

## Trade tensions spooks market

Markets have adopted a risk averse mood overnight as President Trump announced an additional round of tariffs on Chinese exports which will take effect on September 1. The move prompted a sharp decline in US Treasury yields along the curve, while equities came under pressure. In terms of currency impact, the yen has rallied strongly on this newsflow, gaining 1.9% against the dollar.

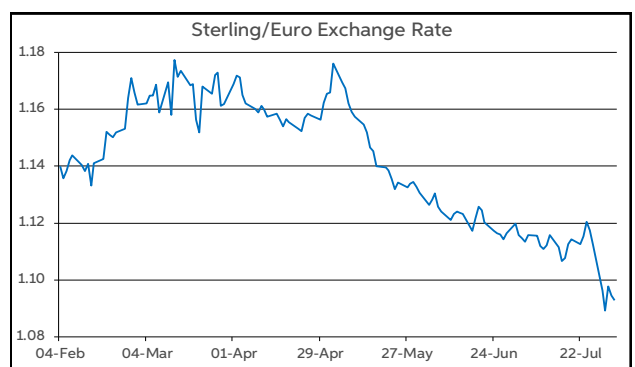
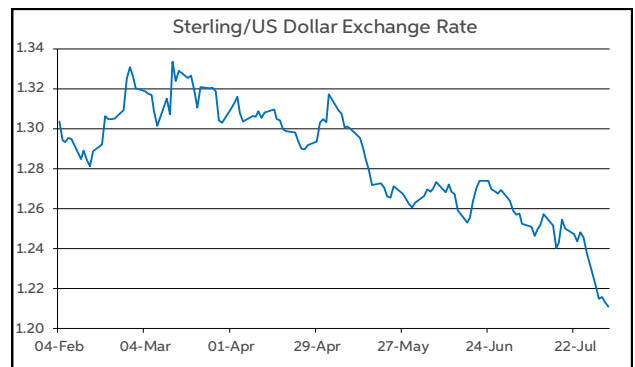
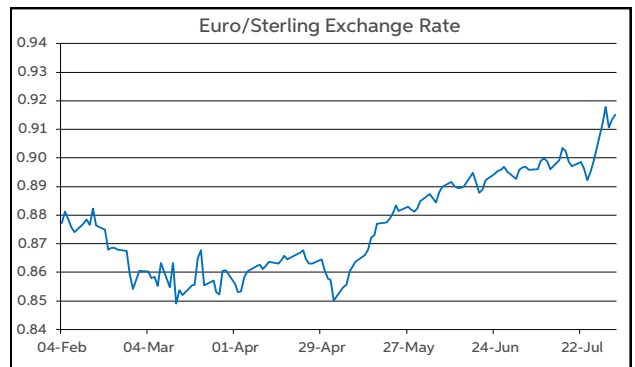
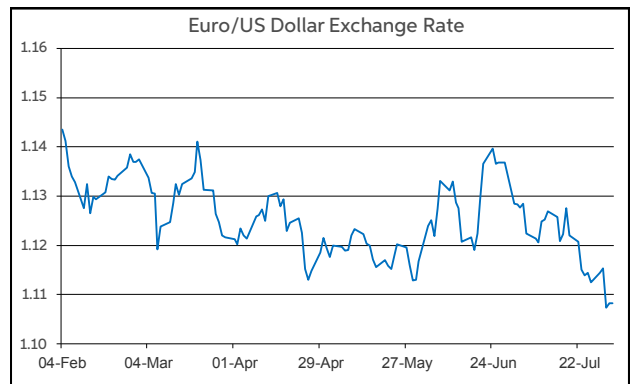
Earlier in the day, currencies had largely traded in narrow ranges. The BoE's meeting was a non-event for sterling, with the central bank again guiding that it is on hold until the Brexit uncertainty clears. Meantime, UK and US manufacturing data served to confirm that the sector continues to struggle globally. However, there was no notable FX reaction.

In level terms, trading in the non-yen majors has been more subdued. The euro has made some slight gains which sees EUR/USD open in the upper half of the \$1.10-1.11 range, while EUR/GBP is at the midpoint of the 91-92p band. Elsewhere, GBP/USD is down at the \$1.21 threshold.

Today, markets will continue to process the latest escalation in trade tensions and await a response from the Chinese. This environment could see safe haven currencies, such as the yen, continue to hold the upper hand.

Data-wise, there is little out to influence the euro or sterling today. However, in the US the July employment report is due. Non-farm payrolls are forecast at 164k, representing solid jobs growth. At the same time, the unemployment rate is projected to have held at 3.7%, while tight labour market conditions should see wage inflation remain above 3%. In terms of dollar reaction, a strong payroll number could provide some support for the currency.

**Conor Beakey, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1086	0.32	-3.34
EUR/GBP	0.9148	0.40	1.83
GBP/USD	1.2114	-0.12	-5.04
GBP/EUR	1.0925	-0.39	-1.79
USD/JPY	107.05	-1.94	-2.29
EUR/JPY	118.67	-1.65	-5.60

\* 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	2.375	2.24	2.29	2.24	1.76	1.65
EUR	0.00	-0.39	-0.38	-0.30	-0.46	-0.37
GBP	0.75	0.71	0.77	0.85	0.67	0.66

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

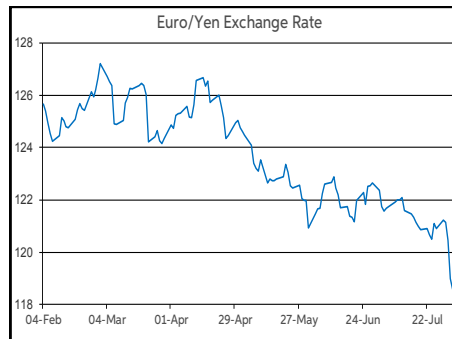
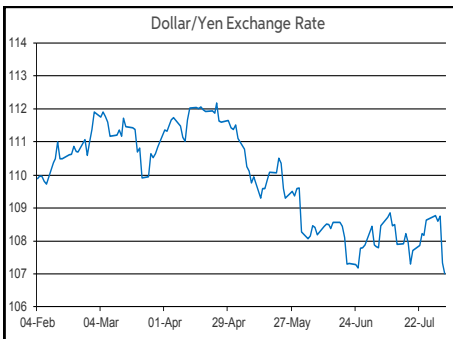
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite Lenny Hogan	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

# Opening Levels

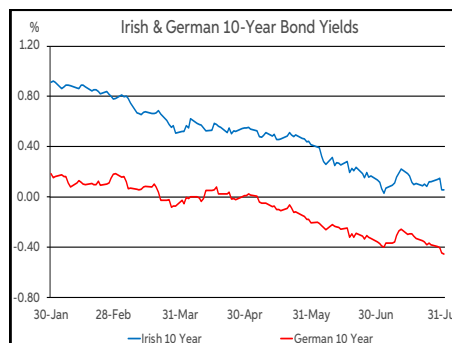
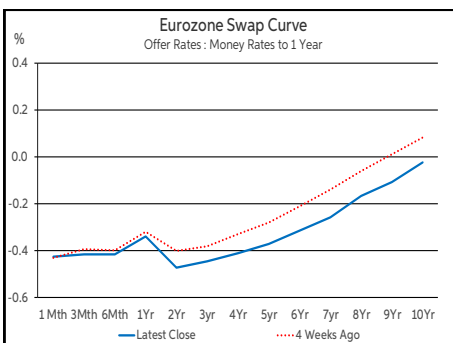
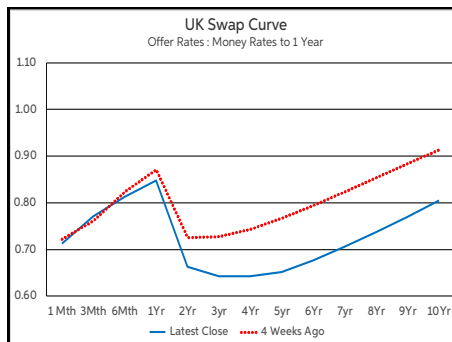
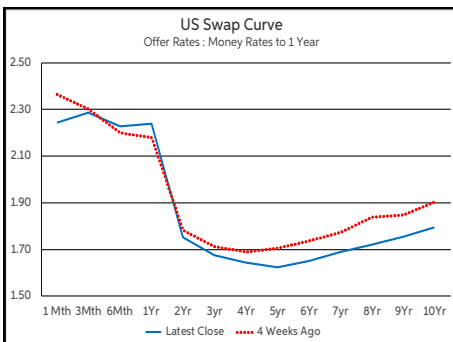
Friday 02 August 2019  
07:17 am



Euro		Sterling		Dollar	
EUR/GBP	0.9148	GBP/EUR	1.0925	USD/JPY	107.05
EUR/USD	1.1086	GBP/USD	1.2114	USD/CAD	1.3216
EUR/JPY	118.67	GBP/CAD	1.6013	USD/CHF	0.9884
EUR/SEK	10.6995	GBP/NZD	1.8518	USD/CNY	6.9383
EUR/DKK	7.4663	GBP/JPY	129.68	USD/BRL	3.8387
EUR/NOK	9.848	GBP/SEK	11.69	USD/RUB	64.625
EUR/CHF	1.0958	GBP/DKK	8.1579	USD/INR	69.41
EUR/AUD	1.627	GBP/NOK	10.7591	AUD/USD	0.6811
EUR/HKD	8.668	GBP/CHF	1.1973	NZD/USD	0.6539
EUR/CAD	1.4651	GBP/AUD	1.7783		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 18
<b>10 Year Yield %</b>				
US	1.90	-11	-5	-78
Germany	-0.45	-1	-5	-69
UK	0.59	-2	-8	-68
Ireland	0.06	+0	+3	N/A
Belgium	-0.13	-1	-6	-89
France	-0.19	-0	-6	-89
Italy	1.56	+4	-10	-115
Spain	0.27	+0	+3	-114
Portugal	0.33	-1	+0	-138
Greece	2.02	+2	+0	-228
<b>5 Year Swap %</b>				
US	1.62	-17	-8	-94
Eurozone	-0.37	-4	-9	-60
UK	0.65	-3	-12	-66
<b>2 Year Swap %</b>				
US	1.75	-15	-3	-89
Eurozone	-0.47	-3	-7	-33
UK	0.66	-1	-6	-50
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	51	+1	+8	N/A
Belgium	32	+0	-1	-20
France	26	+0	-1	-20
Italy	202	+4	-5	-46
Spain	73	+1	+9	-45
Portugal	78	-0	+5	-69
Greece	247	+2	+5	-159



Commodities				
	% Change			
	Close	Day	4 Weeks	End 18
Brent Oil	60.5	-7.17	-4.42	+12.45
West Texas Oil	53.64	-8.35	-5.99	+18.80
Gold \$	1445.6	+2.23	+2.08	+12.68

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