

EUR/USD in the top half of \$1.03-1.04

Investors continued to digest the delay in the imposition of US tariffs on goods from Mexico and Canada yesterday. At the same time, a very limited retaliatory response from China in response to 10% tariffs from the US suggests an openness to engage on the issue. All-in-all, developments over recent days provide some hope that the US may avoid full blown trade wars with its three largest trading partners.

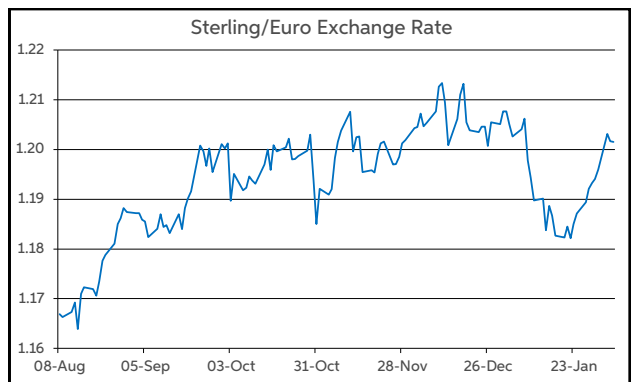
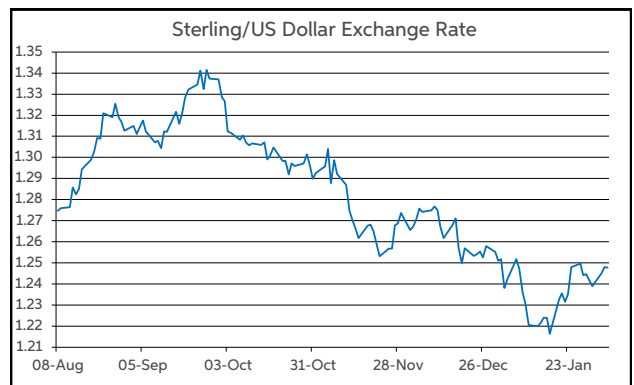
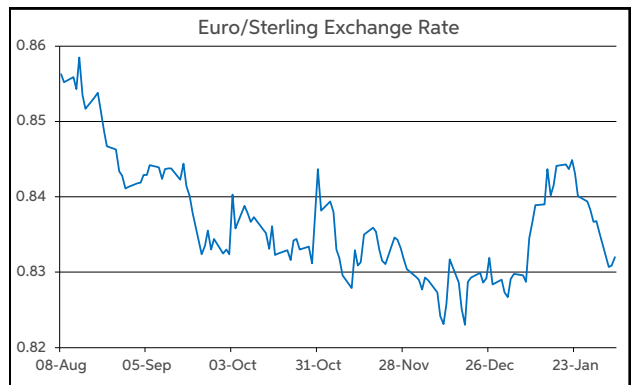
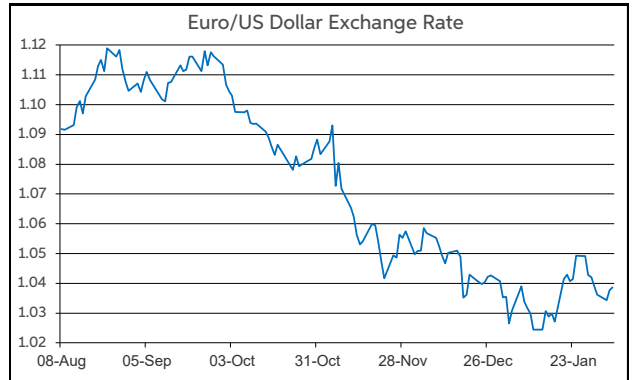
Against this backdrop, equity markets moved higher on both sides of the Atlantic. The Euro Stoxx 50 gained 0.9%, supported in part by some good Q4 earnings reports. On Wall Street, the S&P 500 rose by 0.7%. Meantime on bond markets, US Treasury yields fell by 3-5bps. Eurozone sovereign yields were little changed.

On the currency front, the dollar was under some downward pressure, amid the more positive tone to risk appetite. Overall, the greenback shed circa 0.7-0.9% versus the euro and sterling. Meantime, the yen was on the front-foot, following stronger than anticipated wage/earnings data for December.

In level terms, the softer tone to the dollar sees EUR/USD open this morning in the top half of \$1.03-1.04. GBP/USD is operating in the upper region of the \$1.24-1.25 corridor. EUR/GBP remains above the 83p mark. USD/JPY is down near the ¥153 threshold.

Today, the main release of note will be the US non-manufacturing ISM for January. A very modest improvement is pencilled in for the month. However, the data are unlikely to impact the dollar. Meantime, market participants will remain highly reactive to any tariff related newsflow. A vote of no-confidence in French PM Bayrou will also warrant attention (he is expected to survive).

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2024
EUR/USD	1.0386	0.91	0.32
EUR/GBP	0.832	0.25	0.57
GBP/USD	1.248	0.69	-0.25
GBP/EUR	1.2015	-0.25	-0.56
USD/JPY	153.16	-1.35	-2.56
EUR/JPY	159.11	-0.43	-2.24

* 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	4.38	4.31	4.29	4.17	4.35	4.30
EUR	2.90	2.64	2.56	2.30	2.19	2.23
GBP	4.75	4.46	4.44	4.20	4.27	4.16

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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

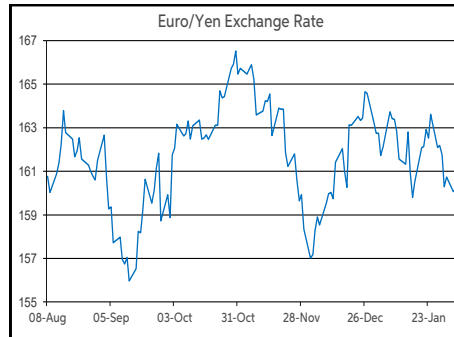
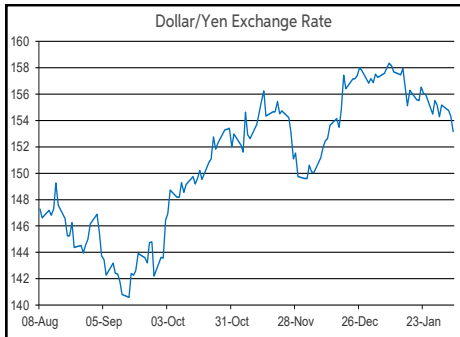
EUR/GBP	0.832
EUR/USD	1.0386
EUR/JPY	159.11
EUR/SEK	11.387
EUR/DKK	7.4587
EUR/NOK	11.6684
EUR/CHF	0.9396
EUR/AUD	1.6595
EUR/HKD	8.0895
EUR/CAD	1.488

Sterling

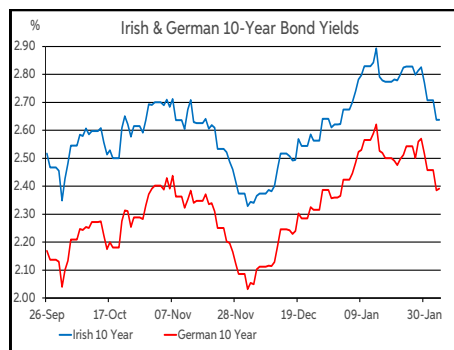
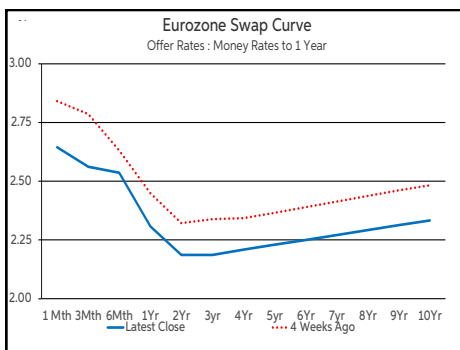
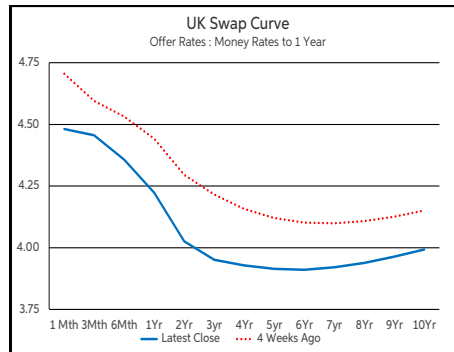
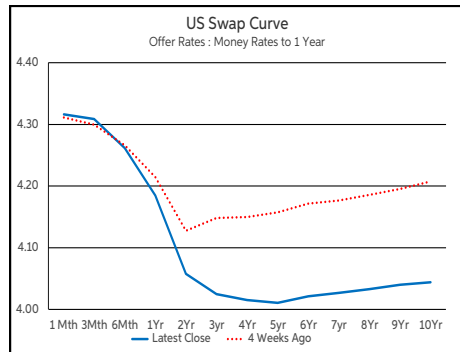
GBP/EUR	1.2012
GBP/USD	1.2477
GBP/CAD	1.787
GBP/NZD	2.2014
GBP/JPY	191.1
GBP/SEK	13.683
GBP/DKK	8.9581
GBP/NOK	14.0188
GBP/CHF	1.1288
GBP/AUD	1.9928

Dollar

USD/JPY	153.16
USD/CAD	1.4324
USD/CHF	0.9045
USD/CNY	7.2805
USD/BRL	5.7581
USD/RUB	99.25
USD/INR	87.22
AUD/USD	0.6256
NZD/USD	0.5662



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 24
10 Year Yield %				
US	4.51	-3	-17	-6
Germany	2.39	+1	-9	+3
UK	4.53	+3	-16	-5
5 Year Swap %				
US	4.28	-3	-14	-1
Eurozone	2.22	-2	-14	-2
UK	4.15	+1	-21	-13
2 Year Swap %				
US	4.31	-3	-8	-2
Eurozone	2.18	-1	-14	-2
UK	4.27	-1	-25	-22
10 Year Government Bond Spreads to Benchmark bps				
Ireland	27	+2	-1	-1
Belgium	59	-0	-0	-3
France	72	-0	-9	-11
Italy	110	-2	-4	-5
Spain	67	-1	+1	-4
Portugal	52	+0	+5	+3
Greece	91	+1	+16	+3



Commodities				
	Close	% Change		
		Day	4 Weeks	End 24
Brent Oil	76.2	+0.32	-1.10	+2.09
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2841.9	+1.01	+7.26	+8.31

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