

## EUR/GBP near 91p as trade talks deadlocked

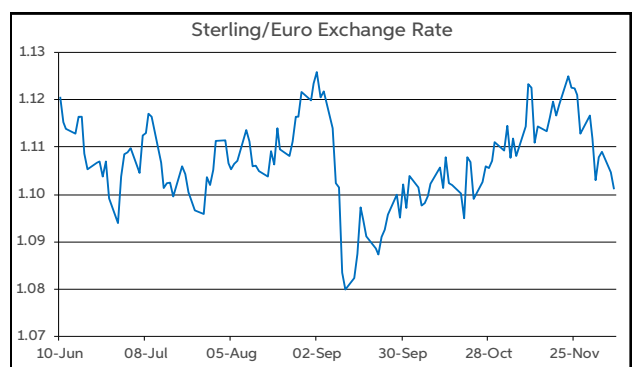
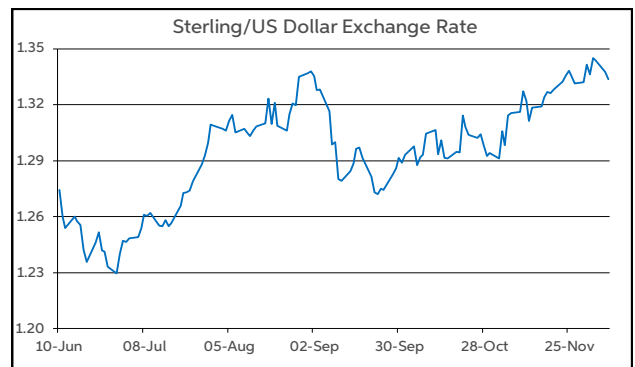
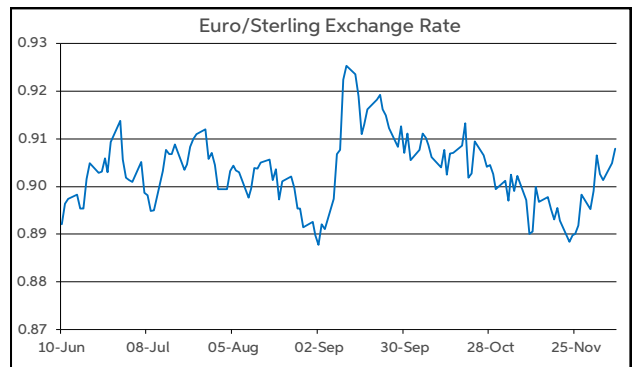
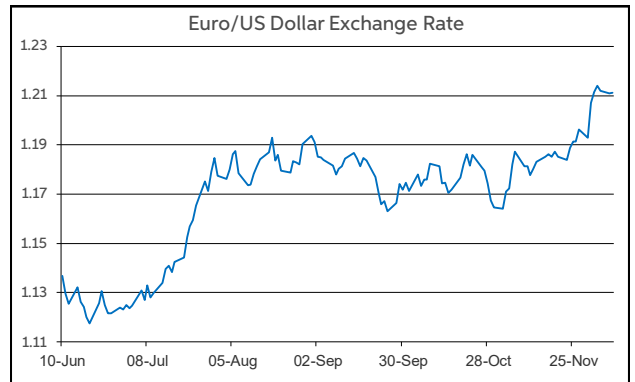
There was a cautious mood to proceedings on markets to start the week yesterday, as reports of rising US-China tensions, and a record number of coronavirus cases in the US dampened sentiment. This was evidenced by equity markets moving slightly lower, while bond yields also edged lower. Currency-wise, sterling came under some pressure as EU-UK trade talks continued with the same sticking points remaining.

Yesterday morning, Chief Negotiator Michel Barnier provided EU ambassadors with a downbeat assessment of the current impasse in the negotiations. This coincided with a sell-off in sterling. However, following a call between EC President von der Leyen and UK PM Johnson yesterday evening, both negotiating teams have been instructed to provide an overview of the “remaining differences”. This is in preparation for a face-to-face meeting between Ms. von der Leyen and Mr. Johnson in Brussels to try and close-off the remaining sticking points at some stage this week.

In level terms, the weaker tone to sterling is reflected in EUR/GBP opening this morning near 91p (traded as high as 91.4p yesterday). Cable (GBP/USD) is changing hands down in the bottom half of \$1.33-1.34. Meanwhile, EUR/USD is operating just above \$1.21.

Turning to the day ahead, the revised reading of Q3 Eurozone GDP (+12.6% q/q) and employment (+0.9% q/q) are forecast to remain unchanged. Although, barring any surprises neither release is likely to impact the single currency. Meanwhile, the more timely German ZEW for December is forecast to rise to 45.5 from 39. However, the main focus on markets will likely be EU-UK trade talk newsflow again today, with sterling remaining sensitive to the ebb and flow of headlines.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.211	-0.16	8.03
EUR/GBP	0.9081	0.45	7.42
GBP/USD	1.3334	-0.60	0.57
GBP/EUR	1.1008	-0.45	-6.90
USD/JPY	104.08	0.00	-4.17
EUR/JPY	126.06	-0.15	3.47

\* 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	0.19	0.24	0.45
EUR	0.00	-0.55	-0.53	-0.53	-0.54	-0.47
GBP	0.10	0.03	0.03	0.02	0.06	0.23

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

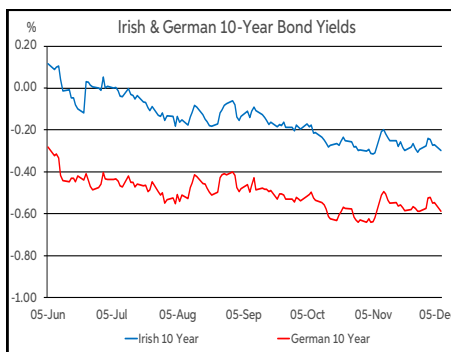
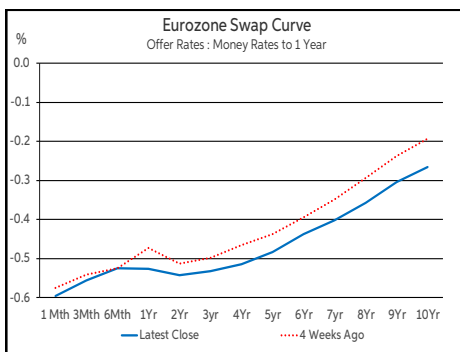
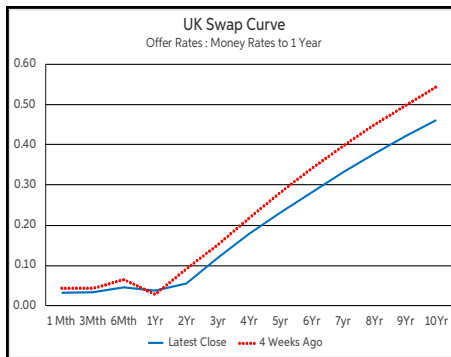
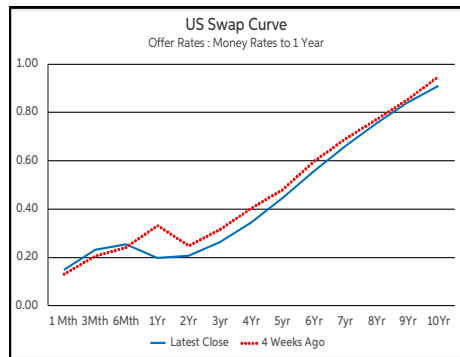
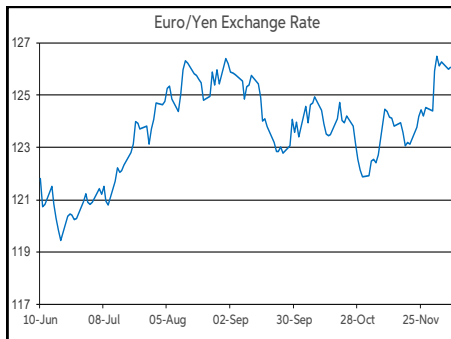
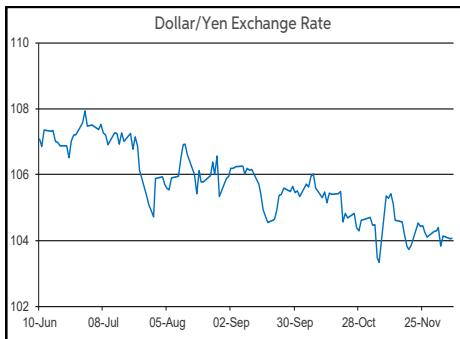
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

Tuesday 08 December 2020  
07:50 am



Euro		Sterling		Dollar	
EUR/GBP	0.9081	GBP/EUR	1.1008	USD/JPY	104.08
EUR/USD	1.211	GBP/USD	1.3334	USD/CAD	1.2798
EUR/JPY	126.06	GBP/CAD	1.7067	USD/CHF	0.8906
EUR/SEK	10.189	GBP/NZD	1.8966	USD/CNY	6.5346
EUR/DKK	7.4432	GBP/JPY	138.78	USD/BRL	5.099
EUR/NOK	10.604	GBP/SEK	11.2194	USD/RUB	73.6766
EUR/CHF	1.0787	GBP/DKK	8.1936	USD/INR	73.7684
EUR/AUD	1.6347	GBP/NOK	11.674	AUD/USD	0.7409
EUR/HKD	9.3861	GBP/CHF	1.1876	NZD/USD	0.703
EUR/CAD	1.5502	GBP/AUD	1.7998		



Debt Markets				
	Close	Day	4 Weeks	End 19
<b>10 Year Yield %</b>				
US	0.93	-4	+0	-99
Germany	-0.59	-4	-8	-40
UK	0.28	-7	-9	-54
Ireland	-0.27	-3	-12	-39
Belgium	-0.38	-3	-8	-48
France	-0.34	-3	-9	-46
Italy	0.58	-2	-14	-85
Spain	0.05	-3	-14	-42
Portugal	0.02	-3	-14	-43
Greece	0.64	-0	-23	-82
<b>5 Year Swap %</b>				
US	0.45	-1	-3	-126
Eurozone	-0.48	-3	-4	-36
UK	0.23	-4	-5	-65
<b>2 Year Swap %</b>				
US	0.21	+0	-4	-146
Eurozone	-0.54	-1	-3	-25
UK	0.05	-3	-3	-74
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	31	+1	-4	+0
Belgium	20	+1	-0	-8
France	24	+1	-1	-7
Italy	116	+3	-7	-45
Spain	64	+1	-6	-2
Portugal	61	+1	-6	-3
Greece	123	+4	-16	-42

Commodities				
	Close	Day	4 Weeks	End 19
Brent Oil	48.79	-0.93	+15.07	-26.08
West Texas Oil	45.72	-1.10	+14.16	-25.22
Gold \$	1863.7	+1.42	+0.10	+22.85

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