

## Politics still on the mind of markets

The main currency pairs continued to trade in narrow ranges last week, despite a very busy schedule of events. This included Fed, ECB and BoE meetings. Sterling did finish the week on the back foot, though, as EU leaders agreed to progress Brexit negotiations to 'Phase 2', while warning that discussions would be far more difficult than during Phase 1.

In level terms, the somewhat softer tone to sterling sees EUR/GBP starting this week above the 88p mark. Cable (GBP/USD) is trading in the lower half of the \$1.33-1.34 band. Elsewhere, EUR/USD continues to trade up close to the \$1.18 level.

In terms of the week ahead, a light UK data calendar (public finances for November the main release) means that sterling may continue to take its direction from the Brexit newsflow. In this regard, the EU Withdrawal Bill's progression in the UK Parliament will be closely followed.

Euro-wise, we get another raft of Eurozone survey data for December. This includes the flash EC measure of consumer sentiment and the German Ifo. All are expected to suggest firmer growth in Q4, mirroring last week's very strong PMIs. This may help to provide some support to the currency.

For the dollar, markets will be looking to Friday's US core-PCE prices number. Inflation slowed somewhat in recent months, though it looks set to have moved up to 1.6% in November (from 1.4%). At the same time, personal consumption is anticipated to have recorded another healthy increase in the month. The data could aid the dollar this week. The currency will also be sensitive to political headlines, as Congress aims to pass a major tax reform bill.

### Dara Turnbull, Economist, AIB

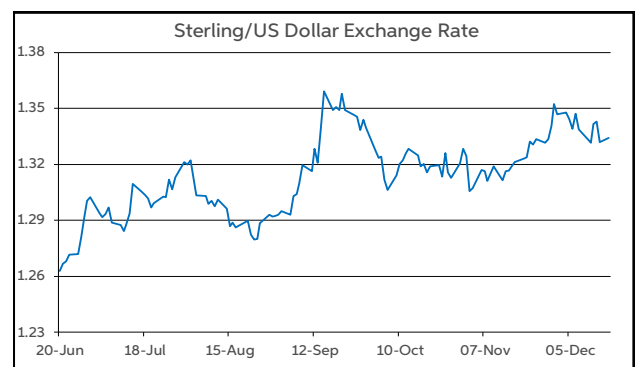
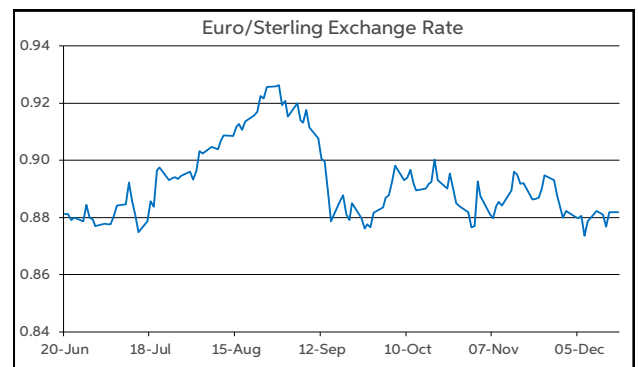
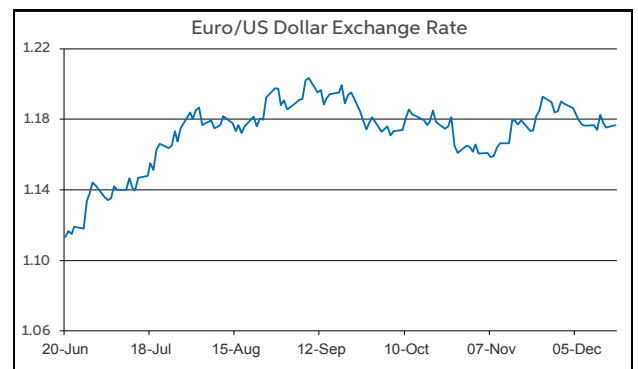
Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.375	1.50	1.61	2.05	2.05	2.22
EUR	0.00	-0.37	-0.33	-0.19	-0.18	0.21
GBP	0.50	0.49	0.52	0.76	0.79	1.02

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2016 to Date	
Dow Jones	24651.74	+0.58	+24.74	
S&P 500	2675.81	+0.90	+19.52	
FTSE 100	7490.57	+0.57	+4.87	
DJ Stoxx 50	3560.53	+0.12	+8.21	
ISEQ	6912.76	-0.81	+6.07	
Nikkei	22901.77	+1.55	+19.81	

Today's Opening Rates			
		% Change	
		Day *	End 2016
EUR/USD	1.1769	-0.11	11.95
EUR/GBP	0.882	0.60	3.55
GBP/USD	1.3345	-0.71	8.18
GBP/EUR	1.1336	-0.60	-3.42
USD/JPY	112.67	0.38	-3.59
EUR/JPY	132.62	0.27	7.70

\* v Previous Day's European Open

See Next Page for More Rates >>>



All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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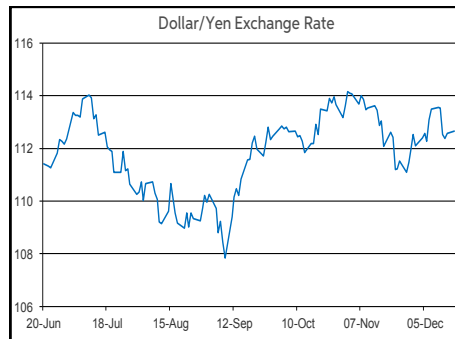
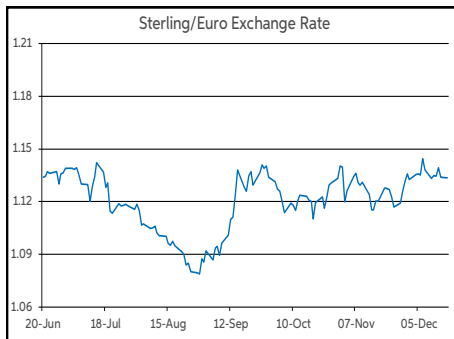
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# Opening Levels

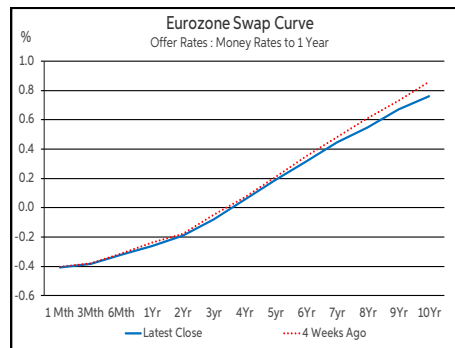
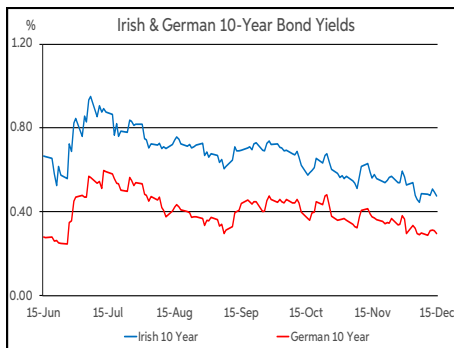
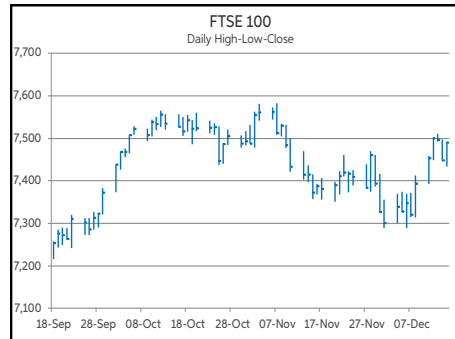
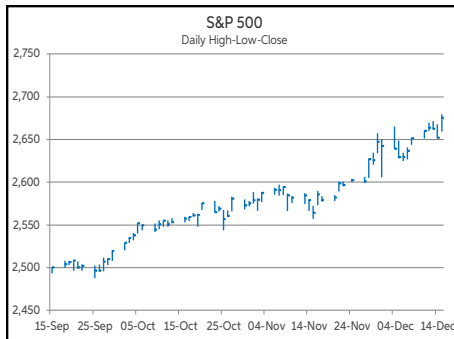
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Euro		Sterling		Dollar	
EUR/GBP	0.882	GBP/EUR	1.1336	USD/JPY	112.67
EUR/USD	1.1769	GBP/USD	1.3345	USD/CAD	1.285
EUR/JPY	132.62	GBP/CAD	1.7148	USD/CHF	0.9897
EUR/SEK	9.9944	GBP/NZD	1.899	USD/CNY	6.6121
EUR/DKK	7.4437	GBP/JPY	150.36	USD/BRL	3.2946
EUR/NOK	9.8524	GBP/SEK	11.3271	USD/RUB	58.68
EUR/CHF	1.1651	GBP/DKK	8.438	USD/INR	64.1
EUR/AUD	1.5347	GBP/NOK	11.17	AUD/USD	0.7669
EUR/HKD	9.1971	GBP/CHF	1.3209	NZD/USD	0.7024
EUR/CAD	1.5125	GBP/AUD	1.7398		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 16
<b>10 Year Yield %</b>				
US	2.35	+0	+1	-9
Germany	0.30	-1	-7	+10
UK	1.15	-2	-15	-8
Ireland	0.48	-2	-8	-27
Belgium	0.49	-2	-8	-2
France	0.62	-1	-6	-5
Italy	1.80	+2	-2	+0
Spain	1.44	+1	-10	+8
Portugal	1.79	-2	-16	-194
Greece	3.89	-19	-126	-299
<b>5 Year Swap %</b>				
US	2.20	+1	+10	+24
Eurozone	0.19	-3	-2	+11
UK	1.02	-2	-6	+14
<b>2 Year Swap %</b>				
US	2.00	-0	+12	+56
Eurozone	-0.19	-1	-1	-3
UK	0.78	-2	-5	+18
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	18	-1	-2	-37
Belgium	19	-0	-1	-12
France	33	+0	+1	-15
Italy	151	+3	+4	-10
Spain	115	+2	-3	-2
Portugal	149	-0	-9	-203
Greece	359	-17	-119	-309



Commodities				
	Close	% Change		
		Day	4 Weeks	End 16
Brent Oil	63.23	-0.13	+0.81	+11.28
West Texas Oil	57.29	+0.51	+1.27	+6.59
CRB - All Commodity	184.52	+0.17	-3.08	-4.15
CRB - Food	338.15	-0.42	-1.79	-0.18
Gold \$	1255.3	+0.19	-3.02	+8.95

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