

Bond yields rise as US tax bill passed

Despite having been a key theme for the dollar in 2017, the final confirmation of a US tax overhaul yesterday had little impact on the currency. This suggests that markets had already moved to price in such a development. It may also indicate that there is still some uncertainty as to the potential economic impact of the measures, with some traders holding fire, for now.

There was a similarly muted reaction on equity markets, despite 'pro-business' measures like cutting the corporation tax from 35% to 21%. However, it must be noted that the S&P 500 has made very strong gains of c.17% in 2017, hitting a new all-time high, partly fuelled by expectations of the fiscal stimulus which has now materialised.

One area where we have seen an impact of the passage of the tax bill in recent days is bond yields. 10-year Treasury yields rose to 2.5% yesterday (9-month high), up from 2.35% at the end of last week. The tax reforms are expected to add close to \$1trillion to the US deficit, while it could also see the Fed have to hike rates faster/further than currently expected. Other sovereigns have not been immune to the ripples from the US. German 10-year bund yields hit 0.4% yesterday, having gained 12bps since the start of the week.

The main FX pairs open this morning broadly unchanged from 24 hours previous. EUR/USD is trading near \$1.185, while GBP/USD is changing hands down near \$1.335. The EUR/GBP pair has edged up slightly, opening around 88.8p.

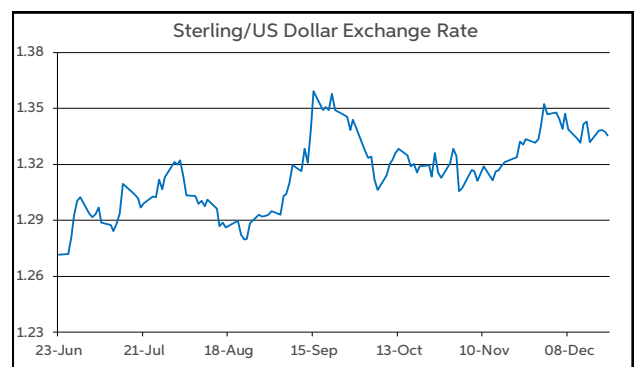
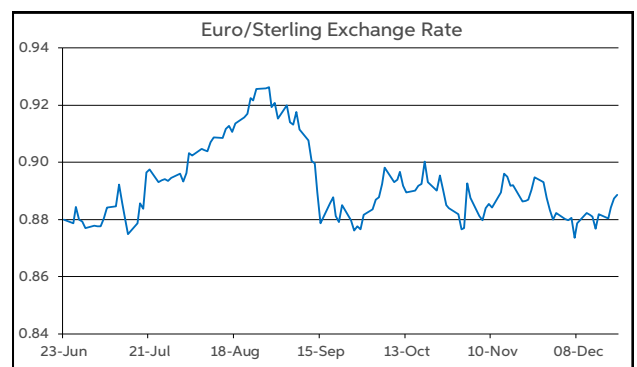
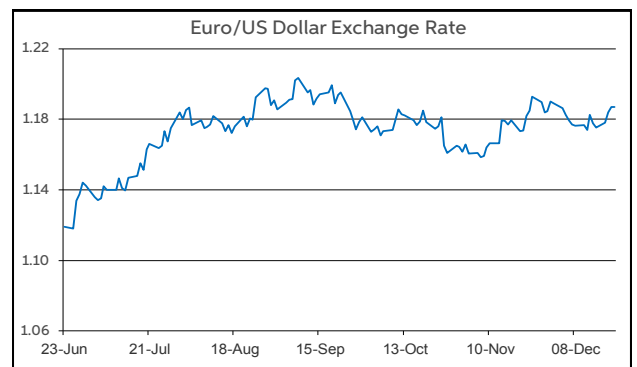
Today, the main data release of note is the flash EC measure of Eurozone consumer confidence for December. It is expected to hit a new 17-year high, pointing to an acceleration in consumer spending in the currency bloc. Thus, the data may benefit the euro.

Dara Turnbull, Economist, AIB

Today's Opening Rates			
		% Change	
		Day *	End 2016
EUR/USD	1.1865	0.18	12.86
EUR/GBP	0.8883	0.44	4.29
GBP/USD	1.3353	-0.25	8.24
GBP/EUR	1.1252	-0.44	-4.11
USD/JPY	113.5	0.49	-2.88
EUR/JPY	134.67	0.66	9.36

* v Previous Day's European Open

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Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.375	1.53	1.66	2.08	2.09	2.28
EUR	0.00	-0.37	-0.33	-0.19	-0.16	0.30
GBP	0.50	0.50	0.52	0.77	0.80	1.07

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2016 to Date	
Dow Jones	24726.65	-0.11	+25.12	
S&P 500	2679.25	-0.08	+19.67	
FTSE 100	7525.22	-0.25	+5.35	
DJ Stoxx 50	3552.65	-0.83	+7.97	
ISEQ	6980.9	-0.26	+7.11	
Nikkei	22866.1	-0.11	+19.63	

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

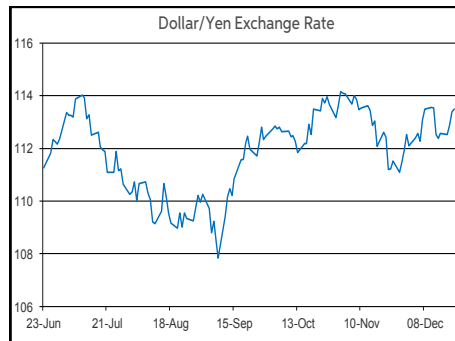
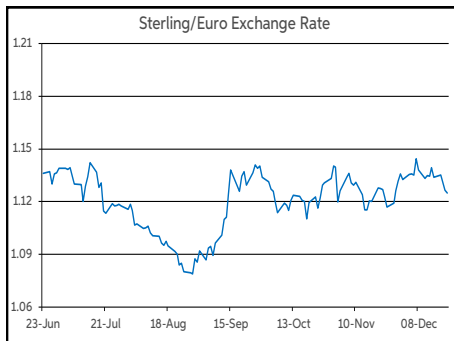
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Opening Levels

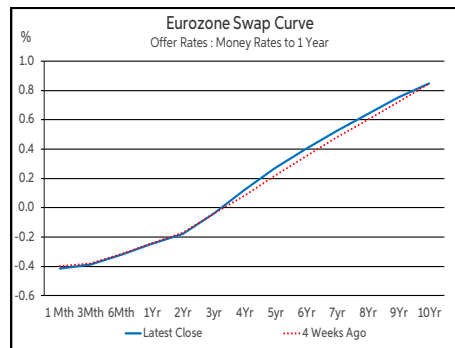
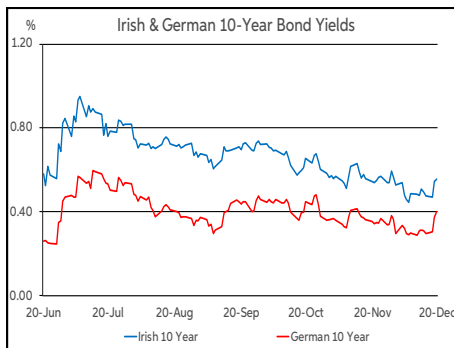
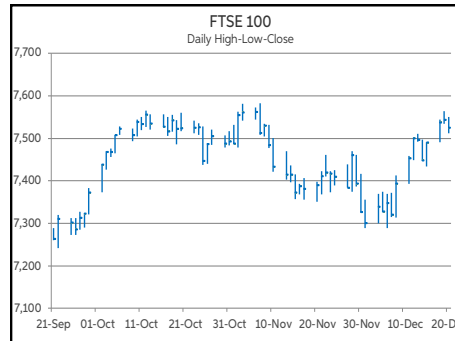
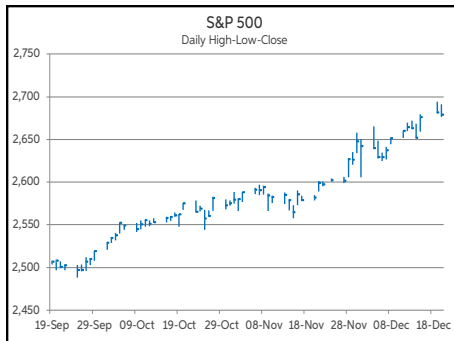
Thursday 21 December 2017
07:28 am



Euro		Sterling		Dollar	
EUR/GBP	0.8883	GBP/EUR	1.1253	USD/JPY	113.5
EUR/USD	1.1864	GBP/USD	1.3354	USD/CAD	1.2823
EUR/JPY	134.69	GBP/CAD	1.7123	USD/CHF	0.9863
EUR/SEK	9.9665	GBP/NZD	1.907	USD/CNY	6.572
EUR/DKK	7.4444	GBP/JPY	151.57	USD/BRL	3.2977
EUR/NOK	9.9763	GBP/SEK	11.2146	USD/RUB	58.5455
EUR/CHF	1.1705	GBP/DKK	8.3777	USD/INR	64.0825
EUR/AUD	1.5483	GBP/NOK	11.2281	AUD/USD	0.7662
EUR/HKD	9.2856	GBP/CHF	1.3169	NZD/USD	0.7
EUR/CAD	1.5208	GBP/AUD	1.7424		



	Close	Change bps		
		Day	4 Weeks	End 16
10 Year Yield %				
US	2.50	+4	+18	+5
Germany	0.40	+3	+5	+20
UK	1.25	+5	-2	+2
Ireland	0.56	+1	+1	-19
Belgium	0.59	+2	+4	+8
France	0.73	+6	+6	+6
Italy	1.93	+3	+18	+13
Spain	1.47	+0	+2	+10
Portugal	1.76	-1	-13	-196
Greece	4.00	-2	-124	-288
5 Year Swap %				
US	2.24	-2	+15	+29
Eurozone	0.27	+0	+5	+19
UK	1.06	+1	-2	+18
2 Year Swap %				
US	2.03	-1	+12	+59
Eurozone	-0.18	-2	-1	-2
UK	0.80	+1	-3	+20
10 Year Government Bond Spreads to Benchmark bps				
Ireland	16	-2	-5	-39
Belgium	19	-1	-2	-13
France	33	+3	+0	-15
Italy	153	-0	+12	-7
Spain	106	-3	-3	-11
Portugal	136	-4	-18	-216
Greece	360	-5	-129	-308



	% Change			
	Close	Day	4 Weeks	End 16
Brent Oil	64.56	+1.19	+1.96	+13.62
West Texas Oil	58.09	+1.04	+0.36	+8.07
CRB - All Commodity	187.09	+0.58	-2.36	-2.82
CRB - Food	338.04	-0.23	-2.83	-0.21
Gold \$	1265.6	+0.31	-2.05	+9.84

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