

Stronger dollar, softer sterling

Currency markets have experienced an uptick in action over the last 24 hours. The dollar is firmer while sterling has been on the backfoot. This has taken place amid a busy macro and political calendar.

Data-wise yesterday, the UK labour market releases for the three months to May (employment, unemployment and earnings) were broadly in line with expectations and consistent with a solid performance from the labour market. Overall, the data keep the prospects of a BoE rate hike sooner rather than later (possibly as early as August) firmly on the cards.

However, despite this, the data had minimal beneficial impact for sterling. Instead, the currency found itself on the defensive. This occurred against a backdrop of increasing Brexit uncertainty, which has been added to by recent developments in the UK parliament.

Meantime, in the US, Fed Chair Powell's semi-annual testimony to congress provided little in the way of new information. However, his upbeat tone on the economic outlook did coincide with a stronger dollar tone on the exchanges.

In level terms, the softer sterling and firmer dollar sees GBP/USD open this morning below \$1.31. Meantime, the stronger dollar is also reflected in EUR/USD changing hands back down in the lower half of \$1.16-1.17. Elsewhere, EUR/GBP has edged up closer to 89p.

Today, the main data release is UK inflation for June. Both the headline and core rate are expected to have edged further above 2%. This could endorse the case for a near term BoE rate hike and thus support sterling. However, sterling watchers may remain pre-occupied with Brexit/UK politics given recent developments.

John Fahey, Senior Economist, AIB

Today's Opening Rates

		% Change	
		Day *	End 2017
EUR/USD	1.1629	-0.76	-3.06
EUR/GBP	0.8885	0.44	0.02
GBP/USD	1.3086	-1.19	-3.15
GBP/EUR	1.125	-0.44	-0.02
USD/JPY	113.02	0.58	0.31
EUR/JPY	131.45	-0.17	-2.76

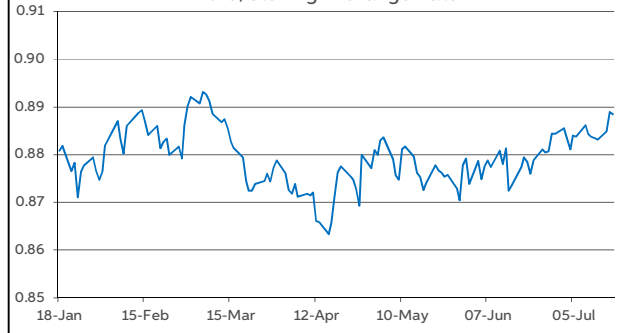
* v Previous Day's European Open

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Euro/US Dollar Exchange Rate



Euro/Sterling Exchange Rate



Sterling/US Dollar Exchange Rate



	Opening Interest Rates					
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.875	2.08	2.34	2.80	2.84	2.91
EUR	0.00	-0.37	-0.32	-0.18	-0.16	0.27
GBP	0.50	0.58	0.76	1.02	1.05	1.30

	Equity Indices		
	Latest Close	% Changes	
		on Day	End 2017 to Date
Dow Jones	25119.89	+0.22	+1.62
S&P 500	2809.55	+0.40	+5.08
FTSE 100	7626.33	+0.34	-0.80
DJ Stoxx 50	3457.5	+0.24	-1.33
ISEQ	7028.61	-0.40	-0.14
Nikkei	22794.19	+0.43	+0.13

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

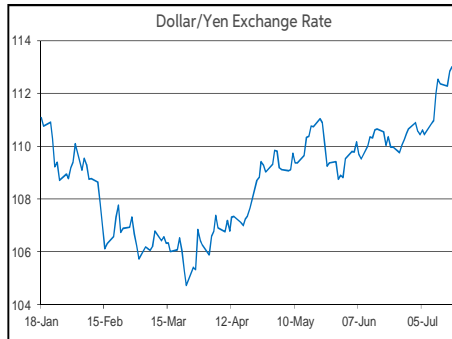
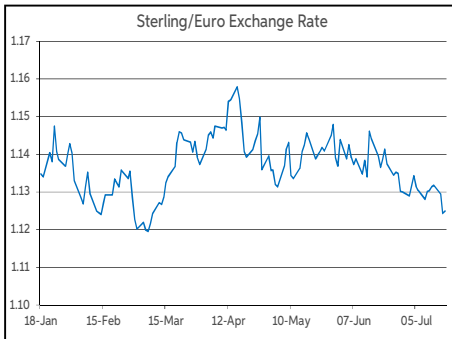
FX Spot	Karl Cooke Shane Gargan Adrian Flanagan Enda Homan	FX Options	Mark Tuite Lenny Hogan	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

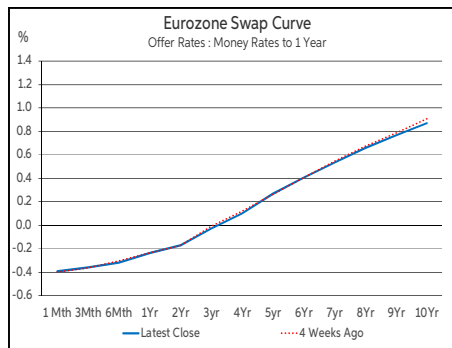
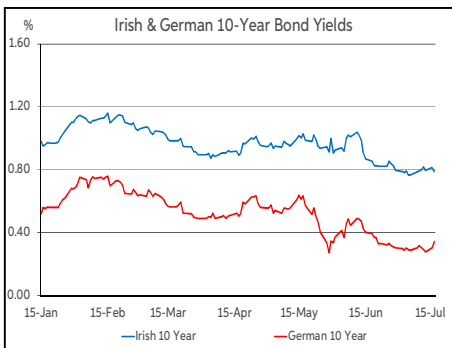
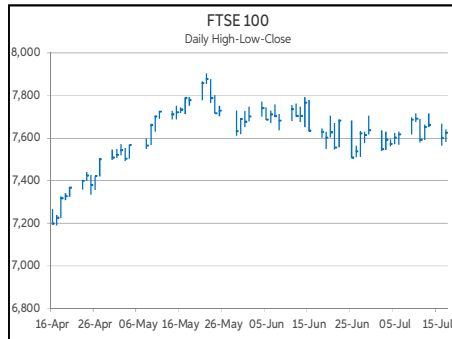
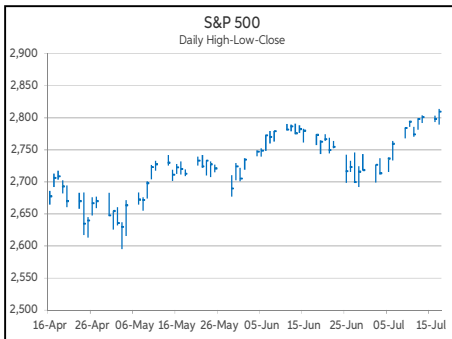
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Euro		Sterling		Dollar	
EUR/GBP	0.8885	GBP/EUR	1.1249	USD/JPY	113.02
EUR/USD	1.163	GBP/USD	1.3086	USD/CAD	1.3237
EUR/JPY	131.44	GBP/CAD	1.7324	USD/CHF	1.0023
EUR/SEK	10.319	GBP/NZD	1.937	USD/CNY	6.7112
EUR/DKK	7.4541	GBP/JPY	147.9	USD/BRL	3.8377
EUR/NOK	9.5107	GBP/SEK	11.6061	USD/RUB	62.65
EUR/CHF	1.1657	GBP/DKK	8.3873	USD/INR	68.555
EUR/AUD	1.5815	GBP/NOK	10.6968	AUD/USD	0.735
EUR/HKD	9.1266	GBP/CHF	1.3118	NZD/USD	0.6754
EUR/CAD	1.5394	GBP/AUD	1.7797		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 17
10 Year Yield %				
US	2.86	+0	-4	+45
Germany	0.34	+4	-3	-8
UK	1.26	-3	-2	+8
Ireland	0.79	-3	-4	N/A
Belgium	0.62	-2	-10	+1
France	0.62	-3	-7	-15
Italy	2.46	-11	-8	+47
Spain	1.24	-3	+1	-31
Portugal	1.72	-3	+1	-17
Greece	3.81	-0	-51	-23
5 Year Swap %				
US	2.87	-2	-3	+62
Eurozone	0.27	-1	+0	-5
UK	1.29	-2	-0	+26
2 Year Swap %				
US	2.81	+1	+1	+72
Eurozone	-0.17	-1	+0	-3
UK	1.04	-1	+4	+24
10 Year Government Bond Spreads to Benchmark bps				
Ireland	44	-7	-1	N/A
Belgium	28	-7	-8	+9
France	28	-7	-4	-8
Italy	212	-15	-5	+54
Spain	89	-7	+4	-23
Portugal	138	-7	+3	-10
Greece	347	-5	-48	-15



Commodities				
	Close	% Change		
		Day	4 Weeks	End 17
Brent Oil	72.16	+0.45	-3.89	+7.91
West Texas Oil	68.03	-0.28	+4.52	+12.52
CRB - All Commodity	191.09	-0.04	-1.41	-1.43
CRB - Food	341.38	-0.14	-3.65	+1.59
Gold \$	1227.9	-1.10	-3.71	-5.74

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