

Fisheries proves a slippery issue

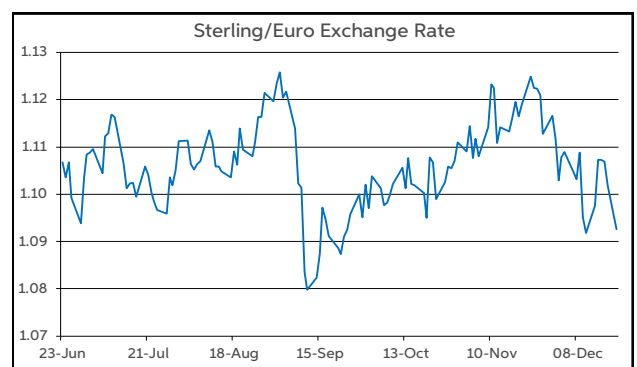
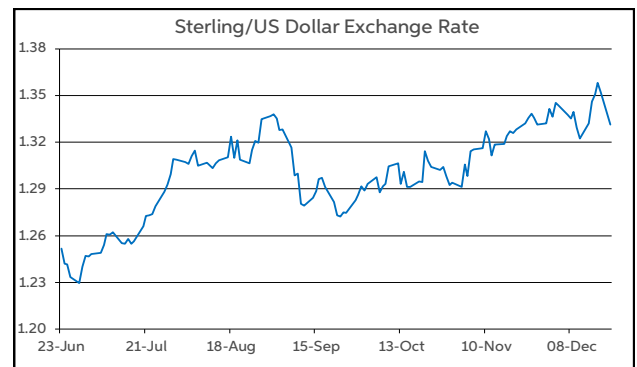
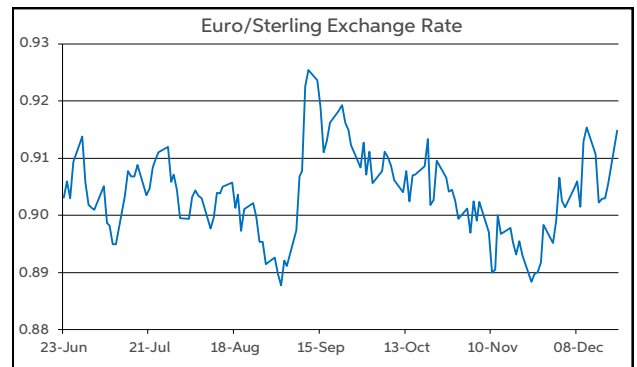
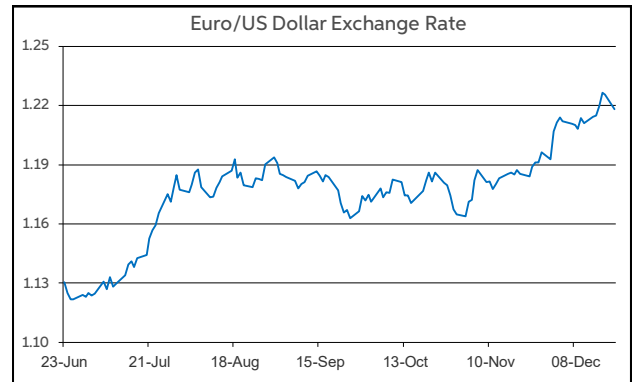
Overall last week, positive risk sentiment prevailed on markets, as a fiscal package drew closer in the US. This is evidenced in the Eurostoxx 50 finishing the week up circa 2%, while across the Atlantic the S&P 500 gained close to 1%. Elsewhere, European bond yield curves steepened and oil prices gained 3%. Currency-wise, broad dollar weakness persisted, while sterling remained sensitive to the ebb and flow of trade talk headlines.

Regarding the trade talks, negotiations between the EU and UK over the weekend failed to yield a deal. The deadline laid out by the European Parliament has now been missed for it to be able to ratify a deal before the end of the transition period on December 31st. Talks resume today, with fisheries proving to be a major hurdle in the negotiations. Sterling has weakened overnight, meaning EUR/GBP starts the week at the midpoint of 91-92p. Travel restrictions within the UK, as well as to and from the UK, and port closures due to the new variant of coronavirus are also proving unhelpful for the currency.

In level terms, Cable (GBP/USD) starts the week below the \$1.33 mark. Meanwhile, a firmer tone to the dollar in early morning trading sees EUR/USD open in the top half of the \$1.21-1.22 range.

Turning to the week ahead, the main releases will focus on the demand side of the US economy. Household consumption and income data for November are both due, while durable goods orders will also garner attention. November Core-PCE inflation will be released as well. An otherwise shortened and quiet macro schedule in the run up to the Christmas holidays suggests that the action on currency markets may be limited. However, sterling will remain very sensitive to trade talks and Covid related newsflow.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.218	-0.51	8.65
EUR/GBP	0.9147	1.05	8.20
GBP/USD	1.3314	-1.55	0.41
GBP/EUR	1.0928	-1.04	-7.58
USD/JPY	103.48	0.05	-4.72
EUR/JPY	126.05	-0.46	3.46

* 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	0.14	0.24	0.18	0.22	0.43
EUR	0.00	-0.56	-0.54	-0.54	-0.51	-0.47
GBP	0.10	0.02	0.04	0.01	0.07	0.23

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

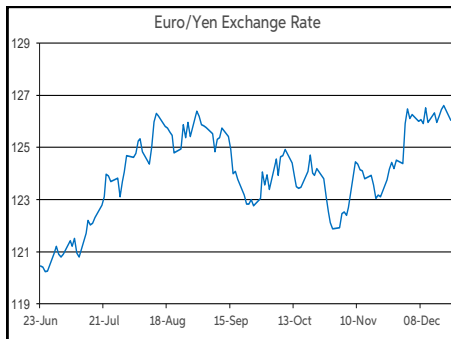
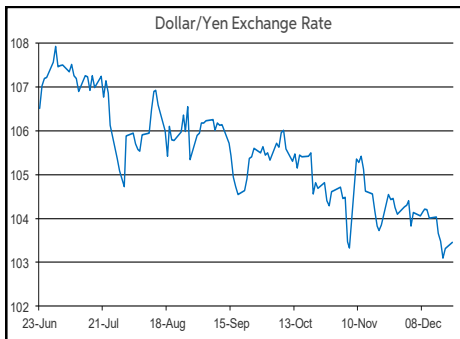
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

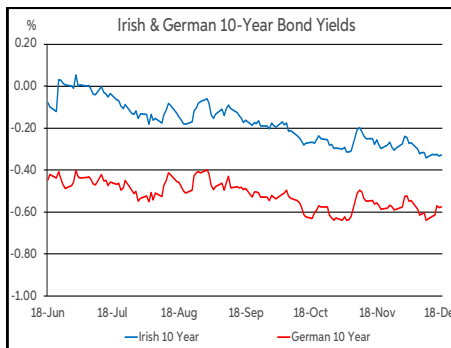
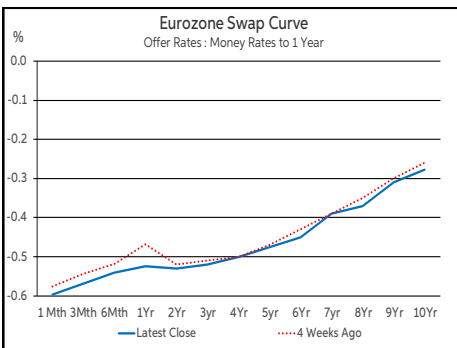
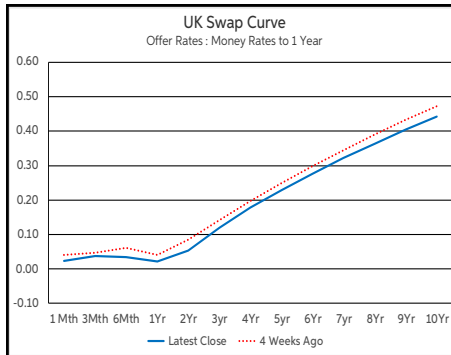
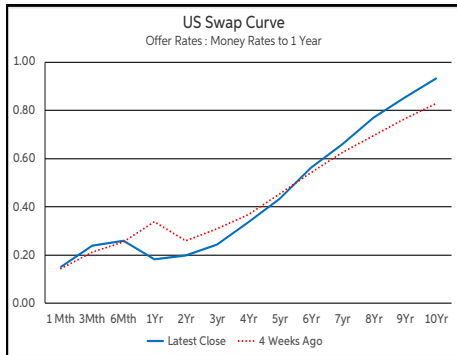
Monday 21 December 2020
07:29 am



Euro		Sterling		Dollar	
EUR/GBP	0.9147	GBP/EUR	1.0928	USD/JPY	103.48
EUR/USD	1.218	GBP/USD	1.3314	USD/CAD	1.2855
EUR/JPY	126.05	GBP/CAD	1.7118	USD/CHF	0.8872
EUR/SEK	10.1726	GBP/NZD	1.8804	USD/CNY	6.5494
EUR/DKK	7.4396	GBP/JPY	137.75	USD/BRL	5.1022
EUR/NOK	10.6368	GBP/SEK	11.1221	USD/RUB	74.68
EUR/CHF	1.0807	GBP/DKK	8.1301	USD/INR	73.69
EUR/AUD	1.6134	GBP/NOK	11.6266	AUD/USD	0.7549
EUR/HKD	9.444	GBP/CHF	1.1809	NZD/USD	0.7077
EUR/CAD	1.5661	GBP/AUD	1.7635		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 19
10 Year Yield %				
US	0.94	+1	+12	-97
Germany	-0.57	+1	+1	-39
UK	0.25	-4	-6	-58
5 Year Swap %				
US	0.43	+1	+2	-127
Eurozone	-0.48	-1	+0	-35
UK	0.23	-3	-1	-65
2 Year Swap %				
US	0.20	+1	-2	-146
Eurozone	-0.53	-1	+0	-23
UK	0.05	-2	-2	-74
10 Year Government Bond Spreads to Benchmark bps				
Ireland	31	+1	-2	+0
Belgium	19	-1	-1	-9
France	24	-0	+0	-7
Italy	111	+3	-7	-51
Spain	62	+1	-3	-3
Portugal	62	+3	+1	-1
Greece	122	+6	-6	-42



Commodities				
	% Change			
	Close	Day	4 Weeks	End 19
Brent Oil	52.26	+1.48	+16.24	-20.82
West Texas Oil	49.04	+1.45	+16.79	-19.79
Gold \$	1880.7	-0.28	+0.54	+23.97

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