

Event risk for sterling this week with EU summit

Last week saw challenging conditions on financial markets. The recent sell-off on bond markets spilled over into equity markets. Investors' concerns of the impact of rising US rates (ten year treasury yield hit a seven year high) combined with on-going uncertainty/worry over the consequences from escalating global trade tensions on corporate earnings made for a tough trading backdrop on equity markets. At the close on Wall Street on Friday, the S&P 500 was down around 4% on the week.

However, despite the sell-off on bond and equity markets during the week, the action was more subdued on the currency front. The yen did make gains amid the risk averse environment, while there was some mild downward pressure on the dollar during the 'risk off' period. A firming in risk appetite on Friday coincided with some improvement in the dollar.

In level terms, EUR/USD opens this morning up at the midpoint of \$1.15-1.16. Elsewhere, sterling starts the week under some downward pressure amid Brexit related concerns. This is reflected in EUR/GBP back above 88p, after having spent much of last week in a tight range within the 87-88p band. Meanwhile, GBP/USD is down at the \$1.31 mark.

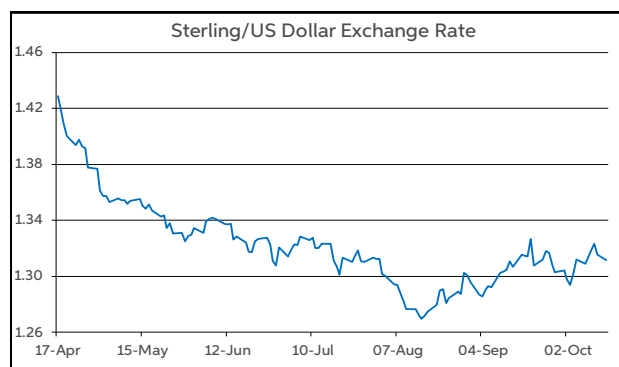
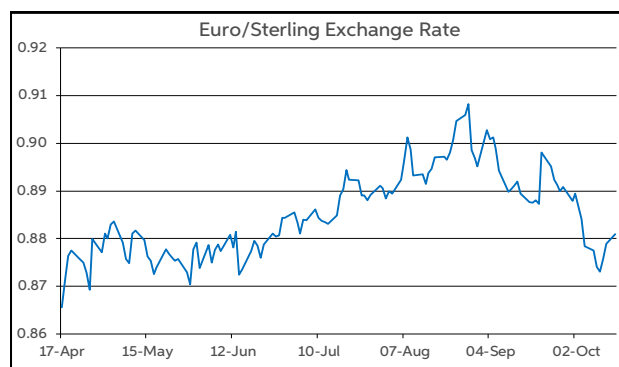
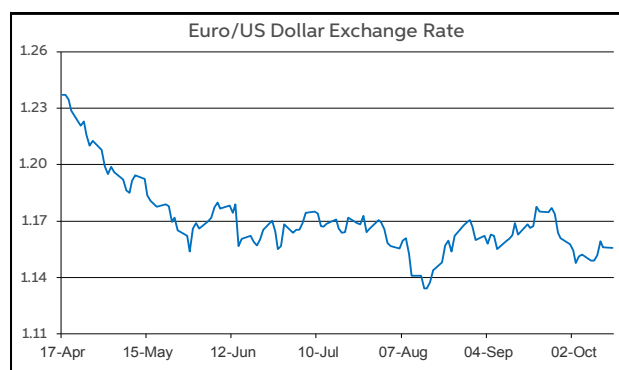
For the week ahead, Brexit is likely to be very much in focus with the EU summit. If the outcome of the meeting suggest some signs that progress is being made on the Withdrawal Agreement then sterling could see some upside. However, weekend developments suggest that key issues still need to be resolved. Meantime for the euro, the Italian government's submission deadline of its budget poses some event risk for the currency. From a dollar perspective, the performance of US bond and equity markets have the potential to cause some volatility for the dollar this week.

John Fahey, Senior Economist, AIB

Today's Opening Rates			
		% Change	
		Day *	End 2017
EUR/USD	1.1555	-0.41	-3.68
EUR/GBP	0.8808	0.49	-0.84
GBP/USD	1.3116	-0.91	-2.93
GBP/EUR	1.1349	-0.49	0.85
USD/JPY	111.9	-0.38	-0.68
EUR/JPY	129.32	-0.80	-4.33

* 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	2.125	2.28	2.44	2.96	3.04	3.13
EUR	0.00	-0.37	-0.32	-0.16	-0.09	0.42
GBP	0.75	0.72	0.81	1.09	1.18	1.49

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2017 to Date	
Dow Jones	25339.99	+1.15	+2.51	
S&P 500	2767.13	+1.42	+3.50	
FTSE 100	6995.91	-0.16	-9.00	
DJ Stoxx 50	3194.41	-0.46	-8.83	
ISEQ	6098.39	+1.32	-13.35	
Nikkei	22271.3	-1.87	-2.17	

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

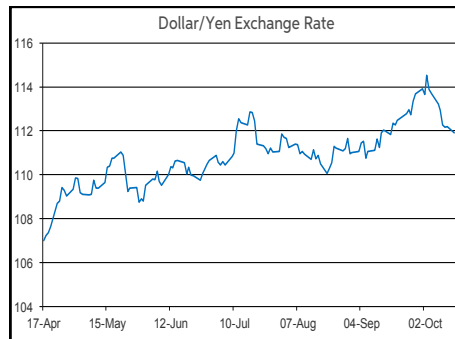
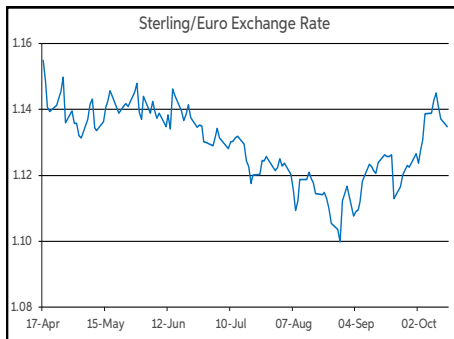
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite Lenny Hogan	Reuters Phone	AlBI 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

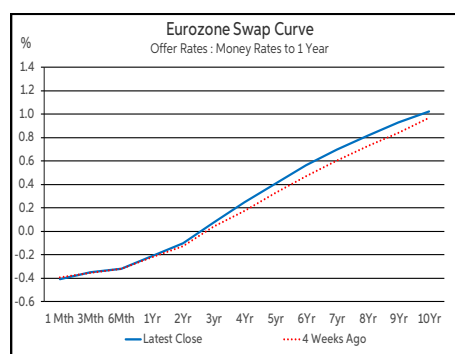
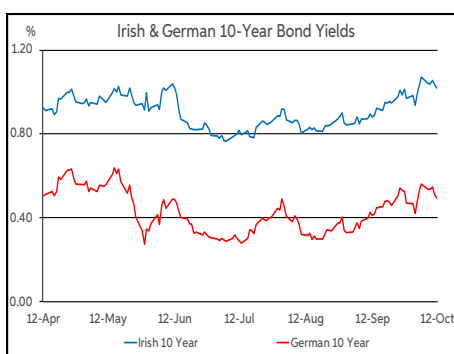
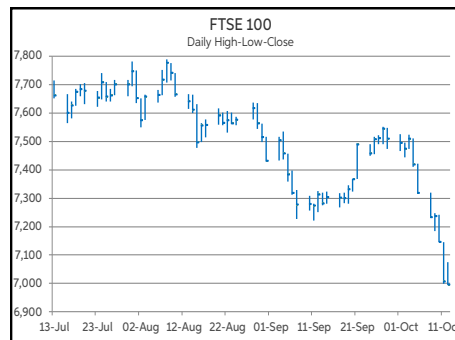
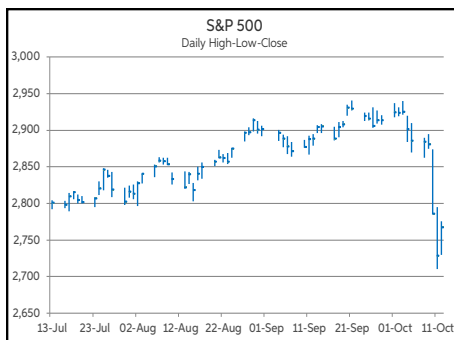
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Euro		Sterling		Dollar	
EUR/GBP	0.8808	GBP/EUR	1.1349	USD/JPY	111.9
EUR/USD	1.1555	GBP/USD	1.3116	USD/CAD	1.3019
EUR/JPY	129.32	GBP/CAD	1.7078	USD/CHF	0.9904
EUR/SEK	10.3734	GBP/NZD	2.015	USD/CNY	6.9205
EUR/DKK	7.4597	GBP/JPY	146.77	USD/BRL	3.7825
EUR/NOK	9.4443	GBP/SEK	11.7706	USD/RUB	65.8785
EUR/CHF	1.1445	GBP/DKK	8.4662	USD/INR	73.9775
EUR/AUD	1.6248	GBP/NOK	10.7207	AUD/USD	0.711
EUR/HKD	9.0587	GBP/CHF	1.2989	NZD/USD	0.6508
EUR/CAD	1.5049	GBP/AUD	1.8437		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 17
10 Year Yield %				
US	3.17	+2	+17	+76
Germany	0.49	-2	+5	+8
UK	1.63	-4	+11	+45
Ireland	1.02	-2	+10	N/A
Belgium	0.85	-5	+7	+24
France	0.87	-0	+10	+9
Italy	3.54	+0	+75	+155
Spain	1.66	+3	+21	+11
Portugal	2.02	+2	+17	+12
Greece	4.35	-10	+30	+31
5 Year Swap %				
US	3.12	+1	+10	+88
Eurozone	0.41	-4	+8	+9
UK	1.49	-5	+8	+45
2 Year Swap %				
US	3.02	-0	+7	+94
Eurozone	-0.10	-2	+3	+4
UK	1.17	-4	+4	+37
10 Year Government Bond Spreads to Benchmark bps				
Ireland	53	+0	+5	N/A
Belgium	35	-3	+3	+16
France	37	+2	+6	+2
Italy	305	+2	+70	+148
Spain	116	+5	+16	+4
Portugal	152	+4	+12	+5
Greece	386	-8	+25	+24



Commodities				
	Close	% Change		
		Day	4 Weeks	End 17
Brent Oil	80.43	+0.21	+3.00	+20.28
West Texas Oil	71.41	+0.62	+3.52	+18.11
CRB - All Commodity	197.94	+0.67	+3.92	+2.10
CRB - Food	337.49	+0.60	+4.73	+0.43
Gold \$	1218.3	-0.54	+2.03	-6.47

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