

Cautious tone on markets

There was a cautious tone to financial market sentiment yesterday. This largely reflected news reports that China was considering slowing or halting its purchases of US Treasuries. Not surprisingly, US 10-year yields edged up further yesterday to 2.56%. They have now risen by around 15bps since the start of the year.

The rise in US bond yields had a negative impact on equity markets. The Euro Stoxx 50 declined by 0.4% on the day, while in the US, the S&P 500 closed down for the first time this year (albeit modestly). However, the solid performance by the indices recently means that they are still up 2.5-3% since the start of 2018.

On currency markets, the action has been relatively muted. However, the aforementioned headlines have acted as a headwind to the dollar over the last 24 hours. Sterling has also struggled somewhat, not helped by mixed UK data results. Industrial production was slightly better than expected in November, though the goods trade deficit increased unexpectedly, remaining very large. Some negative Brexit related headlines may also have been unhelpful to sterling.

Cable (GBP/USD) opens this morning modestly weaker on the day, trading just below \$1.35. The EUR/GBP pair has edged up to the mid-point of the 88-89p band. EUR/USD is trading close to \$1.195. Elsewhere, the BoJ's surprise decision to trim its bond purchases continues to support the yen, with USD/JPY moving below ¥112.

There is a light schedule of data and events in the day ahead. The main highlights are Eurozone industrial production for November (strong increase likely) and the ECB 'account' of the December meeting. Barring any major surprises, euro reaction may be limited. Thus, we could see a relatively subdued tone on FX markets today.

Dara Turnbull, Economist, AIB

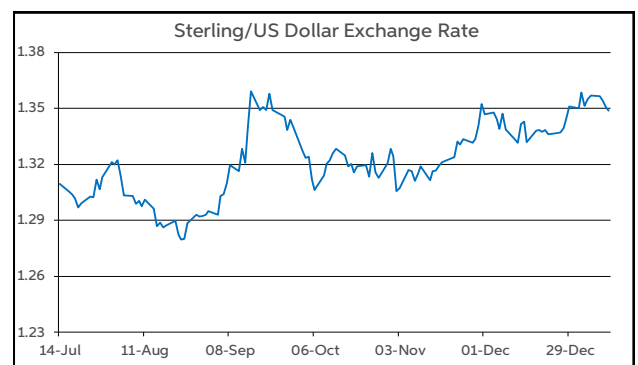
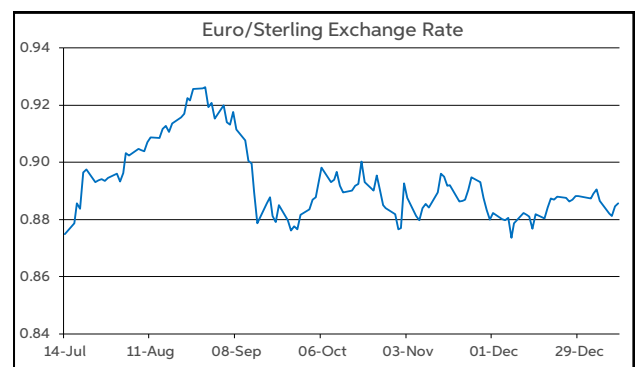
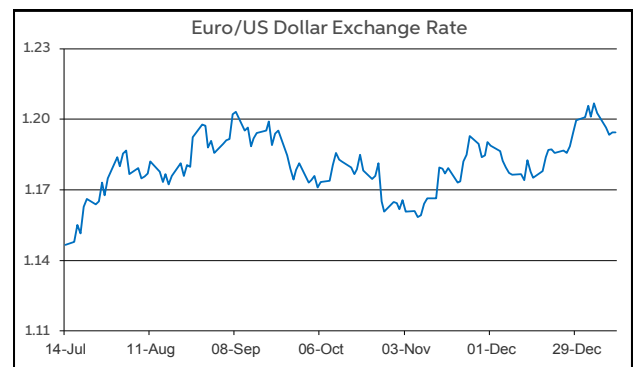
Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.375	1.55	1.71	2.16	2.18	2.36
EUR	0.00	-0.37	-0.33	-0.19	-0.13	0.33
GBP	0.50	0.50	0.52	0.77	0.84	1.11

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2017 to Date	
Dow Jones	25369.13	-0.07	+2.63	
S&P 500	2748.23	-0.11	+2.79	
FTSE 100	7748.51	+0.23	+0.79	
DJ Stoxx 50	3609.83	-0.36	+3.02	
ISEQ	7102.23	-1.07	+0.91	
Nikkei	23710.43	-0.33	+4.15	

Today's Opening Rates			
		% Change	
		Day *	End 2017
EUR/USD	1.1943	0.13	-0.44
EUR/GBP	0.8853	0.36	-0.34
GBP/USD	1.3488	-0.22	-0.18
GBP/EUR	1.1292	-0.36	0.34
USD/JPY	111.81	-0.48	-0.76
EUR/JPY	133.57	-0.32	-1.19

* 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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Opening Levels

Thursday 11 January 2018
07:29 am



Euro

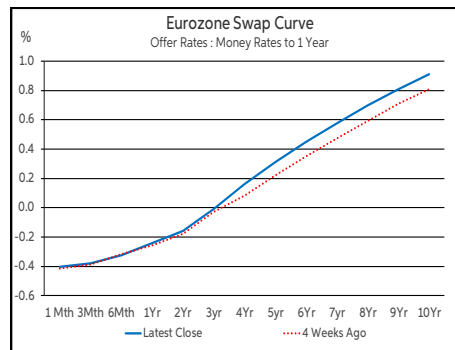
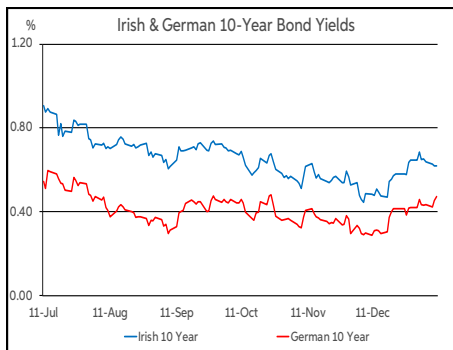
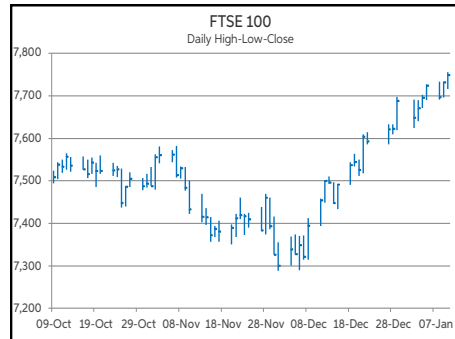
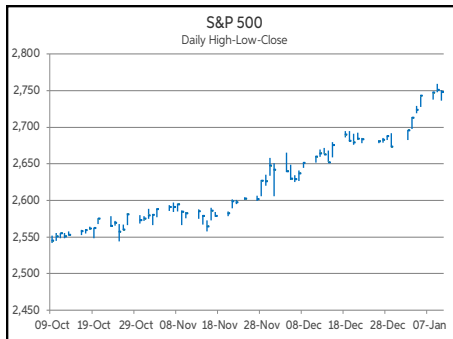
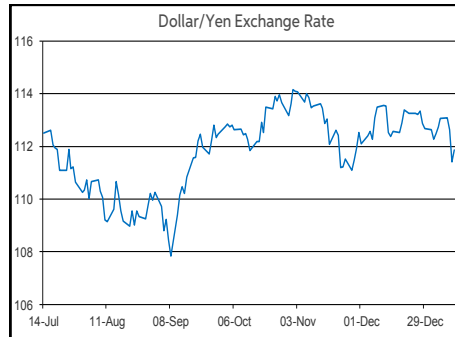
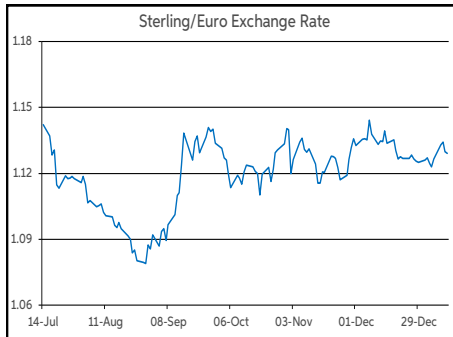
EUR/GBP	0.8853
EUR/USD	1.1943
EUR/JPY	133.57
EUR/SEK	9.7868
EUR/DKK	7.4468
EUR/NOK	9.6362
EUR/CHF	1.1715
EUR/AUD	1.518
EUR/HKD	9.3432
EUR/CAD	1.4992

Sterling

GBP/EUR	1.1292
GBP/USD	1.3488
GBP/CAD	1.6931
GBP/NZD	1.8742
GBP/JPY	150.81
GBP/SEK	11.0528
GBP/DKK	8.4096
GBP/NOK	10.8838
GBP/CHF	1.323
GBP/AUD	1.7143

Dollar

USD/JPY	111.81
USD/CAD	1.255
USD/CHF	0.9808
USD/CNY	6.5082
USD/BRL	3.228
USD/RUB	56.9999
USD/INR	63.72
AUD/USD	0.7864
NZD/USD	0.7194



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 17
10 Year Yield %				
US	2.56	+1	+21	+15
Germany	0.47	+2	+16	+5
UK	1.28	+1	+7	+10
5 Year Swap %				
US	2.35	-1	+18	+11
Eurozone	0.31	-0	+9	-1
UK	1.11	+1	+4	+7
2 Year Swap %				
US	2.14	-2	+16	+5
Eurozone	-0.16	-2	+2	-2
UK	0.83	+0	+1	+3
10 Year Government Bond Spreads to Benchmark bps				
Ireland	15	-2	-5	-8
Belgium	21	-2	+0	+1
France	34	+0	-0	-1
Italy	156	-1	+10	-2
Spain	106	+2	-11	-6
Portugal	136	-2	-18	-11
Greece	316	+2	-72	-46

Commodities				
	Close	% Change		
		Day	4 Weeks	End 17
Brent Oil	69.2	+0.55	+10.83	+3.48
West Texas Oil	63.6	+1.08	+12.39	+5.19
CRB - All Commodity	194.83	+0.35	+6.25	+0.50
CRB - Food	344.27	+1.29	+1.86	+2.45
Gold \$	1317.6	+0.37	+4.94	+1.15

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