

Sterling remains on the defensive

The action on currency markets yesterday, while relatively subdued, did see sterling remain under some downward pressure. Weaker than expected UK CPI inflation data for June (incl. the core measure falling below 2%) acted as a headwind.

The 'softer' inflation data created some uncertainty around the timing of the next BoE rate hike. Prior to yesterday's data, expectations had been building that the BoE could hike as soon as next month's meeting. The somewhat less hawkish extrapolation of the June inflation data was evident in UK swap rates, which fell by 3-5bps.

Meantime, sterling lost further ground against the euro and the dollar, although the losses were modest in magnitude. EUR/GBP edged above the 89p level, a relatively rare occurrence in recent months, as this level has tended to represent the upper end of the pair's trading range since last September. GBP/USD moved down into the lower half of \$1.30-1.31, its lowest level year to date.

Elsewhere, there was little impact from the schedules in the Eurozone or US on their respective currencies. Final Eurozone inflation for June was in line with forecasts. An unexpectedly sharp fall in US housing starts in June did little to influence the dollar. Meanwhile, Fed Chair Powell's second day of testimony did not provide any new insight or headlines. As a result, EUR/USD has been mostly trading in a tight range just below \$1.165

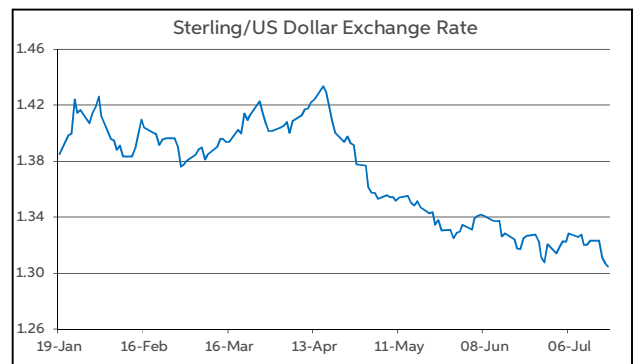
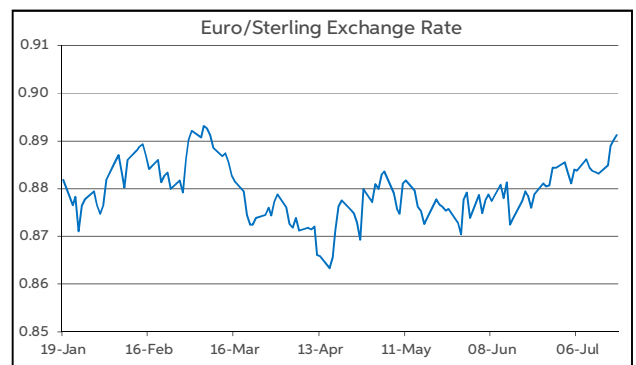
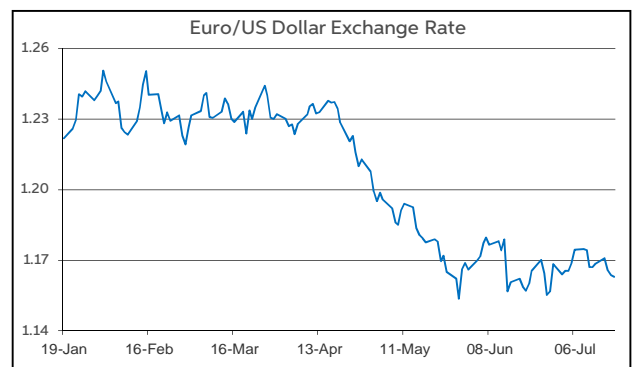
Today, the main release of note is UK retail sales for June. Another healthy increase is forecast, meaning we should see a sharp rise in sales in Q2. This provides some optimism for the economy's overall performance in the quarter after a very weak Q1. The data may also provide a more positive backdrop for sterling today.

John Fahey, Senior Economist, AIB

Today's Opening Rates			
		% Change	
		Day *	End 2017
EUR/USD	1.1629	-0.09	-3.06
EUR/GBP	0.891	0.30	0.30
GBP/USD	1.3048	-0.40	-3.43
GBP/EUR	1.1216	-0.30	-0.30
USD/JPY	112.83	-0.14	0.14
EUR/JPY	131.21	-0.26	-2.94

* v Previous Day's European Open

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Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	1.875	2.09	2.35	2.80	2.84	2.92
EUR	0.00	-0.37	-0.32	-0.18	-0.16	0.27
GBP	0.50	0.59	0.75	1.01	1.02	1.26

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2017 to Date	
Dow Jones	25199.29	+0.32	+1.94	
S&P 500	2815.62	+0.22	+5.31	
FTSE 100	7676.28	+0.65	-0.15	
DJ Stoxx 50	3485.08	+0.80	-0.54	
ISEQ	7029.18	+0.01	-0.13	
Nikkei	22764.68	-0.13	-0.00	

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

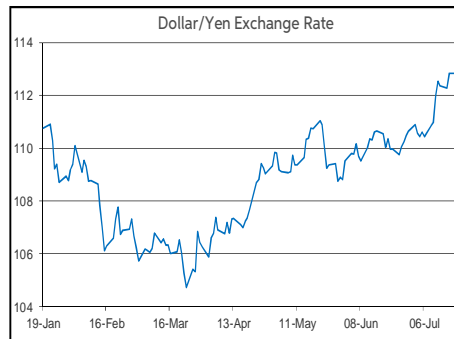
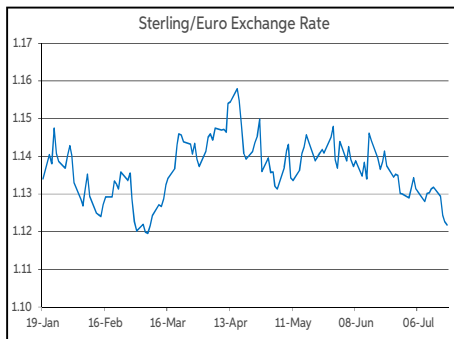
FX Spot	Karl Cooke Shane Gargan Adrian Flanagan Enda Homan	FX Options	Mark Tuite Lenny Hogan	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

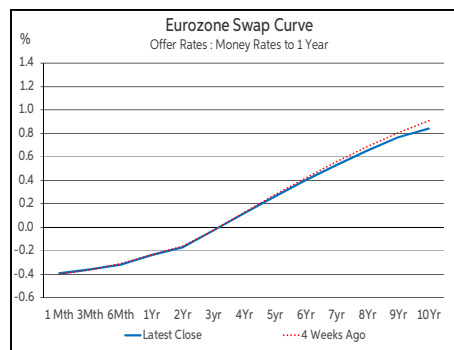
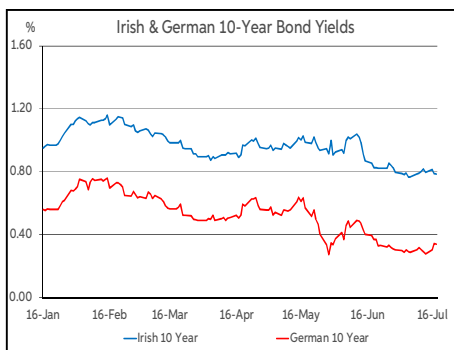
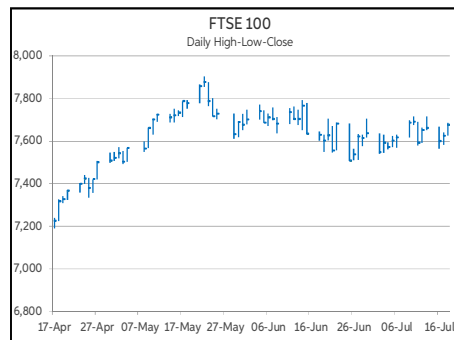
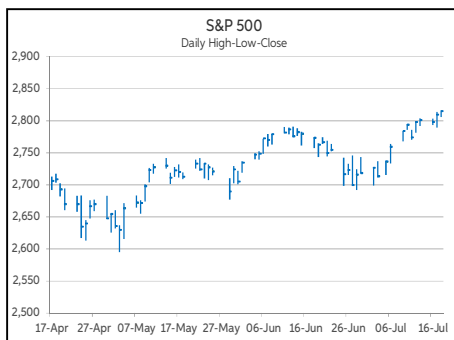
Thursday 19 July 2018
07:30 am



Euro		Sterling		Dollar	
EUR/GBP	0.891	GBP/EUR	1.1217	USD/JPY	112.82
EUR/USD	1.1629	GBP/USD	1.3049	USD/CAD	1.3178
EUR/JPY	131.22	GBP/CAD	1.7202	USD/CHF	0.9997
EUR/SEK	10.3202	GBP/NZD	1.9268	USD/CNY	6.7436
EUR/DKK	7.4529	GBP/JPY	147.22	USD/BRL	3.8509
EUR/NOK	9.5215	GBP/SEK	11.573	USD/RUB	63.0341
EUR/CHF	1.1627	GBP/DKK	8.3615	USD/INR	68.8575
EUR/AUD	1.5706	GBP/NOK	10.6796	AUD/USD	0.7404
EUR/HKD	9.1269	GBP/CHF	1.3045	NZD/USD	0.6769
EUR/CAD	1.533	GBP/AUD	1.7617		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 17
10 Year Yield %				
US	2.87	+1	-6	+47
Germany	0.34	-1	-3	-8
UK	1.22	-4	-7	+4
Ireland	0.79	-0	-4	N/A
Belgium	0.63	+1	-10	+2
France	0.62	-0	-7	-15
Italy	2.50	+4	-3	+51
Spain	1.27	+3	+4	-28
Portugal	1.73	+1	+0	-16
Greece	3.83	+2	-47	-21
5 Year Swap %				
US	2.88	-2	-6	+63
Eurozone	0.26	-1	-1	-5
UK	1.25	-5	-6	+22
2 Year Swap %				
US	2.80	-3	-0	+72
Eurozone	-0.17	-1	-1	-3
UK	1.01	-4	-1	+21
10 Year Government Bond Spreads to Benchmark bps				
Ireland	45	+0	-1	N/A
Belgium	30	+2	-6	+10
France	29	+1	-4	-7
Italy	216	+4	-0	+59
Spain	93	+3	+7	-20
Portugal	139	+1	+3	-8
Greece	349	+2	-44	-13



Commodities				
	Close	% Change		
		Day	4 Weeks	End 17
Brent Oil	72.9	+1.03	-2.46	+9.02
West Texas Oil	68.78	+1.10	+4.34	+13.76
CRB - All Commodity	191.47	+0.20	-1.80	-1.23
CRB - Food	341.46	+0.08	-4.17	+1.61
Gold \$	1227.9	+0.00	-3.20	-5.74

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