Morning Comment

AIB Treasury Economic Research Unit



Friday 11 December 2020 07:20 am

EUR/GBP back above 91p

There was cautious tone to investor sentiment yesterday. A quiet data calendar and the absence of any major market moving headlines contributed to the lacklustre action. This was reflected in the main equity indices on both sides of the Atlantic trading sideways for much of their respective sessions. On the currency front, sterling found itself under some downward pressure. At the same time, the dollar was also on the defensive.

Sterling came under pressure amid the lack of progress in the trade talks. Time is running out to get a deal agreed to avoid a worst case 'WTO' scenario at the start of 2021. Against this backdrop, sterling has lost ground against the euro and to a lesser extent against the dollar over the last 24 hours.

Meanwhile, for the euro there was no significant drag from the ECB announcing a raft of new monetary policy easing measures. These announcements were broadly in line with market expectations. This included an expansion (+€500bn) and extension (to March 2022) of its PEPP, as well as enhancements to its TLTRO 3 initiative. However, as expected, rates were left unchanged. While the ECB retains a bias to lower rates, if required, it does appear that official ECB rates are at their lower bound.

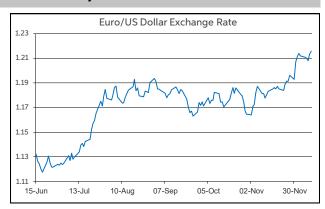
In level terms, all of the above is reflected in EUR/GBP back above the 91p threshold. Meanwhile, the EUR/USD pair has regained the \$1.21 mark. Elsewhere, the more challenging backdrop for sterling sees cable (GBP/USD) falling back towards the \$1.33 handle.

The week comes to a fairly quiet close on the data front. One of the few macro highlights is US consumer sentiment for December. However, sterling remains sensitive to trade talk newsflow.

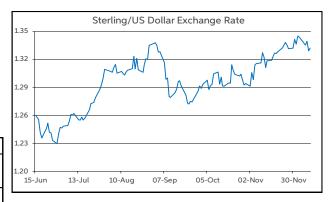
John Fahey, Senior Economist, AIB

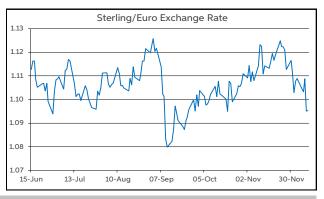
Today's Opening FX Rates						
		% Change				
		Day * End 2019				
EUR/USD	1.2156	0.51	8.44			
EUR/GBP	0.9125	0.81	7.94			
GBP/USD	1.3319	-0.32	0.45			
GBP/EUR	1.0953	-0.80	-7.35			
USD/JPY	104.01	-0.38	-4.24			
EUR/JPY	126.45	0.13	3.79			
* v Previous Day's European Open						

Opening Interest Rates						
Money Market Swap Rates						5
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	0.125	0.15	0.22	0.18	0.23	0.45
EUR	0.00	-0.55	-0.55	-0.54	-0.54	-0.48
GBP	0.10	0.02	0.04	0.01	0.04	0.19









All rates quoted are indicative market rates

See Next Page for More 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
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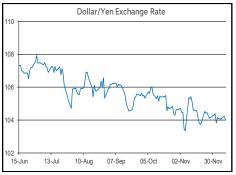
Opening Levels



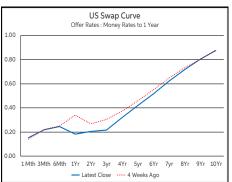
Euro	
EUR/GBP	0.9125
EUR/USD	1.2156
EUR/JPY	126.45
EUR/SEK	10.24
EUR/DKK	7.4431
EUR/NOK	10.633
EUR/CHF	1.0772
EUR/AUD	1.6063
EUR/HKD	9.4223
EUR/CAD	1.546

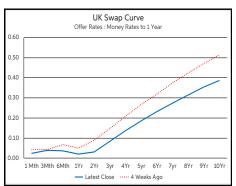
Sterling				
GBP/EUR	1.0953			
GBP/USD	1.3319			
GBP/CAD	1.6939			
GBP/NZD	1.8746			
GBP/JPY	138.53			
GBP/SEK	11.2161			
GBP/DKK	8.1547			
GBP/NOK	11.6502			
GBP/CHF	1.1797			
GBP/AUD	1.7602			

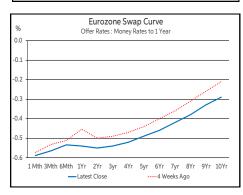
Dollar				
USD/JPY	104.01			
USD/CAD	1.2721			
USD/CHF	0.8858			
USD/CNY	6.5393			
USD/BRL	5.0256			
USD/RUB	72.96			
USD/INR	73.6025			
AUD/USD	0.7566			
NZD/USD	0.7102			

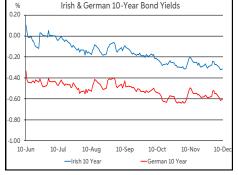












	Debt	Markets			
		Change bps			
	Close	Day	4 Weeks	End 19	
10 Year Yield %					
US	0.91	-3	+2	-101	
Germany	-0.60	+0	-7	-42	
UK	0.20	-6	-15	-62	
Ireland	-0.29	+1	-11	-41	
Belgium	-0.40	+0	-7	-50	
France	-0.36	+1	-7	-48	
Italy	0.53	-2	-12	-90	
Spain	0.03	+1	-11	-44	
Portugal	-0.02	-0	-13	-46	
Greece	0.62	+1	-20	-84	
5 Year Swap %					
US	0.42	-2	-1	-129	
Eurozone	-0.49	-0	-4	-37	
UK	0.19	-3	-8	-69	
2 Year Swap %					
US	0.21	+0	-2	-145	
Eurozone	-0.55	+0	-4	-25	
UK	0.03	-2	-5	-76	
10 Year Governm	nent Bond Spre	ads to Ben	chmark bps		
Ireland	31	+0	-4	+0	
Belgium	20	-O	-0	-9	
France	25	+0	+0	-6	
Italy	113	-2	-6	-49	
Spain	63	+0	-4	-3	
Portugal	59	-O	-6	-5	
Greece	122	+0	-13	-42	

Commodities								
		% Change						
	Close	Close Day 4 Weeks End 19						
Brent Oil	50.25	+2.84	+15.44	-23.86				
West Texas Oil	46.76	+2.81	+14.33	-23.52				
Gold \$	1835.3 -0.21 -2.16 +20.98							

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