

Brexit and the ECB under the market spotlight

The action on currency markets last week saw sterling regaining more ground. The market viewed as positive developments in the UK parliament which reduced the risk of a no-deal Brexit by end October. It may be the case that sterling benefitted from some reversal in very stretched short positions on the currency. The other feature of currency markets last week was some softening in the dollar. The currency was not helped by weaker than expected macro data and some dovish remarks from Fed speakers.

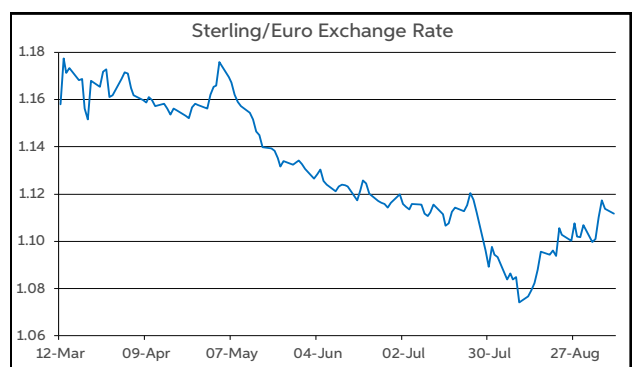
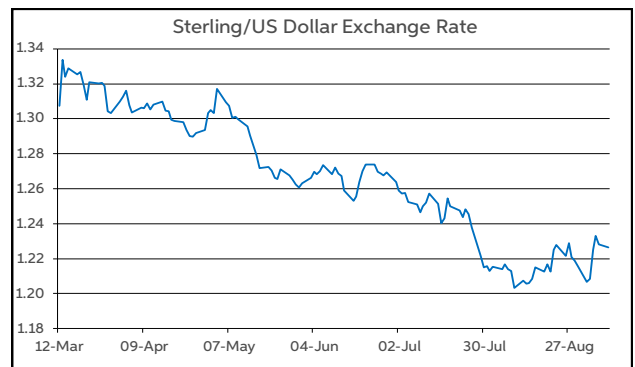
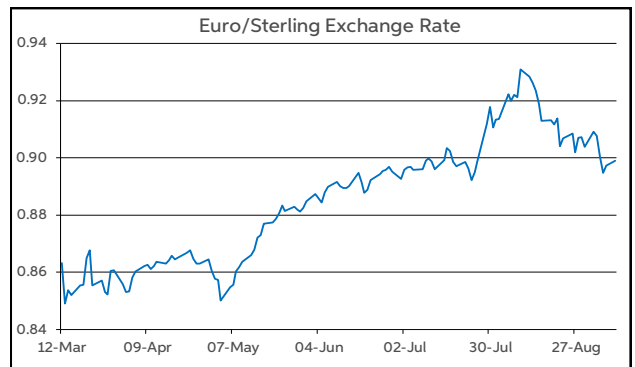
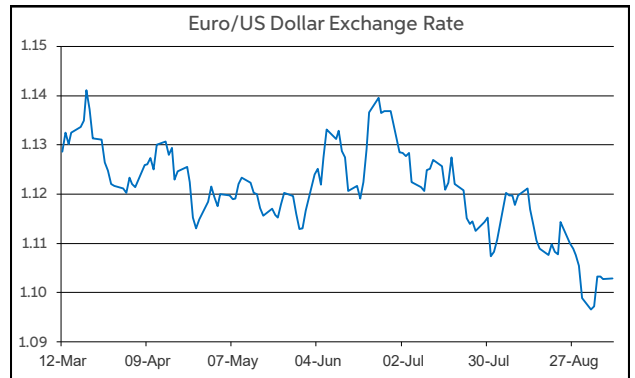
In level terms, all of the above is reflected in EUR/GBP starting this week back below the 90p mark and GBP/USD above \$1.225. The slightly weaker dollar tone is also evident in EUR/USD changing hands above the \$1.10 level.

For the week ahead, from a sterling viewpoint, it is likely that Brexit will remain the key source of direction for the currency. As a result, sterling will remain sensitive to domestic political developments. Therefore, despite a busy macro diary (incl. GDP, unemployment), the data may once again take a back seat.

From a euro perspective, this week's ECB meeting provides some two-way risk for the currency. Expectations are high for a comprehensive set of easing measures given the clear signals provided by ECB President Draghi at the last meeting in July. If the ECB delivers on this, it could act as a headwind to the currency. However, if the measures disappoint versus expectations (notably, some ECB officials have cautioned against restarting QE), then the euro could see some support in the immediate aftermath.

For the dollar, with the aforementioned downside surprises to recent data, retail sales and CPI data (both August) will warrant attention.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1032	-0.04	-3.81
EUR/GBP	0.8993	0.47	0.10
GBP/USD	1.2265	-0.50	-3.86
GBP/EUR	1.1117	-0.47	-0.10
USD/JPY	106.88	-0.06	-2.45
EUR/JPY	117.92	-0.10	-6.20

* 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	2.125	2.05	2.13	1.95	1.51	1.36
EUR	0.00	-0.45	-0.44	-0.36	-0.52	-0.48
GBP	0.75	0.71	0.77	0.88	0.69	0.62

All rates quoted are indicative market rates

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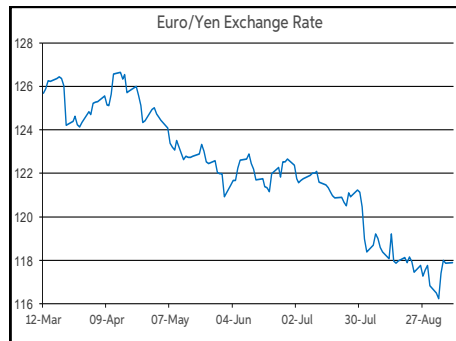
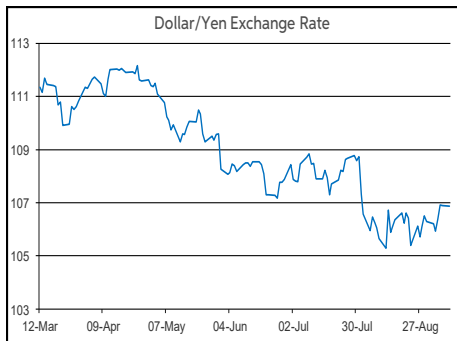
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

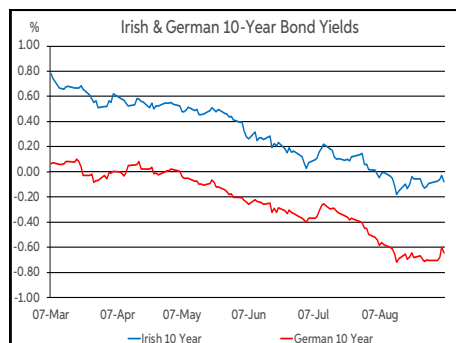
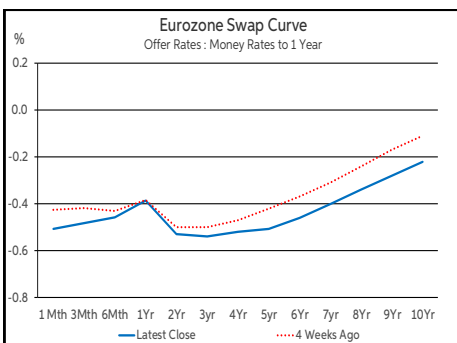
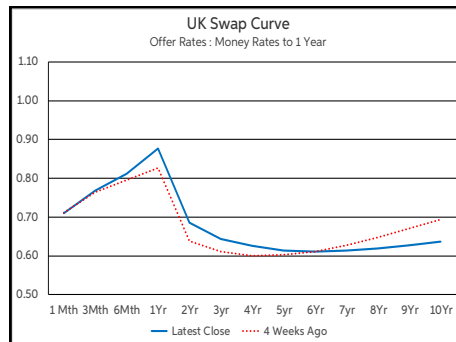
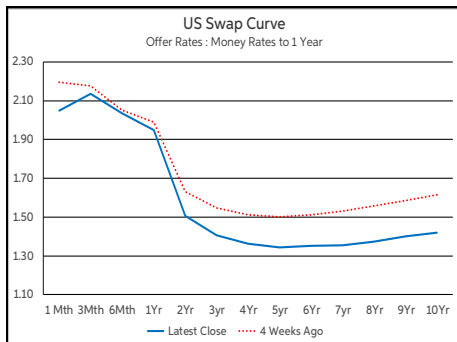
Monday 09 September 2019
07:50 am



Euro		Sterling		Dollar	
EUR/GBP	0.8993	GBP/EUR	1.1117	USD/JPY	106.88
EUR/USD	1.1032	GBP/USD	1.2265	USD/CAD	1.3162
EUR/JPY	117.92	GBP/CAD	1.6144	USD/CHF	0.9885
EUR/SEK	10.629	GBP/NZD	1.9076	USD/CNY	7.1307
EUR/DKK	7.4611	GBP/JPY	131.09	USD/BRL	4.0627
EUR/NOK	9.8829	GBP/SEK	11.8153	USD/RUB	65.5525
EUR/CHF	1.0906	GBP/DKK	8.2942	USD/INR	71.583
EUR/AUD	1.6083	GBP/NOK	10.9821	AUD/USD	0.6858
EUR/HKD	8.6482	GBP/CHF	1.2125	NZD/USD	0.6427
EUR/CAD	1.4521	GBP/AUD	1.7877		



Debt Markets				
	Close	Day	4 Weeks	End 18
10 Year Yield %				
US	1.56	-1	-18	-112
Germany	-0.64	-5	-6	-88
UK	0.50	-10	+2	-77
Ireland	-0.08	-5	-8	N/A
Belgium	-0.30	-6	-8	-106
France	-0.35	-6	-7	-105
Italy	0.87	-5	-93	-184
Spain	0.15	-6	-9	-127
Portugal	0.18	-5	-8	-152
Greece	1.55	+1	-55	-275
5 Year Swap %				
US	1.34	+1	-16	-122
Eurozone	-0.51	-5	-9	-74
UK	0.61	-7	+1	-70
2 Year Swap %				
US	1.51	-1	-13	-113
Eurozone	-0.53	-2	-3	-39
UK	0.69	-3	+5	-48
10 Year Government Bond Spreads to Benchmark bps				
Ireland	56	-1	-1	N/A
Belgium	34	-2	-1	-18
France	30	-2	-1	-17
Italy	152	-0	-87	-96
Spain	79	-2	-3	-39
Portugal	83	-0	-2	-64
Greece	219	+5	-49	-187



Commodities				
	Close	Day	4 Weeks	End 18
Brent Oil	61.54	+0.97	+5.14	+14.39
West Texas Oil	56.45	+0.21	+3.75	+25.03
Gold \$	1507.2	-0.82	+0.64	+17.48

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