

Dollar could regain some ground in 2018

An important theme to emerge on currency markets in 2017 was the dollar rally running out of steam amid uncertainty over the Trump Administration's stimulus plans. The currency lost ground across the board over the summer, before stabilising in recent months. Meanwhile, the euro was supported by very strong macro data and reduced political risk. EUR/USD broke out of the \$1.04-1.16 range that had been in place since early 2015, trading as high as \$1.209. More recently, the pair has settled into a \$1.16-1.20 range. Meantime, sterling was sensitive to Brexit related newsflow throughout the year. Over the last few months, EUR/GBP has been in a 87.5-90p range, after trading as high as 93p in late August.

The outlook for sterling in 2018 remains dependent on how the Brexit negotiations develop. If a 'soft' Brexit looks to be on the cards then EUR/GBP could move down to 85p or below. However, if a 'hard' Brexit seems more likely, EUR/GBP may move up towards 95p, with GBP/USD falling back towards \$1.20.

There is some upside potential for the dollar in 2018. This is closely linked to the implementation of the comprehensive US tax reform programme. Given the stage of the economic cycle, these measures would bolster the case for monetary tightening and likely result in markets pricing in more Fed rate hikes. The tax cut amnesty for US corporates overseas profits could also trigger dollar gains.

From a euro perspective, the ECB remains in easing mode and with no hikes expected until 2019 at the earliest, monetary policy may have limited influence. There is some political risk with Italian elections due by mid-year. However, with EUR/USD currently at relatively low levels and the supportive backdrop of strong Eurozone macro data, any moves lower in the EUR/USD pair may be limited.

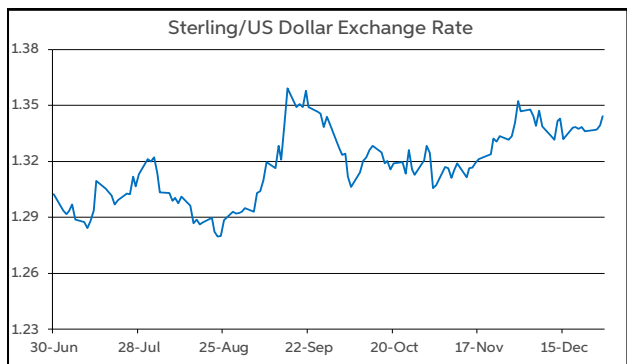
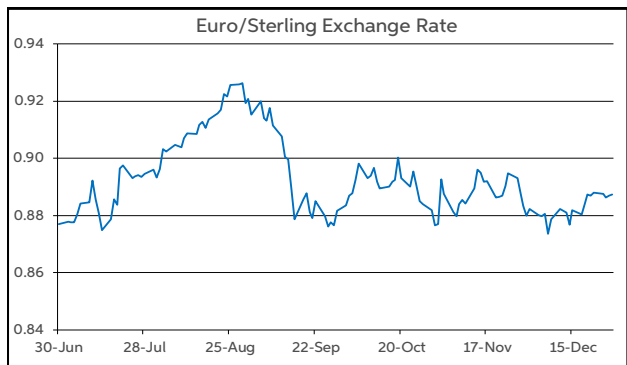
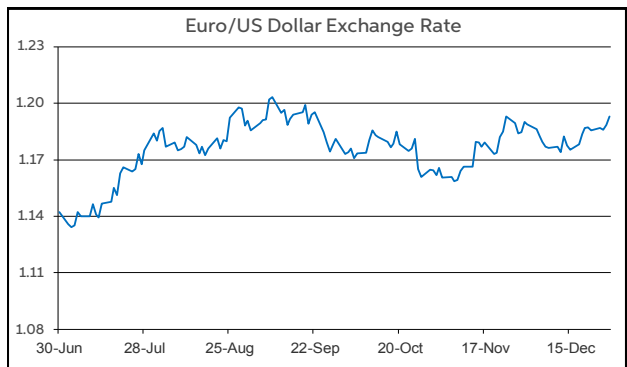
John Fahey, Senior Economist, AIB

Today's Opening Rates

		% Change	
		Day *	End 2016
EUR/USD	1.1931	0.45	13.49
EUR/GBP	0.8877	-0.01	4.21
GBP/USD	1.344	0.48	8.95
GBP/EUR	1.1261	0.01	-4.04
USD/JPY	112.74	-0.40	-3.53
EUR/JPY	134.55	0.08	9.27

* 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	1.57	1.69	2.11	2.09	2.26
EUR	0.00	-0.37	-0.33	-0.19	-0.15	0.32
GBP	0.50	0.49	0.52	0.77	0.80	1.03

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2016 to Date	
Dow Jones	24774.3	+0.11	+25.36	
S&P 500	2682.62	+0.08	+19.82	
FTSE 100	7620.68	+0.37	+6.69	
DJ Stoxx 50	3550.17	-0.09	+7.89	
ISEQ	7027.82	+0.17	+7.83	
Nikkei	22783.98	-0.56	+19.20	

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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Opening Levels

Thursday 28 December 2017
07:29 am



Euro

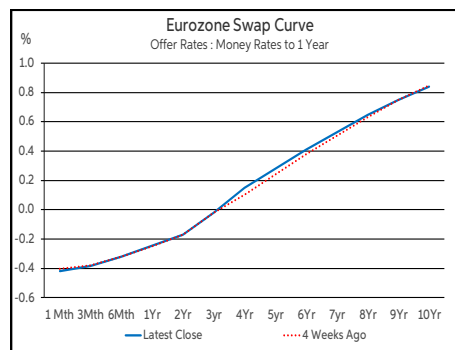
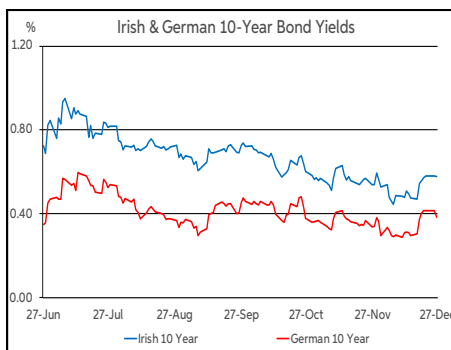
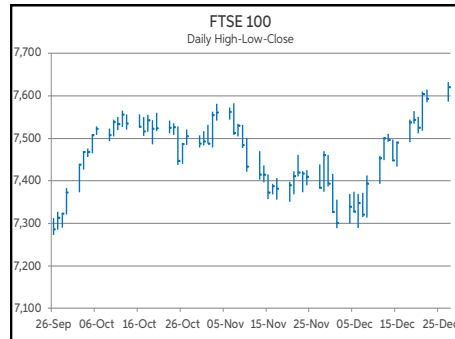
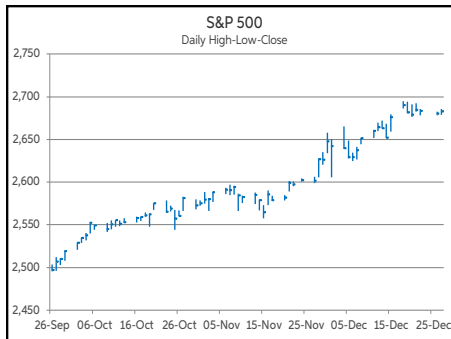
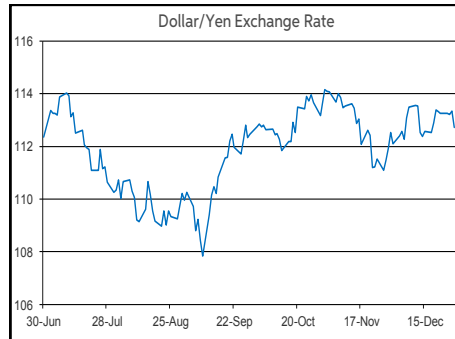
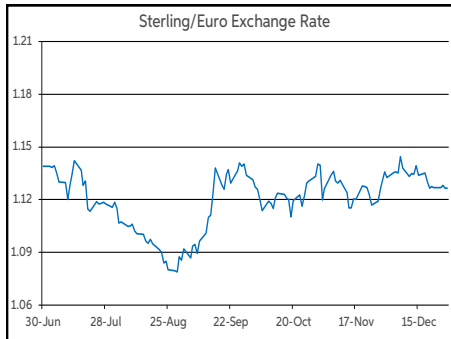
EUR/GBP	0.8877
EUR/USD	1.1931
EUR/JPY	134.55
EUR/SEK	9.836
EUR/DKK	7.4441
EUR/NOK	9.8282
EUR/CHF	1.1714
EUR/AUD	1.5287
EUR/HKD	9.3258
EUR/CAD	1.5036

Sterling

GBP/EUR	1.1261
GBP/USD	1.344
GBP/CAD	1.6944
GBP/NZD	1.894
GBP/JPY	151.52
GBP/SEK	11.0788
GBP/DKK	8.3851
GBP/NOK	11.071
GBP/CHF	1.3192
GBP/AUD	1.7224

Dollar

USD/JPY	112.74
USD/CAD	1.2609
USD/CHF	0.9817
USD/CNY	6.5336
USD/BRL	3.3149
USD/RUB	57.6883
USD/INR	64.15
AUD/USD	0.7803
NZD/USD	0.7093



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 16
10 Year Yield %				
US	2.41	-6	+2	-3
Germany	0.38	-3	+0	+19
UK	1.17	-7	-17	-6
5 Year Swap %				
US	2.22	-4	+6	+27
Eurozone	0.28	-5	+4	+20
UK	1.03	-4	-12	+15
2 Year Swap %				
US	2.04	-5	+9	+59
Eurozone	-0.17	-3	+0	-1
UK	0.79	-2	-8	+19
10 Year Government Bond Spreads to Benchmark bps				
Ireland	19	+3	-2	-36
Belgium	17	-0	-3	-14
France	32	+3	-1	-15
Italy	152	+4	+11	-9
Spain	106	+2	-3	-11
Portugal	143	+7	-11	-210
Greece	363	+3	-132	-305

Commodities				
	Close	% Change		
		Day	4 Weeks	End 16
Brent Oil	66.44	-0.87	+5.28	+16.93
West Texas Oil	59.67	+0.20	+4.23	+11.01
CRB - All Commodity	191.47	+0.52	+0.30	-0.54
CRB - Food	336.28	-2.77	-2.31	-0.73
Gold \$	1287.8	+0.35	+0.32	+11.77

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