

Volatile day on FX markets; Euro-Sterling back at 90p

There was some volatility in the main currency pairs over the last 24 hours, as markets reacted to a busy day of newsflow. Sterling fell as UK retail sales declined more sharply than had been expected in September. The UK currency recovered later in the day, perhaps aided by comments from German Chancellor Merkel that negotiations on the future UK/EU trading relationship could begin as soon as December. However, dovish comments from the BoE's Cunliffe ("not seeing sustained signs of domestic inflation pressure") mean the currency ultimately opens this morning lower on the exchanges.

The euro struggled in early trading as Spanish/Catalan tensions escalated. However, the single currency eventually finished up on the day. The rebound partly reflects some positioning by markets as next week's key ECB meeting comes more clearly into focus.

In the US, the news that the Senate passed the 2018 budget resolution provided some modest support to the dollar. This makes the process of altering the US tax system and implementing some of President Trump's fiscal stimulus proposals more likely.

In terms of the moves on the day, sterling weakness is the main theme. The softer tone to the currency sees EUR/GBP open this morning above 90p. Meanwhile, cable (GBP/USD), has slipped back down to near the \$1.31 mark. The EUR/USD pair is changing hands just above \$1.18. Meantime, USD/JPY has held above ¥113, while EUR/JPY has moved up closer to ¥134.

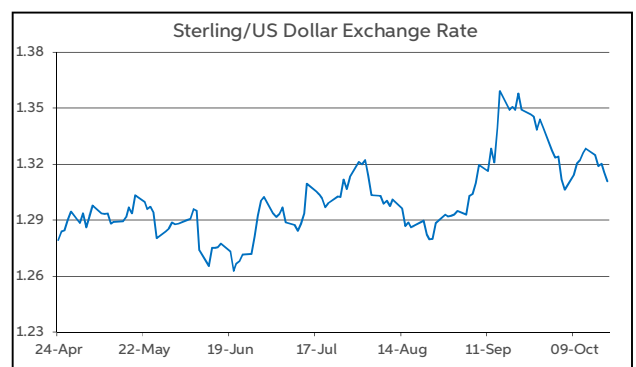
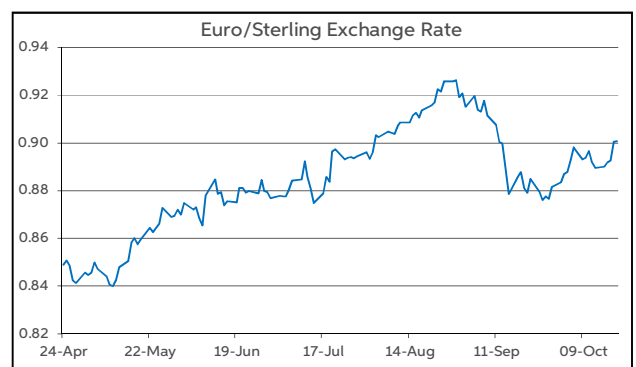
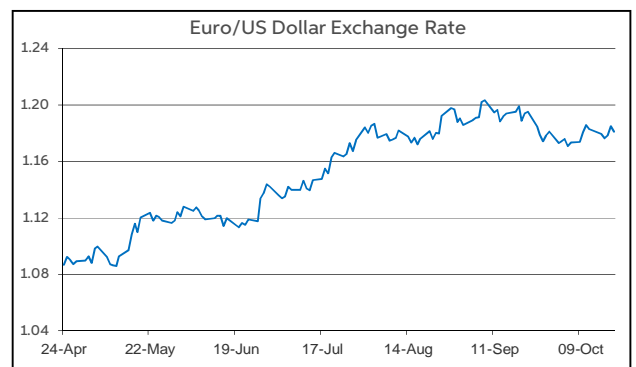
With a light macro data schedule today, markets could continue to look to political headlines for direction (e.g. Catalonia, EU Leaders' Summit). Thus, the main pairs could remain somewhat volatile (though within recent ranges) as we head into the weekend.

Dara Turnbull, Economist, AIB

		% Change	
		Day *	End 2016
EUR/USD	1.1816	0.12	12.39
EUR/GBP	0.9013	0.94	5.81
GBP/USD	1.3108	-0.81	6.26
GBP/EUR	1.1092	-0.93	-5.49
USD/JPY	113.2	0.20	-3.14
EUR/JPY	133.75	0.31	8.62

* 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	1.24	1.36	1.83	1.79	2.08
EUR	0.00	-0.37	-0.33	-0.18	-0.18	0.24
GBP	0.25	0.31	0.39	0.74	0.79	1.04

	Latest Close	% Changes	
		on Day	End 2016 to Date
Dow Jones	23163.04	+0.02	+17.21
S&P 500	2562.1	+0.03	+14.44
FTSE 100	7523.04	-0.26	+5.32
DJ Stoxx 50	3602.08	-0.49	+9.47
ISEQ	6747.46	-0.39	+3.53
Nikkei	21457.64	+0.04	+12.26

All rates quoted are indicative market rates

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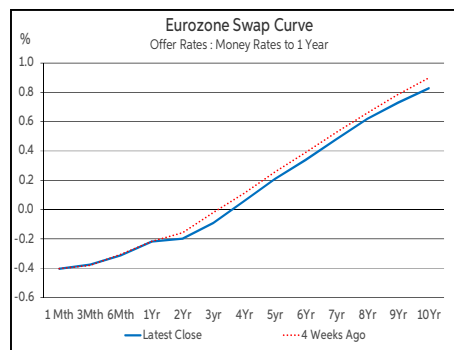
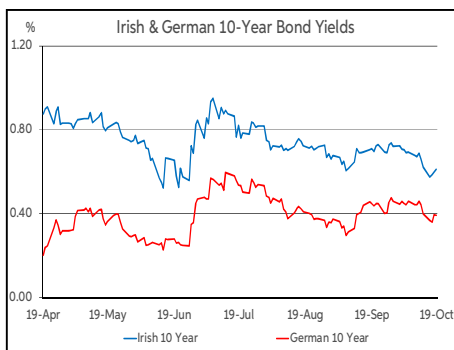
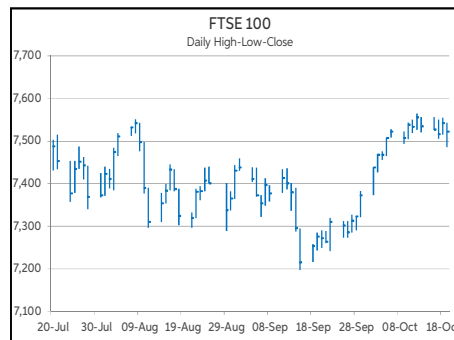
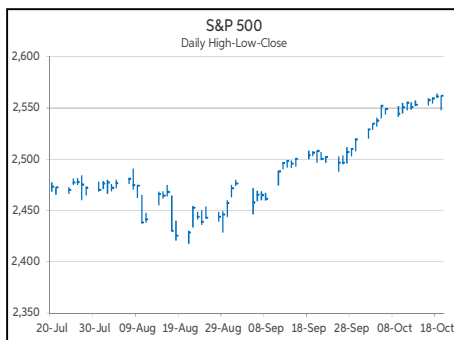
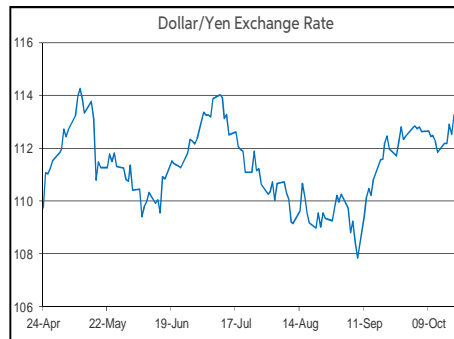
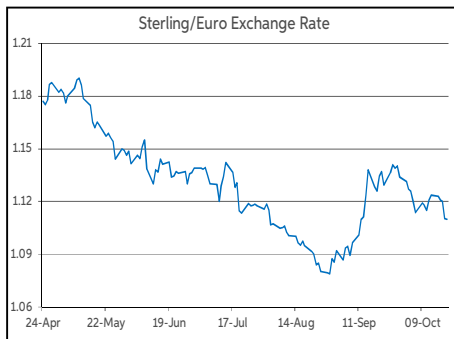
FX Spot	Karl Cooke Shane Gargan Adrian Flanagan Enda Homan	FX Options	Mark Tuite Lenny Hogan	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

Friday 20 October 2017
07:30 am



Euro		Sterling		Dollar	
EUR/GBP	0.9013	GBP/EUR	1.1092	USD/JPY	113.2
EUR/USD	1.1816	GBP/USD	1.3108	USD/CAD	1.2508
EUR/JPY	133.75	GBP/CAD	1.6396	USD/CHF	0.9806
EUR/SEK	9.6213	GBP/NZD	1.8748	USD/CNY	6.6194
EUR/DKK	7.4434	GBP/JPY	148.38	USD/BRL	3.1665
EUR/NOK	9.4003	GBP/SEK	10.6719	USD/RUB	57.392
EUR/CHF	1.1587	GBP/DKK	8.256	USD/INR	64.99
EUR/AUD	1.5061	GBP/NOK	10.4283	AUD/USD	0.7842
EUR/HKD	9.2175	GBP/CHF	1.2853	NZD/USD	0.699
EUR/CAD	1.4782	GBP/AUD	1.6708		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 16
10 Year Yield %				
US	2.32	-3	+4	-13
Germany	0.39	-0	-6	+19
UK	1.27	-4	-9	+4
5 Year Swap %				
US	2.01	-5	+5	+6
Eurozone	0.21	-2	-5	+13
UK	1.04	-4	-6	+16
2 Year Swap %				
US	1.76	-4	+5	+31
Eurozone	-0.20	-3	-4	-4
UK	0.79	-4	-3	+19
10 Year Government Bond Spreads to Benchmark bps				
Ireland	22	+2	-6	-33
Belgium	26	+1	-1	-5
France	39	-1	+11	-8
Italy	162	-1	-9	+2
Spain	123	+1	+7	+6
Portugal	188	-3	-5	-164
Greece	503	-3	+8	-165

Commodities				
	Close	% Change		
		Day	4 Weeks	End 16
Brent Oil	57.23	-1.58	+1.42	+0.72
West Texas Oil	51.29	-1.46	+1.40	-4.58
CRB - All Commodity	184.07	+0.04	+0.37	-4.38
CRB - Food	344.85	+0.95	+3.26	+1.80
Gold \$	1290.2	+0.67	-0.12	+11.97

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