

Trade deal delayed, but seems close

Yesterday, markets continued to digest news of a Covid-19 vaccine approval in the UK and renewed hope of fiscal stimulus in the US, against the backdrop of ongoing EU-UK trade negotiations and pandemic induced restrictions. Currency-wise, broad dollar weakness persisted, while sterling was slightly firmer throughout the day. However, the pound handed back its gains against the euro overnight, although, a trade deal seems to be close.

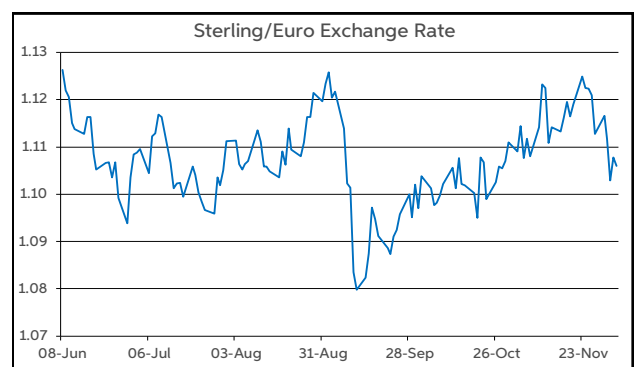
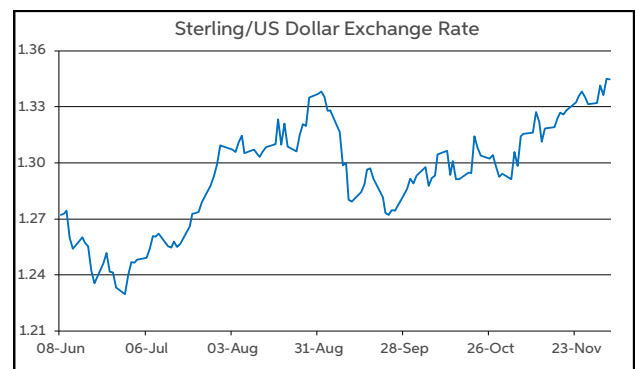
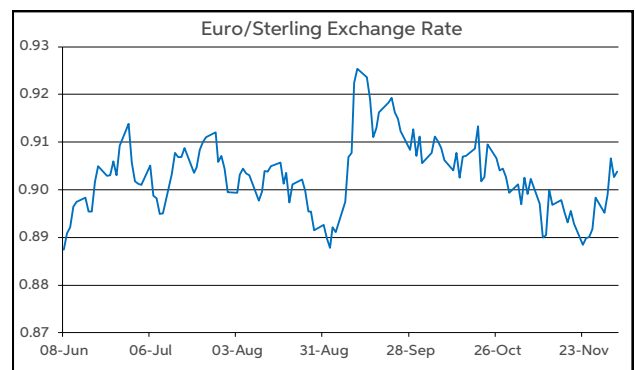
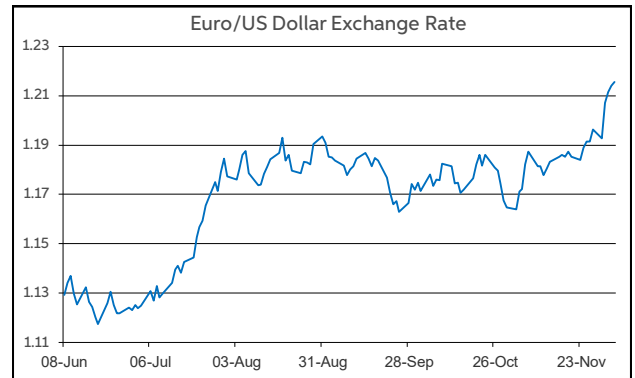
Data-wise, November's US non-manufacturing ISM remained in expansion mood, at 55.9. The services PMI in the US was also revised higher to 58.4 in November from 57.7. This suggests that the recovery has maintained momentum in Q4. Initial jobless claims also beat expectations, printing at 712K below the consensus 775k. In the Eurozone, retail sales increased by 1.5% in October, and are now 3.1% above their pre-pandemic levels.

Meanwhile, EU-UK trade talks are continuing. However, some issues remain to be resolved with reports this morning suggesting that a deal is unlikely to be concluded until after the weekend. There is a tight deadline to ratify any deal before the end of the transition period on 31st December.

In level terms, broad dollar weakness sees EUR/USD open this morning near the midpoint of \$1.21-\$1.22. Meanwhile, EUR/GBP is trading near to 90.5p. Cable (GBP/USD) is changing hands near the halfway mark of the \$1.34-1.35 range.

Today, the main release will be the November US labour report. The forecast is for payrolls to rise by 469k, while the jobless rate is expected to fall to 6.8% from 6.9%. Elsewhere, trade talk newsflow will continue to act as a source of direction for sterling.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.2153	0.30	8.41
EUR/GBP	0.904	-0.11	6.93
GBP/USD	1.3442	0.41	1.38
GBP/EUR	1.1057	0.11	-6.48
USD/JPY	103.88	-0.55	-4.36
EUR/JPY	126.27	-0.24	3.64

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates						
	Base Rate	Money Market		Swap Rates		
		1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	0.125	0.15	0.23	0.20	0.25	0.45
EUR	0.00	-0.55	-0.52	-0.52	-0.51	-0.45
GBP	0.10	0.04	0.04	0.04	0.10	0.27

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

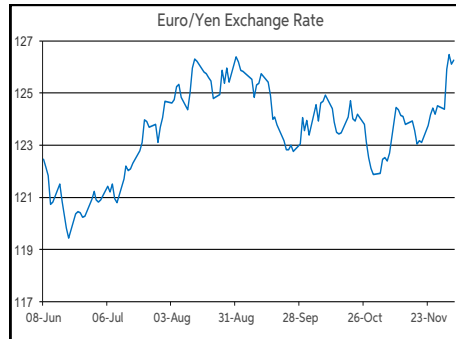
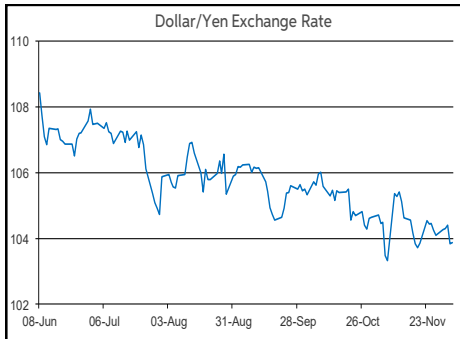
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

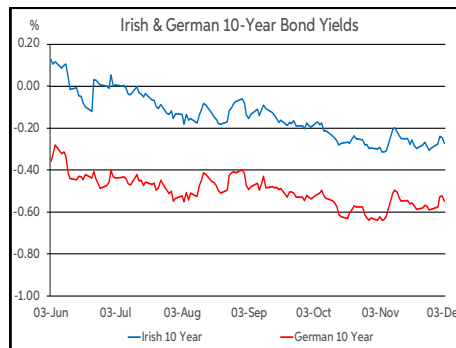
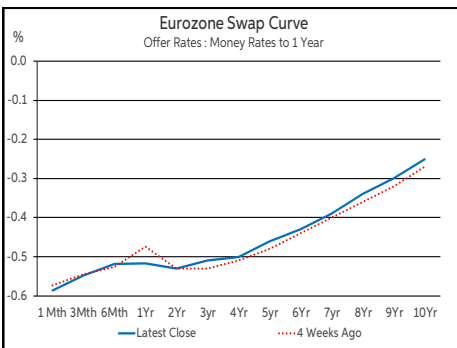
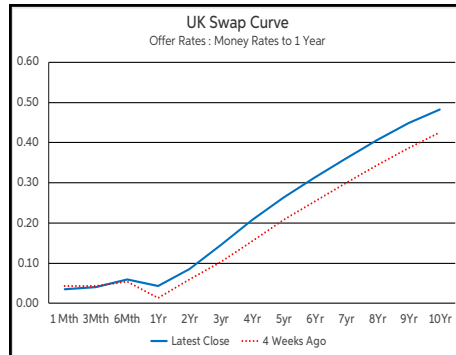
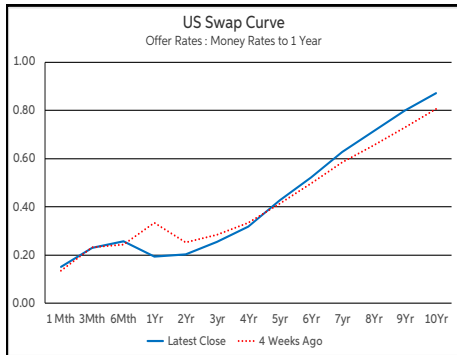
Friday 04 December 2020
07:47 am



Euro		Sterling		Dollar	
EUR/GBP	0.904	GBP/EUR	1.1057	USD/JPY	103.88
EUR/USD	1.2153	GBP/USD	1.3442	USD/CAD	1.2858
EUR/JPY	126.27	GBP/CAD	1.7285	USD/CHF	0.8906
EUR/SEK	10.2535	GBP/NZD	1.9032	USD/CNY	6.5333
EUR/DKK	7.4434	GBP/JPY	139.64	USD/BRL	5.1515
EUR/NOK	10.6402	GBP/SEK	11.3363	USD/RUB	74.1941
EUR/CHF	1.0827	GBP/DKK	8.2306	USD/INR	73.75
EUR/AUD	1.636	GBP/NOK	11.7647	AUD/USD	0.7429
EUR/HKD	9.419	GBP/CHF	1.1972	NZD/USD	0.7058
EUR/CAD	1.5628	GBP/AUD	1.8094		



Debt Markets				
	Close	Day	Change bps	
			4 Weeks	End 19
10 Year Yield %				
US	0.91	-3	+14	-101
Germany	-0.55	-3	+9	-36
UK	0.32	-3	+9	-50
Ireland	-0.25	-3	+2	-37
Belgium	-0.36	-3	+5	-45
France	-0.31	-3	+5	-44
Italy	0.57	-4	-7	-86
Spain	0.08	-3	-2	-39
Portugal	0.04	-3	-4	-41
Greece	0.64	-6	-23	-82
5 Year Swap %				
US	0.43	-1	+5	-128
Eurozone	-0.46	-1	+3	-34
UK	0.26	-1	+6	-61
2 Year Swap %				
US	0.20	-1	-1	-146
Eurozone	-0.53	-2	+1	-23
UK	0.09	+0	+4	-71
10 Year Government Bond Spreads to Benchmark bps				
Ireland	30	-1	-7	-1
Belgium	19	+0	-3	-9
France	23	-0	-4	-7
Italy	112	-1	-15	-50
Spain	62	-0	-10	-3
Portugal	59	-0	-13	-4
Greece	119	-3	-32	-46



Commodities				
	Close	Day	% Change	
			4 Weeks	End 19
Brent Oil	48.71	+0.95	+19.01	-26.20
West Texas Oil	45.65	+0.93	+18.39	-25.34
Gold \$	1840.4	+0.51	-5.55	+21.31

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