

Sterling unreactive as talks hit rocky patch

Overall, markets were in a cautious mood last week. This was largely driven by rising Covid case numbers and further restrictions being introduced across Europe.

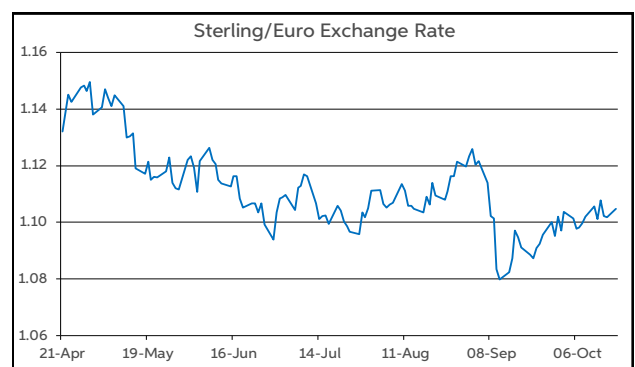
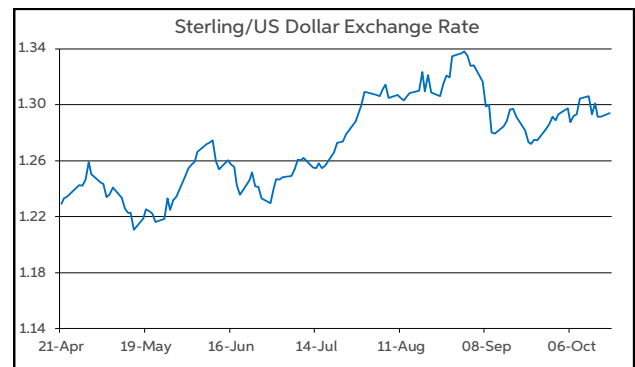
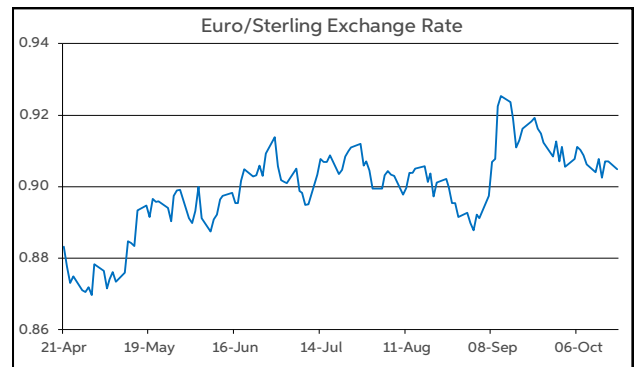
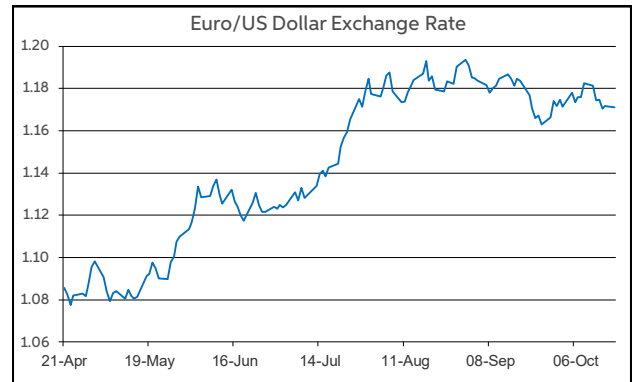
The EU Leaders' Summit in Brussels concluded on Friday with the EU laying out that further progress is needed before a deal can be struck. This followed PM Johnsons' statement that the UK must be prepared for a no trade-deal scenario with the EU from January 1st. Talks resume virtually this week as the UK rescinded their invitation for in person talks. Fisheries and governance remain as the key sticking points.

Currency-wise, sterling showed no reaction to the above developments. Indeed, the main pairs remained largely range bound last week. Although, the dollar and other safe-haven currencies did gain some support amid the more cautious mood. EUR/USD opens above \$1.17. Meanwhile, EUR/GBP is operating near the midpoint of 90-91p. GBP/USD is trading in the bottom half of \$1.29-1.30.

Data-wise, this week the main highlights will be the flash PMIs in the US, UK and Eurozone. The US PMIs are forecast to remain broadly unchanged. Meantime, in the UK both PMIs are expected to pull backwards, but remain consistent with expansion. It is also envisaged that the Eurozone PMIs will fall, with the services PMI to move further into contractionary territory.

Turning to today, the homebuilder sentiment index in the US is the main release. However, barring any surprises, the release is unlikely to impact the dollar. Elsewhere, trade-talk news flow, remains a potential source of influence for sterling.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.1712	0.09	4.48
EUR/GBP	0.9048	-0.31	7.03
GBP/USD	1.2942	0.40	-2.39
GBP/EUR	1.1047	0.31	-6.56
USD/JPY	105.4	0.18	-2.96
EUR/JPY	123.44	0.25	1.32

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates						
		Money Market		Swap Rates		
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	0.125	0.15	0.22	0.20	0.25	0.42
EUR	0.00	-0.53	-0.51	-0.52	-0.52	-0.48
GBP	0.10	0.04	0.05	0.04	0.06	0.18

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

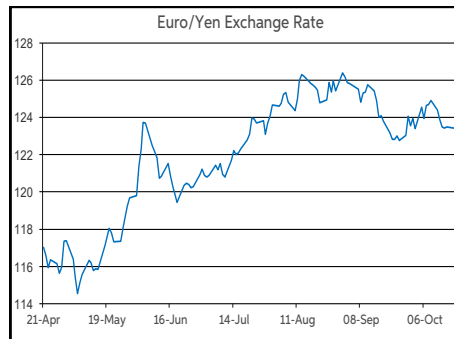
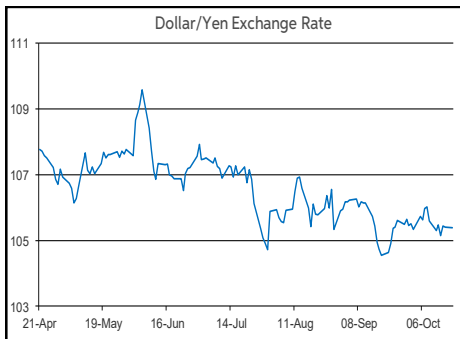
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

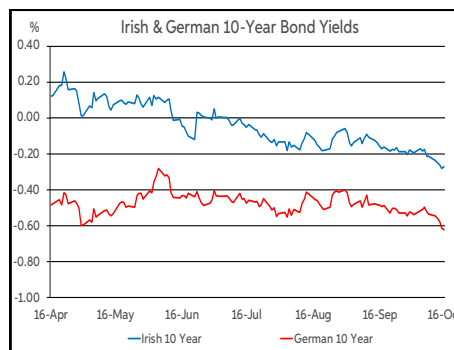
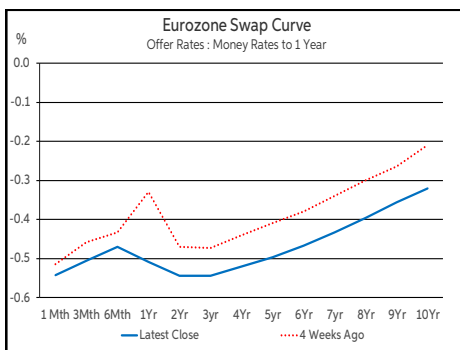
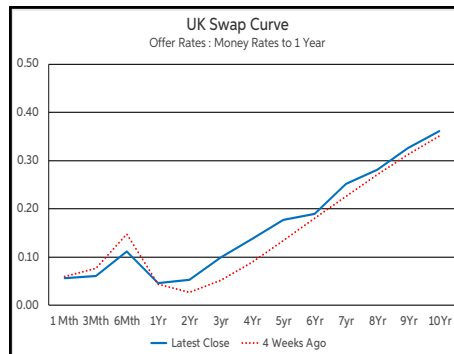
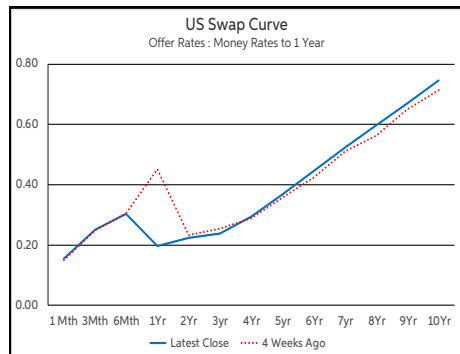
Monday 19 October 2020
07:28 am



Euro		Sterling		Dollar	
EUR/GBP	0.9048	GBP/EUR	1.1047	USD/JPY	105.4
EUR/USD	1.1712	GBP/USD	1.2942	USD/CAD	1.3184
EUR/JPY	123.44	GBP/CAD	1.706	USD/CHF	0.9156
EUR/SEK	10.3604	GBP/NZD	1.9543	USD/CNY	6.6996
EUR/DKK	7.4409	GBP/JPY	136.37	USD/BRL	5.6453
EUR/NOK	10.966	GBP/SEK	11.4427	USD/RUB	77.96
EUR/CHF	1.0722	GBP/DKK	8.2203	USD/INR	73.41
EUR/AUD	1.651	GBP/NOK	12.1117	AUD/USD	0.7092
EUR/HKD	9.075	GBP/CHF	1.1847	NZD/USD	0.6619
EUR/CAD	1.5441	GBP/AUD	1.8243		



Debt Markets				
	Close	Day	4 Weeks	End 19
10 Year Yield %				
US	0.75	+1	+5	-117
Germany	-0.62	-1	-14	-44
UK	0.18	+0	-0	-64
5 Year Swap %				
US	0.37	-1	+4	-134
Eurozone	-0.50	-2	-8	-38
UK	0.18	+0	+5	-70
2 Year Swap %				
US	0.22	+1	+2	-144
Eurozone	-0.54	-2	-6	-25
UK	0.05	-0	+4	-74
10 Year Government Bond Spreads to Benchmark bps				
Ireland	38	+2	+2	+8
Belgium	24	-0	+1	-5
France	28	-0	+1	-3
Italy	128	-3	-17	-34
Spain	75	-1	-2	+9
Portugal	75	-2	-4	+12
Greece	141	-4	-15	-23



Commodities				
	Close	Day	4 Weeks	End 19
Brent Oil	42.93	-0.53	-0.51	-34.95
West Texas Oil	40.7	-0.34	-0.95	-33.43
Gold \$	1899.0	-0.46	-2.60	+25.18

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