

Risk aversion dominates

In a week of ups and downs, markets were back in risk averse mood yesterday. The combination of weak macro data (from China and Germany) and more significantly, the inverting of the US yield curve at the 2 year and 10 year horizon added to concerns over the outlook for the global economy. This inversion has historically preceded a recession in the US economy and occurred for the first time since 2007.

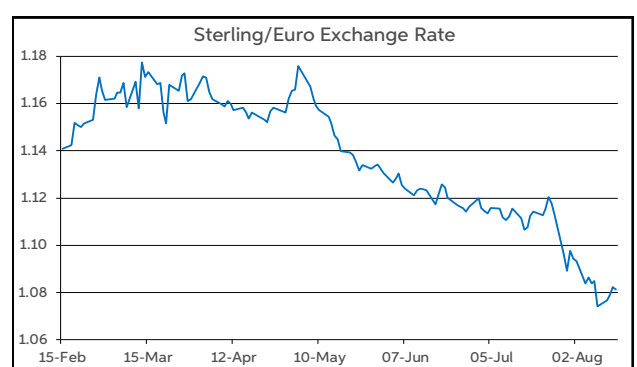
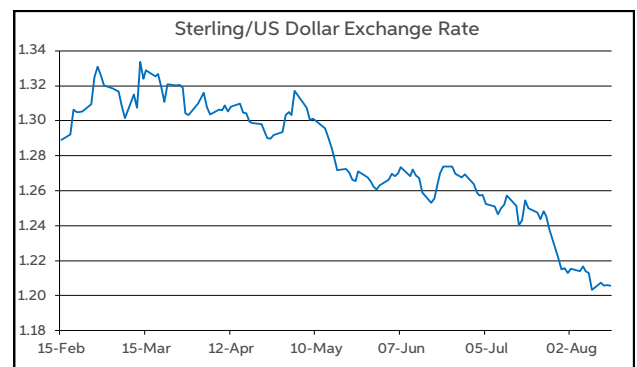
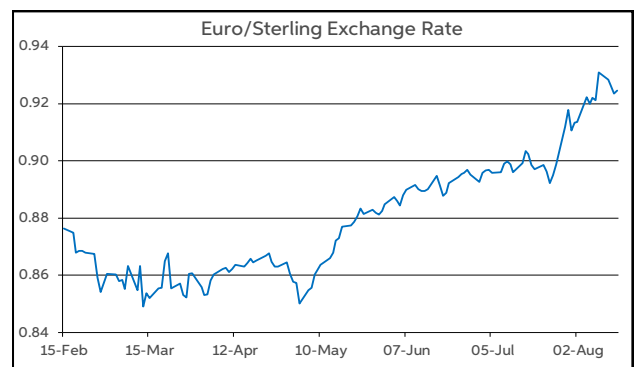
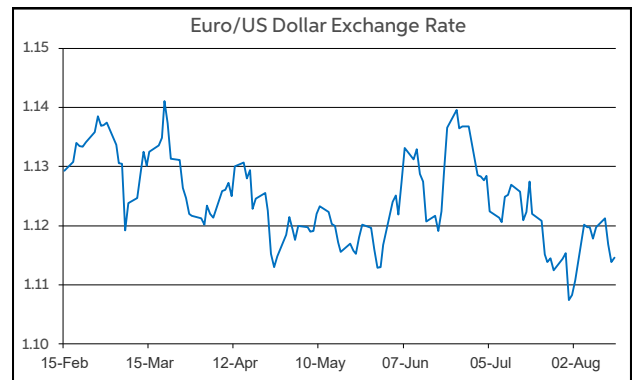
The risk-off environment saw German bunds benefit from safe haven demand, with the 10 year yield falling to a new record low of -0.66%. Meanwhile, equity markets experienced sharp falls. The S&P 500 and the Euro Stoxx 50 closed down 2.9% and 2.0% respectively. On commodity markets, Brent crude dropped by 3%.

Currency market reaction was more subdued, though the yen did experience some safe haven demand. Meanwhile, the euro has been trading slightly lower. EUR/USD opens back at the \$1.115 mark, while EUR/GBP is close to the midpoint of the 92-93p band. Elsewhere, cable (GBP/USD) remains in \$1.20-1.21 territory.

Today, markets could remain volatile as they continue to react to yesterday's sell-off. Data-wise, we get UK retail sales numbers for July. Despite figures this week showing workers are enjoying the strongest wage gains in a decade, the forecast is for sales to have dipped by 0.2%. However, sterling reaction could be negligible. Meantime, there is no data out to influence the euro.

In the US, July retail sales data are also set to feature. The buoyant labour market is expected to have supported consumer spending in the month, with both the headline and 'control' measures of sales forecast to have risen by 0.3%. Overall, the release could offer support to the dollar today, as well as investor sentiment.

Conor Beakey, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1148	-0.21	-2.80
EUR/GBP	0.9246	-0.19	2.92
GBP/USD	1.2057	0.01	-5.49
GBP/EUR	1.0812	0.19	-2.83
USD/JPY	105.91	-0.61	-3.33
EUR/JPY	118.08	-0.80	-6.07

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	2.125	2.20	2.17	2.03	1.56	1.40
EUR	0.00	-0.41	-0.40	-0.36	-0.52	-0.48
GBP	0.75	0.71	0.77	0.85	0.67	0.61

All rates quoted are indicative market rates

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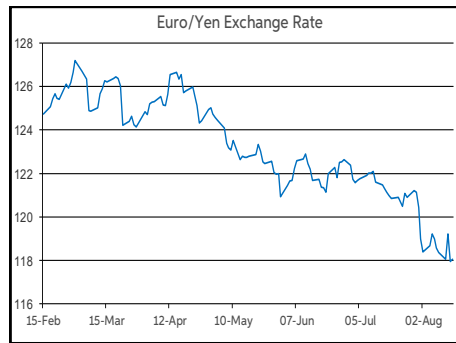
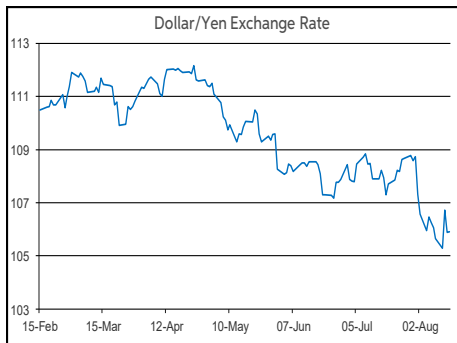
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite Lenny Hogan	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

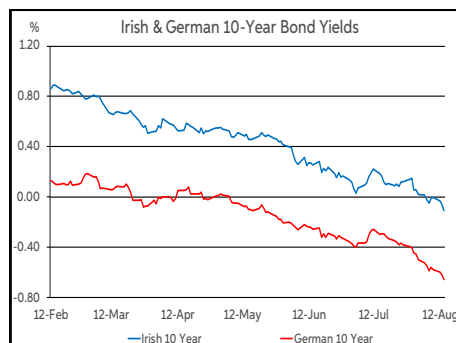
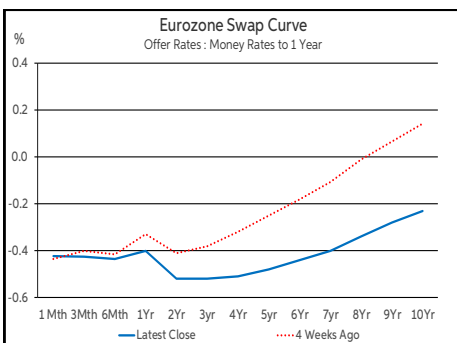
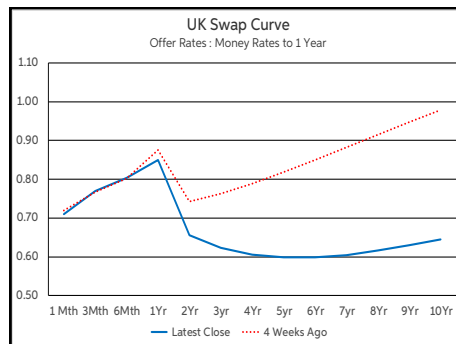
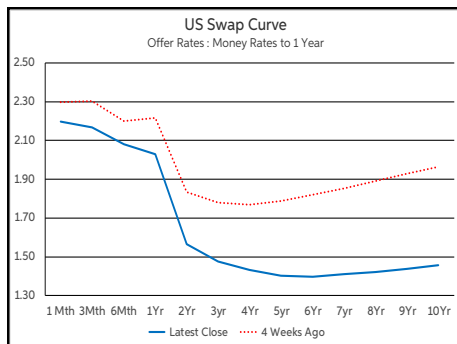
Thursday 15 August 2019
07:12 am



Euro		Sterling		Dollar	
EUR/GBP	0.9246	GBP/EUR	1.0812	USD/JPY	105.91
EUR/USD	1.1147	GBP/USD	1.2057	USD/CAD	1.3295
EUR/JPY	118.08	GBP/CAD	1.6027	USD/CHF	0.9739
EUR/SEK	10.7199	GBP/NZD	1.871	USD/CNY	7.0241
EUR/DKK	7.4594	GBP/JPY	127.7	USD/BRL	4.0513
EUR/NOK	9.9905	GBP/SEK	11.5915	USD/RUB	65.7435
EUR/CHF	1.0858	GBP/DKK	8.0659	USD/INR	71.27
EUR/AUD	1.6438	GBP/NOK	10.8029	AUD/USD	0.6781
EUR/HKD	8.7385	GBP/CHF	1.1743	NZD/USD	0.6441
EUR/CAD	1.4825	GBP/AUD	1.7776		



Debt Markets				
	Close	Day	4 Weeks	End 18
10 Year Yield %				
US	1.58	-12	-46	-110
Germany	-0.66	-4	-36	-89
UK	0.44	-5	-31	-82
Ireland	-0.11	-6	-23	N/A
Belgium	-0.33	-6	-35	-109
France	-0.38	-6	-34	-108
Italy	1.49	-12	-10	-123
Spain	0.13	-8	-30	-129
Portugal	0.16	-5	-33	-154
Greece	2.01	-9	-19	-229
5 Year Swap %				
US	1.40	-11	-38	-116
Eurozone	-0.48	-5	-23	-71
UK	0.60	-4	-22	-72
2 Year Swap %				
US	1.56	-9	-27	-108
Eurozone	-0.52	-2	-11	-38
UK	0.66	-2	-9	-51
10 Year Government Bond Spreads to Benchmark bps				
Ireland	54	-2	+14	N/A
Belgium	33	-2	+2	-19
France	28	-2	+3	-18
Italy	215	-7	+26	-33
Spain	78	-4	+7	-40
Portugal	82	-1	+3	-65
Greece	266	-5	+18	-140



Commodities				
	Close	Day	4 Weeks	End 18
Brent Oil	59.48	-2.97	-6.57	+10.56
West Texas Oil	55.16	-3.31	-2.37	+22.17
Gold \$	1516.6	+1.00	+6.28	+18.21

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