

Limited moves on FX markets

There was a notable improvement in risk appetite in Europe yesterday. This was driven by some better than expected macro data, including the German ZEW for August and Q2 UK labour market figures. In Russia, the government announced it had successfully developed a Covid-19 vaccine.

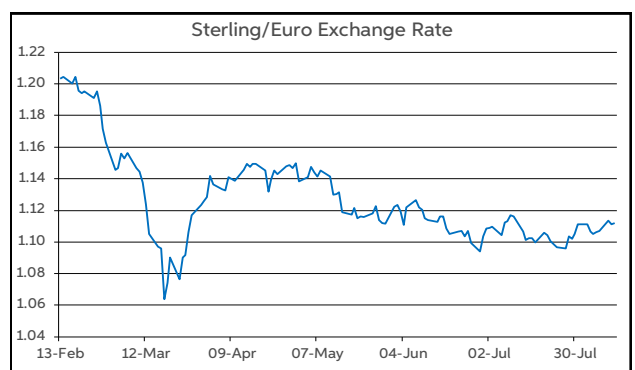
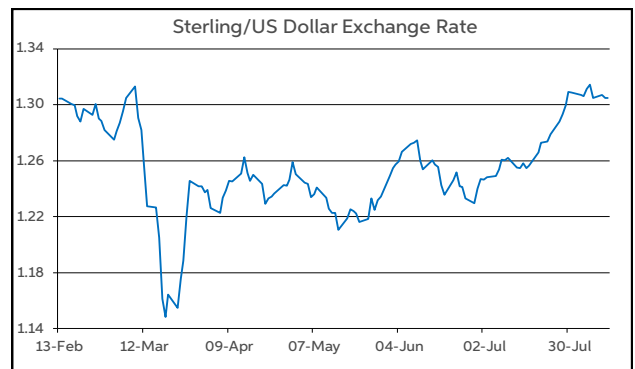
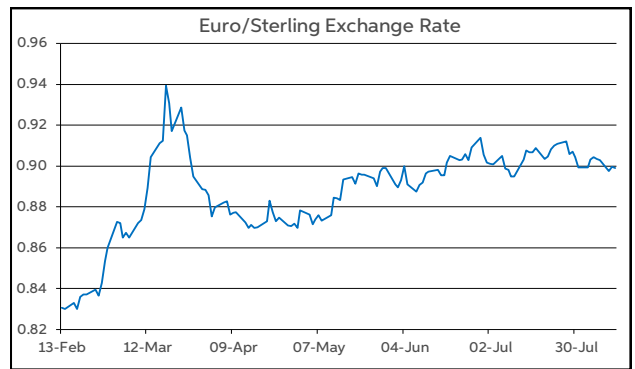
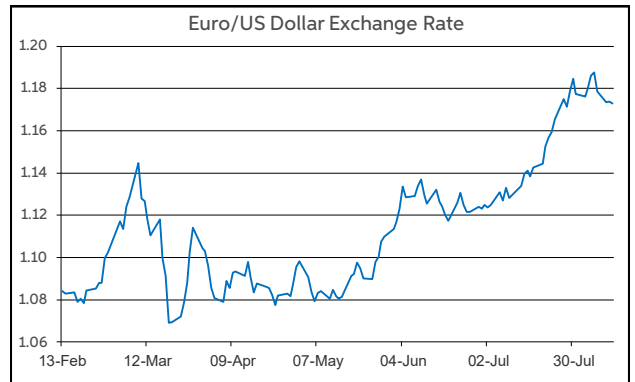
The main European equity indices moved higher as a result, gaining between 1.5-2.5% on the day. In contrast, the S&P 500 was down 0.8% at the US close following a partial sell-off in tech stock. Elsewhere, there was a notable rise in bond yields yesterday. German, UK and US 10-year yields increased by between 5-7bps.

On the currency front, the action was reasonably muted. The risk-on mood saw the dollar come under slight pressure but this proved temporary and opens marginally higher. EUR/USD is trading back in the lower half of \$1.17-1.18 this morning, having briefly tested the upper end of this range. Meantime, cable (GBP/USD) is operating at the midpoint of the \$1.30-1.31 band, while EUR/GBP continues to change hands just below the 90p threshold.

This morning saw the release of the first estimate of UK GDP for Q2. Output plunged by 20.4% on the impact of the lockdown, though this was in line with expectations. Positively, the monthly figures showed an 8.7% increase in GDP in June (f'cast +8%), providing evidence of the nascent economic recovery.

Turning to the day ahead, the July print of US CPI is the only release due of any note. The rebound in oil prices should see headline inflation continue to move higher, though dollar reaction will be negligible. Overall then, as has been the case in recent months, sentiment will remain the primary driver of FX action.

Conor Beakey, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.173	-0.17	4.64
EUR/GBP	0.899	0.12	6.34
GBP/USD	1.3046	-0.31	-1.61
GBP/EUR	1.1118	-0.12	-5.96
USD/JPY	106.73	0.63	-1.73
EUR/JPY	125.21	0.45	2.77

* 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	0.16	0.25	0.23	0.25	0.35
EUR	0.00	-0.52	-0.48	-0.42	-0.42	-0.36
GBP	0.10	0.06	0.07	0.12	0.12	0.22

All rates quoted are indicative market rates

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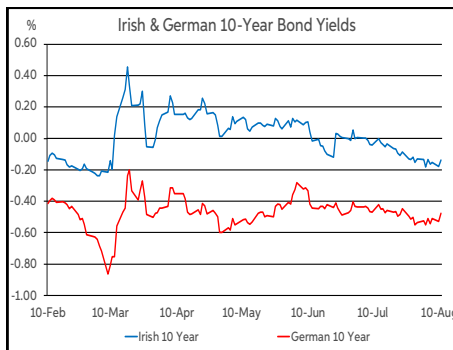
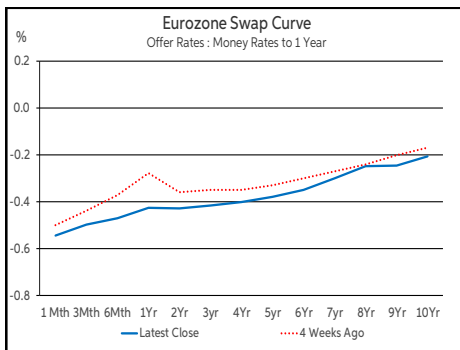
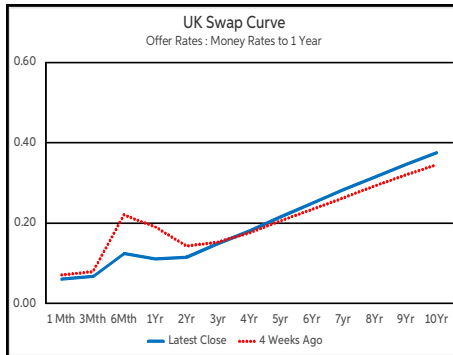
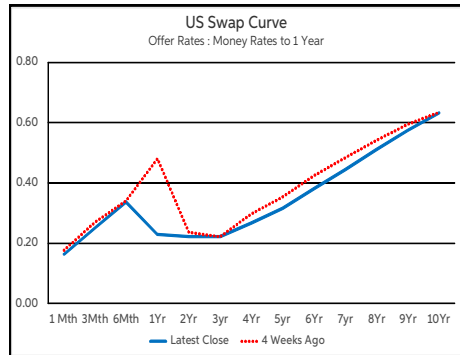
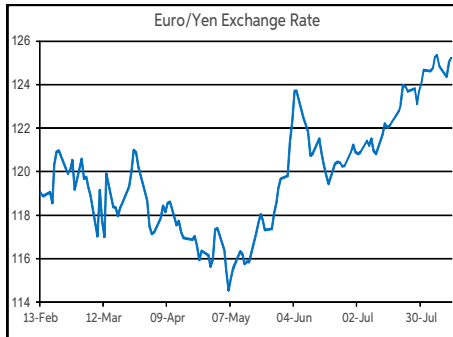
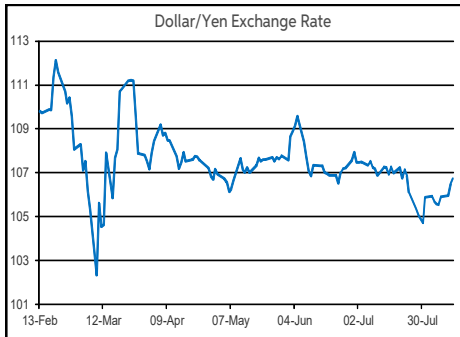
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Opening Levels

Wednesday 12 August 2020
07:25 am



Euro		Sterling		Dollar	
EUR/GBP	0.899	GBP/EUR	1.1118	USD/JPY	106.72
EUR/USD	1.173	GBP/USD	1.3046	USD/CAD	1.3321
EUR/JPY	125.21	GBP/CAD	1.7381	USD/CHF	0.9187
EUR/SEK	10.2806	GBP/NZD	1.9911	USD/CNY	6.9453
EUR/DKK	7.4469	GBP/JPY	139.23	USD/BRL	5.3817
EUR/NOK	10.5777	GBP/SEK	11.4301	USD/RUB	73.1471
EUR/CHF	1.0778	GBP/DKK	8.2801	USD/INR	74.815
EUR/AUD	1.6454	GBP/NOK	11.7648	AUD/USD	0.7127
EUR/HKD	9.0918	GBP/CHF	1.1988	NZD/USD	0.6548
EUR/CAD	1.5629	GBP/AUD	1.8299		



Debt Markets				
	Close	Day	4 Weeks	End 19
10 Year Yield %				
US	0.64	+6	+2	-128
Germany	-0.47	+5	-3	-29
UK	0.20	+7	+5	-62
5 Year Swap %				
US	0.32	+4	+0	-139
Eurozone	-0.38	+3	-4	-26
UK	0.22	+4	+1	-66
2 Year Swap %				
US	0.22	+3	+3	-144
Eurozone	-0.43	+1	-6	-13
UK	0.12	+2	-2	-68
10 Year Government Bond Spreads to Benchmark bps				
Ireland	35	-1	-9	+4
Belgium	25	-1	-5	-4
France	27	-2	-5	-4
Italy	149	-2	-24	-13
Spain	76	-3	-10	+10
Portugal	79	-3	-9	+15
Greece	156	-2	-18	-9

Commodities				
	Close	Day	4 Weeks	End 19
Brent Oil	44.5	-1.09	+3.73	-32.58
West Texas Oil	41.53	-0.98	+3.05	-32.07
Gold \$	1911.2	-5.72	+5.74	+25.99

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