

Quiet start to the new year

Sterling has remained relatively range bound since Christmas despite the EU and UK finally agreed on a trade deal last week. The agreement has been approved by the EU and UK Governments. It is being applied on a provisional basis from the 1st January, until the full ratification process is complete

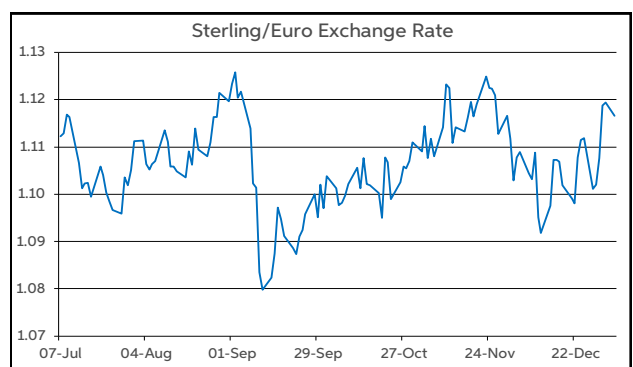
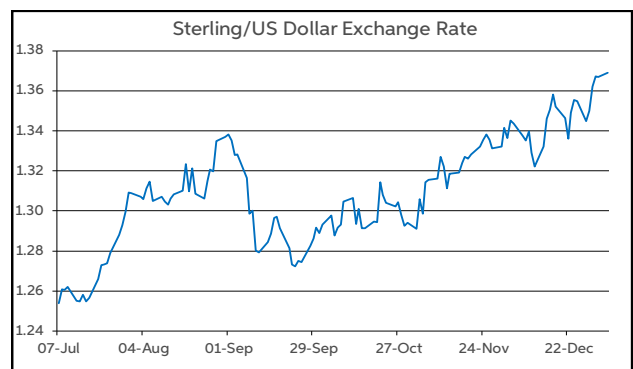
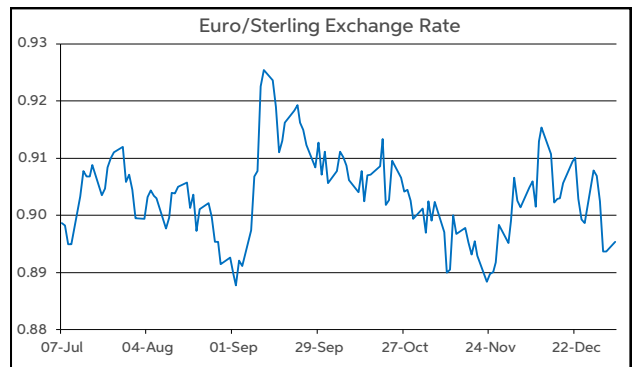
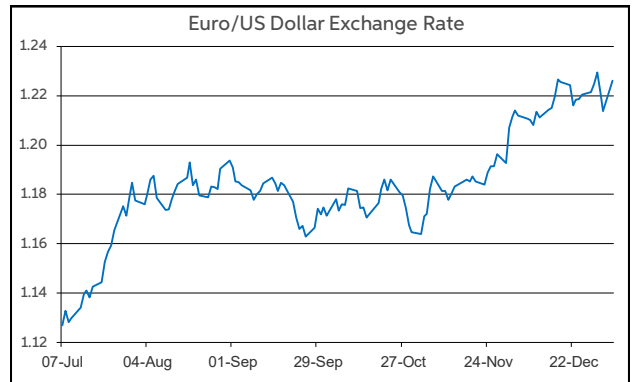
The gains by sterling were limited as a trade agreement had been generally expected by the markets. Furthermore, the UK's strict lockdown announced before Christmas is acting as a headwind on the currency. Thus, EUR/GBP only fell back modestly to 89.5p on the news, with cable rising to 1.365. Elsewhere, the dollar range traded against the euro in a \$1.21-23 corridor over the past week.

Meanwhile, there was generally a mixed tone to quiet equity markets over the Christmas holiday period as investors took to the side lines after a rollercoaster year. In any event, there was very little on the data front to move markets. The cautious tone to investor sentiment remains this morning, as focus turns to the key Senate races in the US this week. Currency-wise, the euro is opening at 89.5p against sterling and \$1.226 against the dollar.

Turning to the week ahead, there are a number of important releases culminating on Friday in the US employment report for December. This is expected to show that the recovery in the labour market stalled, with payrolls forecast to rise by just 100k and the unemployment rate edging higher to 6.8%.

Ahead of this, we get December ISM data on the US manufacturing and services sectors. In the Eurozone, the highlight is inflation data for December, with the annual HICP rate forecast to remain in negative territory.

Daniel Noonan, Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2020 |
| EUR/USD | 1.2265 | 1.10 | 0.43 |
| EUR/GBP | 0.8955 | 0.10 | 0.20 |
| GBP/USD | 1.3692 | 0.13 | 0.14 |
| GBP/EUR | 1.1162 | -0.10 | -0.20 |
| USD/JPY | 102.91 | -0.03 | -0.32 |
| EUR/JPY | 126.21 | 0.07 | 0.04 |

* 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 | 0.45 |
| EUR | 0.00 | -0.55 | -0.55 | -0.54 | -0.52 | -0.46 |
| GBP | 0.10 | 0.02 | 0.03 | 0.00 | 0.04 | 0.21 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

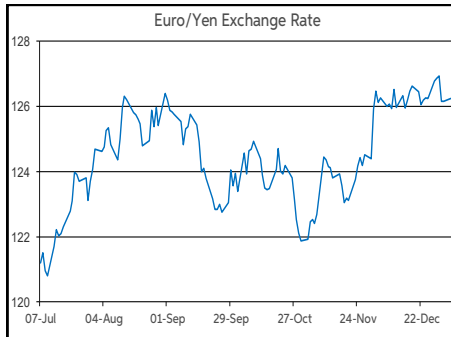
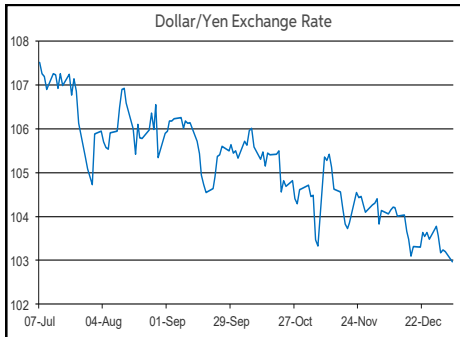
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|---------|--|----------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke Shane Gargan Enda Homan | FX Options | Mark Tuite | Reuters Phone | AIBG.I 00353-1-7724018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

Opening Levels

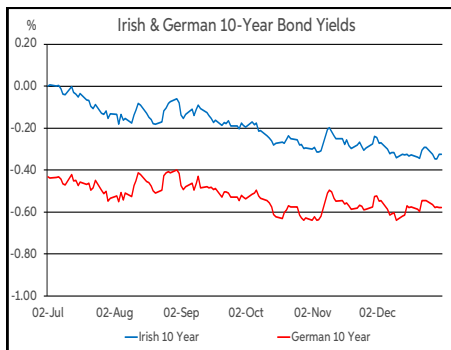
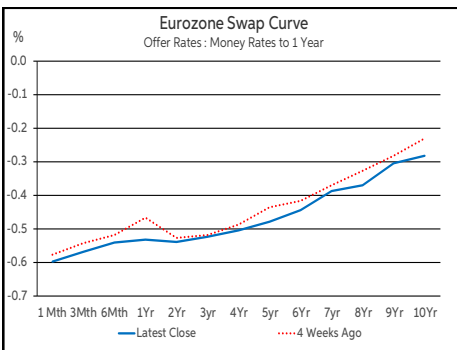
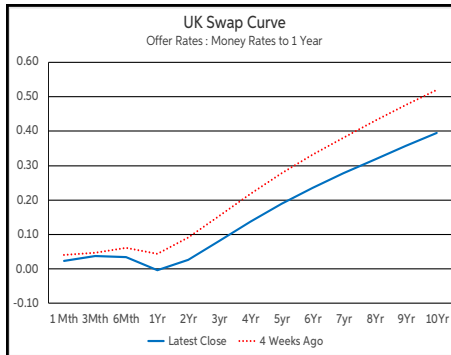
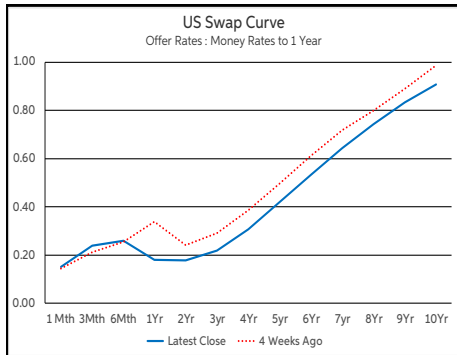
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| Euro | | Sterling | | Dollar | |
|---------|---------|----------|---------|---------|---------|
| EUR/GBP | 0.8957 | GBP/EUR | 1.1162 | USD/JPY | 102.95 |
| EUR/USD | 1.2264 | GBP/USD | 1.3693 | USD/CAD | 1.2687 |
| EUR/JPY | 126.26 | GBP/CAD | 1.7377 | USD/CHF | 0.8829 |
| EUR/SEK | 10.0303 | GBP/NZD | 1.8978 | USD/CNY | 6.4649 |
| EUR/DKK | 7.4406 | GBP/JPY | 140.97 | USD/BRL | 5.1935 |
| EUR/NOK | 10.4333 | GBP/SEK | 11.1981 | USD/RUB | 73.3675 |
| EUR/CHF | 1.0828 | GBP/DKK | 8.3061 | USD/INR | 73.007 |
| EUR/AUD | 1.588 | GBP/NOK | 11.6477 | AUD/USD | 0.7722 |
| EUR/HKD | 9.5071 | GBP/CHF | 1.2089 | NZD/USD | 0.7212 |
| EUR/CAD | 1.5566 | GBP/AUD | 1.7727 | | |



| | Close | Change bps | | |
|---|-------|------------|---------|--------|
| | | Day | 4 Weeks | End 20 |
| 10 Year Yield % | | | | |
| US | 0.92 | -1 | -6 | +0 |
| Germany | -0.58 | -1 | -3 | +0 |
| UK | 0.20 | -2 | -16 | +0 |
| Ireland | -0.30 | -2 | -6 | +0 |
| Belgium | -0.38 | -0 | -4 | +0 |
| France | -0.34 | -0 | -3 | +0 |
| Italy | 0.52 | -0 | -7 | +0 |
| Spain | 0.06 | -0 | -3 | +0 |
| Portugal | 0.06 | +1 | +1 | +0 |
| Greece | 0.63 | +0 | -1 | +0 |
| 5 Year Swap % | | | | |
| US | 0.42 | -0 | -4 | -0 |
| Eurozone | -0.48 | -2 | -2 | -2 |
| UK | 0.19 | +0 | -8 | +0 |
| 2 Year Swap % | | | | |
| US | 0.18 | -1 | -2 | -1 |
| Eurozone | -0.54 | -1 | -1 | -1 |
| UK | 0.03 | +0 | -5 | +0 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 27 | -2 | -3 | +0 |
| Belgium | 19 | +0 | -0 | +0 |
| France | 23 | +0 | -0 | +0 |
| Italy | 110 | +0 | -4 | +0 |
| Spain | 63 | +0 | +0 | +0 |
| Portugal | 64 | +2 | +4 | +0 |
| Greece | 120 | +0 | +2 | +0 |



| | % Change | | | |
|----------------|----------|-------|---------|--------|
| | Close | Day | 4 Weeks | End 20 |
| Brent Oil | 51.8 | +0.90 | +5.18 | +0.00 |
| West Texas Oil | 48.35 | +0.23 | +4.59 | +0.00 |
| Gold \$ | 1898.1 | +0.09 | +3.29 | +0.09 |

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