

Morning Comment

AIB Treasury Economic Research Unit



Wednesday 15 July 2020
07:10 am

EUR/USD at \$1.14

There was a mixed tone to risk appetite yesterday. Sentiment started the day on the back foot, reflecting some concerns over Covid-19 and the global macro outlook. However, some solid corporate earnings newsflow and positive headlines related to a Covid-19 vaccine later acted as tailwinds.

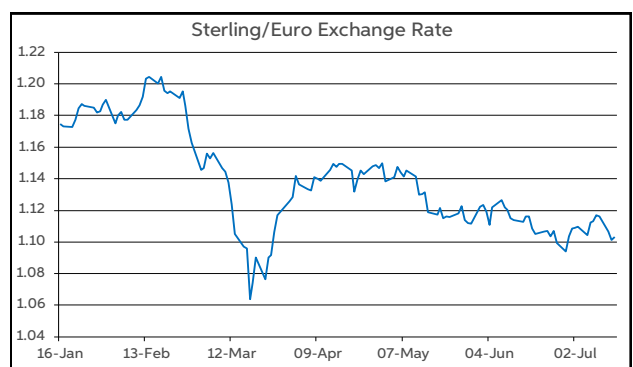
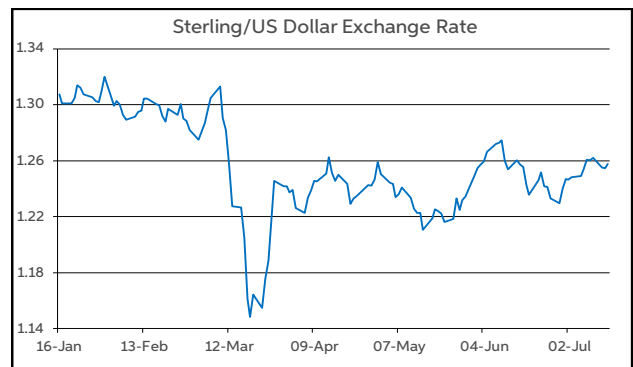
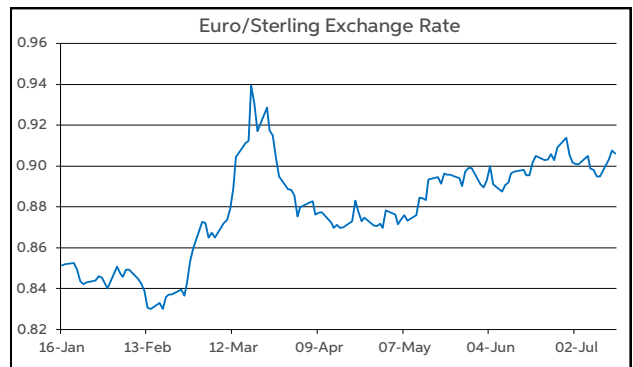
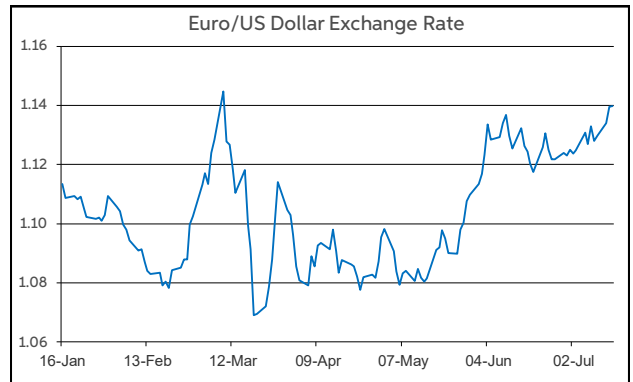
The above was reflected in the main European equity indices finishing the day down between 1.0-1.5%. However, the S&P 500 later finished up 1.3% as the mood on markets improved, while the Nikkei moved higher in overnight trading.

Data-wise, a downside surprise in the May estimate of UK GDP (+1.6% vs f'cast +5.55) set the tone for the day. The May print of Eurozone industrial production also printed below expectations. Output increased by 12.4% (f'cast +15%), leaving it some 18% below its end-February level.

On currency markets, the weak UK macro data, combined with the release of grim 2020 GDP forecasts (-12.4%) from the OBR, had negligible impact on sterling. Meantime, the euro has experienced some support over the past 24 hours. EUR/GBP opens this morning just above the midpoint of the 90-91p band, while EUR/USD is changing hands at the \$1.14 threshold. Elsewhere, cable (GBP/USD) is trading in the upper half of the \$1.25-1.26 range.

Today, the only release of any note is the June print of industrial production in the US. However, it is unlikely to generate much of a reaction in the dollar. As a result, the moves in the main pairs, if any, will likely be due to shifts in investor sentiment. Corporate earnings reports and Covid-19 headlines could be key sources of influence in this regard.

Conor Beakey, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.1399	0.48	1.69
EUR/GBP	0.9063	0.30	7.20
GBP/USD	1.2577	0.18	-5.14
GBP/EUR	1.103	-0.30	-6.72
USD/JPY	107.27	0.05	-1.23
EUR/JPY	122.31	0.55	0.39

* 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	0.18	0.27	0.24	0.24	0.32
EUR	0.00	-0.50	-0.44	-0.37	-0.37	-0.34
GBP	0.10	0.07	0.08	0.18	0.14	0.21

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	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

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Euro

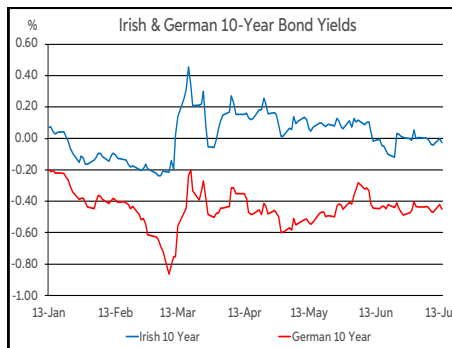
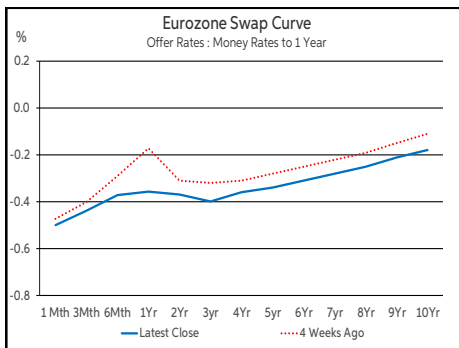
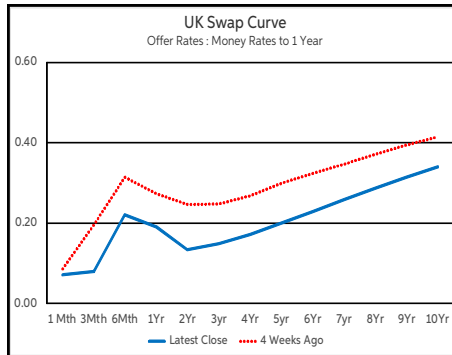
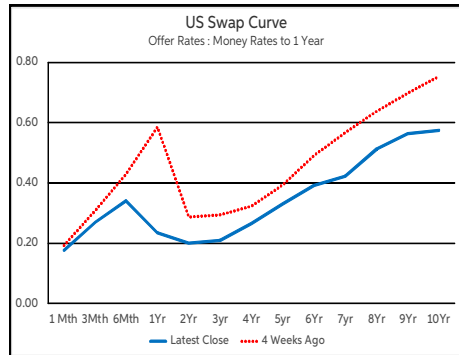
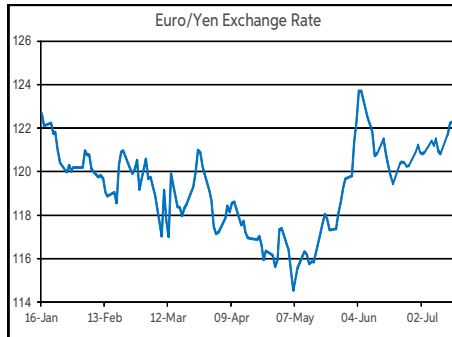
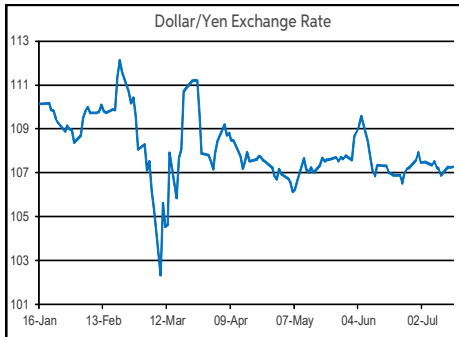
EUR/GBP	0.9063
EUR/USD	1.1399
EUR/JPY	122.31
EUR/SEK	10.3541
EUR/DKK	7.4447
EUR/NOK	10.6625
EUR/CHF	1.0719
EUR/AUD	1.6287
EUR/HKD	8.8346
EUR/CAD	1.5495

Sterling

GBP/EUR	1.103
GBP/USD	1.2577
GBP/CAD	1.7096
GBP/NZD	1.9199
GBP/JPY	134.91
GBP/SEK	11.4212
GBP/DKK	8.2133
GBP/NOK	11.7605
GBP/CHF	1.1824
GBP/AUD	1.7966

Dollar

USD/JPY	107.27
USD/CAD	1.3597
USD/CHF	0.9401
USD/CNY	6.9974
USD/BRL	5.3674
USD/RUB	70.7586
USD/INR	75.29
AUD/USD	0.6999
NZD/USD	0.655



Debt Markets				
	Close	Day	4 Weeks	End 19
10 Year Yield %				
US	0.63	+1	-12	-129
Germany	-0.45	-3	-2	-26
UK	0.15	-4	-6	-68
Ireland	-0.01	-3	-1	-13
Belgium	-0.15	-3	-9	-25
France	-0.13	-3	-8	-25
Italy	1.28	-3	-9	-15
Spain	0.41	-3	-13	-6
Portugal	0.43	-4	-12	-2
Greece	1.29	+6	+14	-17
5 Year Swap %				
US	0.33	+3	-6	-138
Eurozone	-0.34	-1	-5	-22
UK	0.20	-3	-8	-68
2 Year Swap %				
US	0.20	+0	-5	-146
Eurozone	-0.37	+0	-5	-7
UK	0.13	-2	-10	-66
10 Year Government Bond Spreads to Benchmark bps				
Ireland	43	+0	+1	+13
Belgium	30	+0	-7	+2
France	32	-0	-6	+1
Italy	172	+0	-7	+11
Spain	86	-0	-11	+20
Portugal	88	-1	-10	+24
Greece	173	+9	+16	+9

Commodities				
	Close	Day	4 Weeks	End 19
Brent Oil	42.9	+0.42	+4.74	-35.00
West Texas Oil	40.3	+0.60	+5.33	-34.09
Gold \$	1807.5	+0.27	+4.67	+19.15

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