoE rate cut.

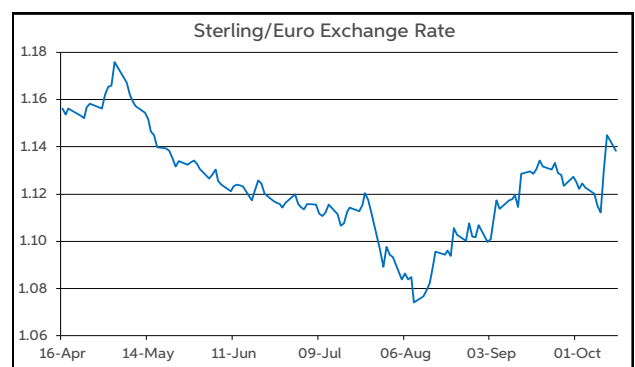
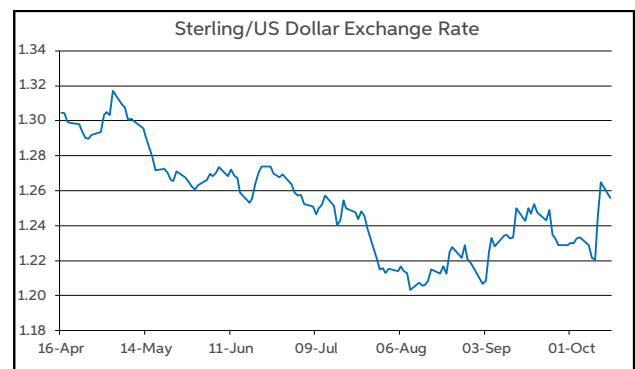
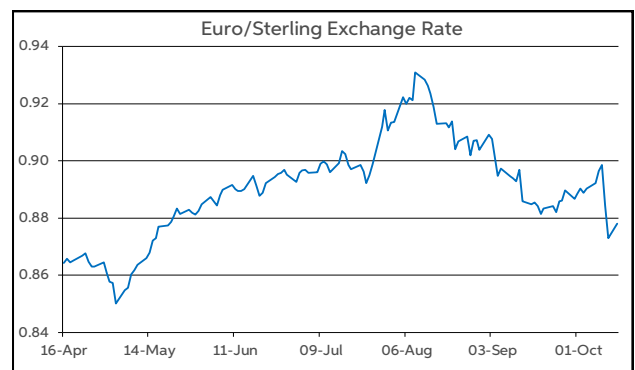
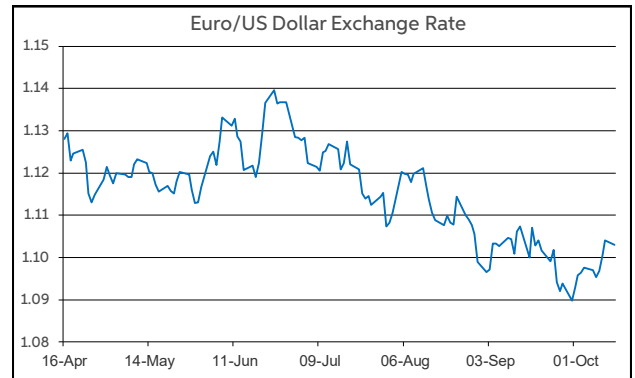
Meanwhile, progress in US-China trade talks helped support risk appetite during the week. This was evident in gains for the main equity indices and rising bond yields (ranging from 10-25bps). Currency-wise, the improvement in investor sentiment coincided with a weaker tone to the dollar and yen.

As trading gets underway this morning, the firmer tone to sterling is reflected in EUR/GBP opening below 88p, while GBP/USD is at \$1.257. The currency had been at even stronger levels on Friday. Weekend newsflow from the UK/EU talks and UK domestic politics which highlighted the work that still has to be done to achieve a deal saw sterling pare back some of its gains. Elsewhere, EUR/USD opens above the \$1.10 level.

This week, the focus will remain on Brexit with the EU Leaders' Summit (Thursday/Friday). If a deal can be agreed or is close to hand, sterling could make further gains. At the same time, a breakdown in talks would see the currency under pressure. With the focus on Brexit, this week's UK data (incl. labour market updates and CPI), may not garner the usual attention.

In the US, the main highlight from a busy macro diary are retail sales and industrial production (both Sept). Recent data have been somewhat mixed. Although, unless there are significant surprises, the impact on the dollar may be limited. Instead, any newsflow in relation to US-China trade relations could be more of an influence.

**John Fahey, Senior Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1028	0.13	-3.85
EUR/GBP	0.8783	-0.73	-2.24
GBP/USD	1.2557	0.87	-1.57
GBP/EUR	1.1381	0.74	2.29
USD/JPY	108.2	0.22	-1.24
EUR/JPY	119.36	0.35	-5.05

\* 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	1.875	1.91	2.00	1.96	1.62	1.55
EUR	0.00	-0.47	-0.42	-0.30	-0.42	-0.34
GBP	0.75	0.72	0.78	0.94	0.77	0.81

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

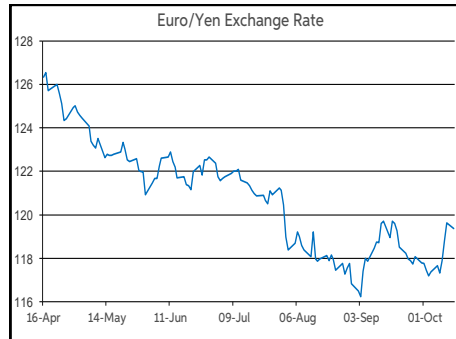
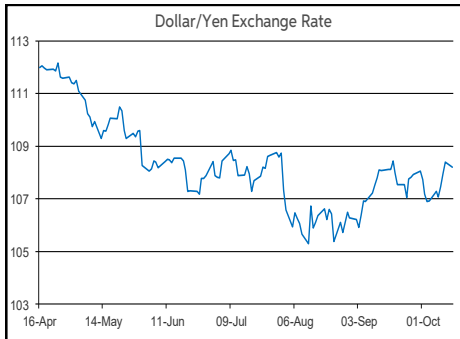
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

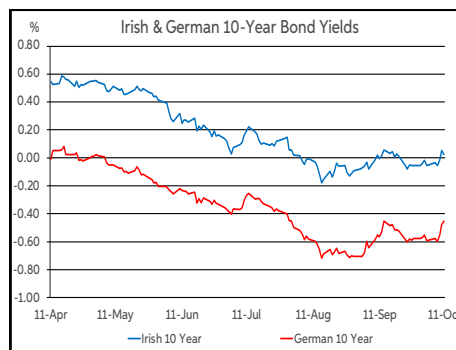
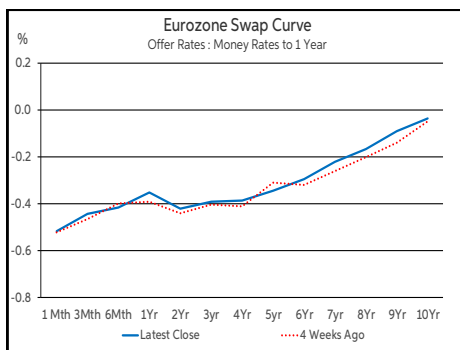
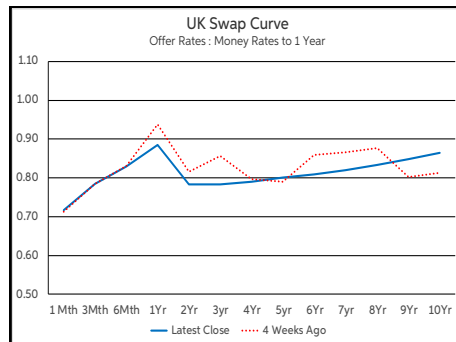
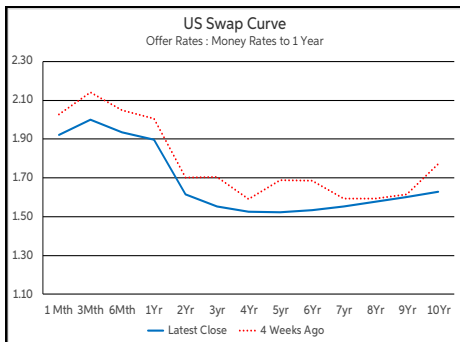
Monday 14 October 2019  
07:36 am



Euro		Sterling		Dollar	
EUR/GBP	0.8783	GBP/EUR	1.1381	USD/JPY	108.2
EUR/USD	1.1028	GBP/USD	1.2557	USD/CAD	1.3211
EUR/JPY	119.36	GBP/CAD	1.659	USD/CHF	0.9958
EUR/SEK	10.835	GBP/NZD	1.9901	USD/CNY	7.0626
EUR/DKK	7.4686	GBP/JPY	135.86	USD/BRL	4.1063
EUR/NOK	10.0288	GBP/SEK	12.3323	USD/RUB	64.2125
EUR/CHF	1.0986	GBP/DKK	8.5014	USD/INR	71.047
EUR/AUD	1.6279	GBP/NOK	11.4139	AUD/USD	0.6774
EUR/HKD	8.6498	GBP/CHF	1.2506	NZD/USD	0.6308
EUR/CAD	1.4572	GBP/AUD	1.8534		



	Close	Change bps		
		Day	4 Weeks	End 18
<b>10 Year Yield %</b>				
US	1.67	+8	-11	-101
Germany	-0.45	+3	+0	-69
UK	0.70	+12	-6	-57
Ireland	0.02	-3	-4	N/A
Belgium	-0.15	+2	-1	-91
France	-0.17	+2	+1	-87
Italy	1.03	-1	+16	-169
Spain	0.21	+7	-0	-121
Portugal	0.19	+1	-10	-151
Greece	1.41	+2	-6	-289
<b>5 Year Swap %</b>				
US	1.52	+7	-16	-104
Eurozone	-0.34	-0	-3	-57
UK	0.80	+21	+1	-51
<b>2 Year Swap %</b>				
US	1.61	+12	-9	-103
Eurozone	-0.42	+3	+2	-28
UK	0.78	+15	-3	-38
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	47	-6	-4	N/A
Belgium	30	-1	-2	-22
France	28	-0	+1	-18
Italy	148	-3	+16	-100
Spain	66	+5	-0	-52
Portugal	65	-1	-10	-82
Greece	186	-1	-6	-220



	% Change			
	Close	Day	4 Weeks	End 18
Brent Oil	60.51	+2.39	+0.48	+12.47
West Texas Oil	54.76	+2.22	+0.00	+21.28
Gold \$	1494.6	-0.76	-0.31	+16.50

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, p.l.c. and Allied Irish Bank (GB). In Northern Ireland it is distributed by First Trust Bank. In the United States of America it is distributed by Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and First Trust Bank are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.