

## EUR/USD breaks through \$1.18

Markets adopted a risk averse tone yesterday. Sentiment was hit by concerns over a pick up in new Covid cases, stalemate in the US Senate over further fiscal stimulus and a tweet by President Trump questioning whether the upcoming elections may be delayed.

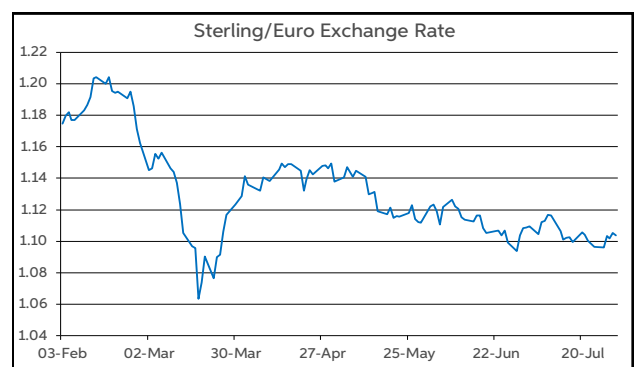
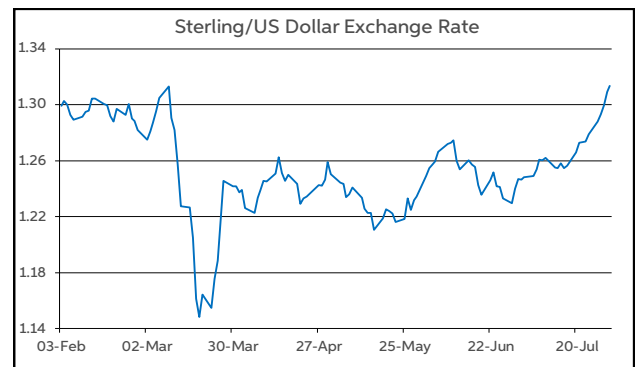
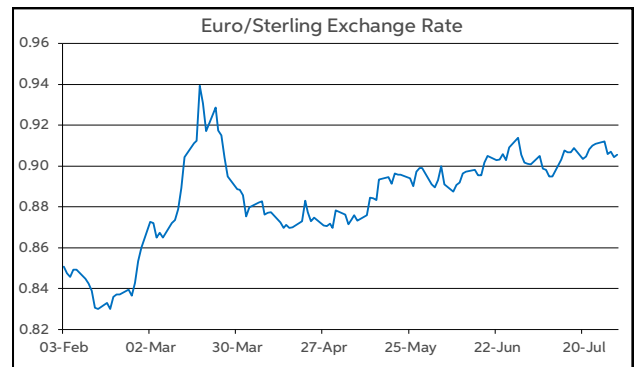
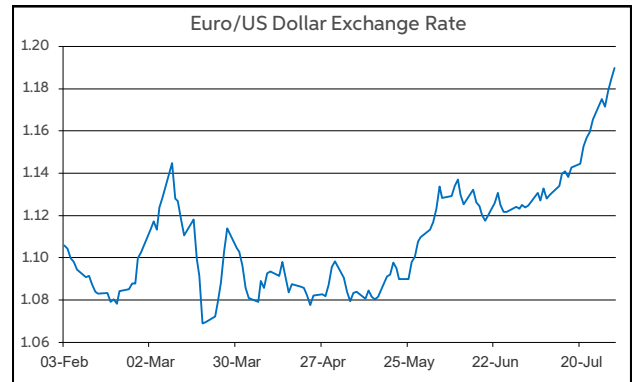
Weak macro data also acted as a headwind. The impact of the Covid lockdown saw German output plunge by a historic 10.1% (f'cast -9%). In the US, GDP contracted by 32.9% on an annualised basis in the same quarter, though this was slightly ahead of expectations (-34.1%).

The risk off mood yesterday was reflected in equities coming under downward pressure. The main European indices fared worse, falling by between 2.0-3.0% on the day. In contrast, the decline in the US was more modest, with the S&P 500 dipping by 0.4%.

On FX markets, the aforementioned tweet by President Trump coincided with some dollar weakness. This saw EUR/USD break through \$1.18 and briefly test above \$1.19 already this morning. Meantime, some support for sterling was reflected in cable (GBP/USD) climbing above the \$1.31 threshold. Elsewhere, EUR/GBP is changing hands at the 90.5p mark.

Turning to the day ahead, the highlight will be the Q2 reading of GDP in the Eurozone. The forecast is for a record 14.5% quarterly contraction. At a national level, the Q2 estimates for Italy and Spain are also all due. Overall though, as with the German data yesterday, the impact on the euro is likely to be limited. Given the currency's upward momentum against the dollar, the focus in the coming days will be on whether the pair can move up to test the \$1.20 handle, a level it has spent little time above since 2015.

**Conor Beakey, Economist, AIB**



| Today's Opening FX Rates |        |          |          |
|--------------------------|--------|----------|----------|
|                          |        | % Change |          |
|                          |        | Day *    | End 2019 |
| EUR/USD                  | 1.1897 | 1.10     | 6.13     |
| EUR/GBP                  | 0.9056 | -0.13    | 7.12     |
| GBP/USD                  | 1.3135 | 1.23     | -0.94    |
| GBP/EUR                  | 1.1037 | 0.13     | -6.65    |
| USD/JPY                  | 104.34 | -0.72    | -3.93    |
| EUR/JPY                  | 124.16 | 0.39     | 1.91     |

\* v Previous Day's European Open

See Next Page for More Rates

| Opening Interest Rates |           |              |       |            |       |       |
|------------------------|-----------|--------------|-------|------------|-------|-------|
|                        |           | Money Market |       | Swap Rates |       |       |
|                        | Base Rate | 1-Mth        | 3-Mth | 1-Yr       | 2-Yr  | 5-Yr  |
| USD                    | 0.125     | 0.16         | 0.25  | 0.20       | 0.20  | 0.27  |
| EUR                    | 0.00      | -0.52        | -0.46 | -0.43      | -0.42 | -0.40 |
| GBP                    | 0.10      | 0.06         | 0.08  | 0.13       | 0.10  | 0.15  |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

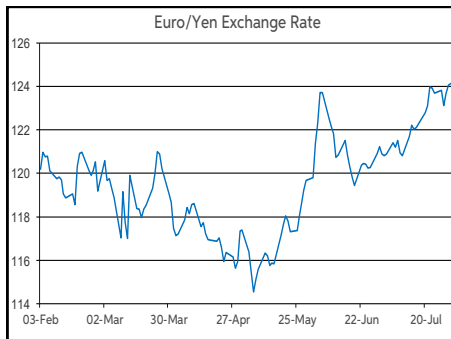
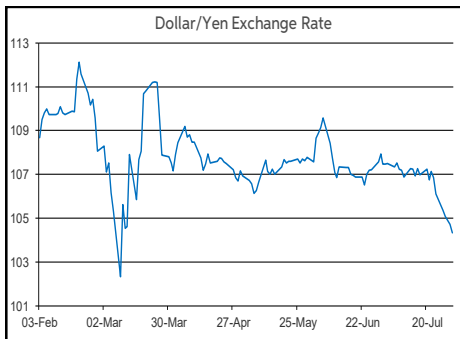
|         |  |                |            |                  |                           |                 |                                   |
|---------|--|----------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke<br>Shane Gargan<br>Enda Homan | FX Options     | Mark Tuite | Reuters<br>Phone | AIBG.I<br>00353-1-7724018 | Morning Comment | John Fahey<br>john.j.fahey@aib.ie |
|         |  | Equity Options | Gary Luff  |                  |                           |                 |                                   |

# Opening Levels

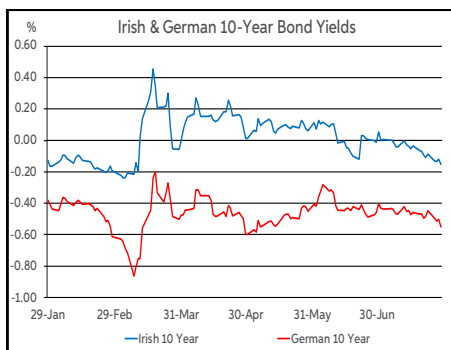
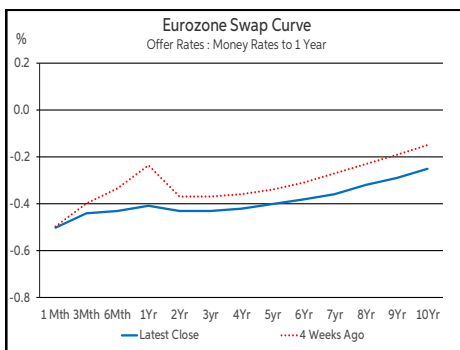
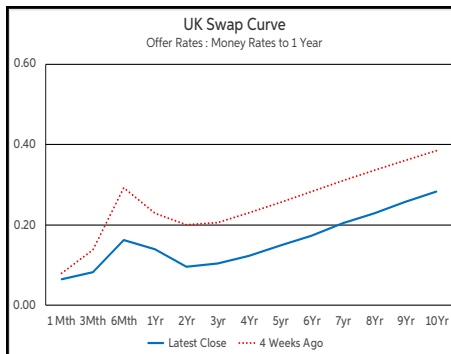
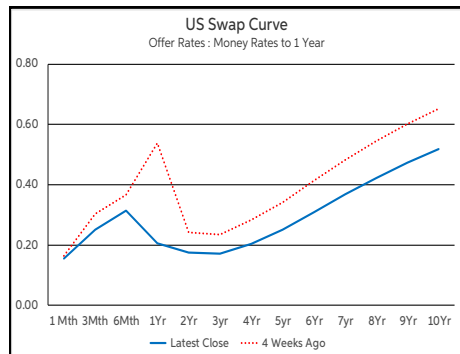
Friday 31 July 2020  
07:45 am



| Euro    |         | Sterling |         | Dollar  |        |
|---------|---------|----------|---------|---------|--------|
| EUR/GBP | 0.9056  | GBP/EUR  | 1.1037  | USD/JPY | 104.34 |
| EUR/USD | 1.1897  | GBP/USD  | 1.3135  | USD/CAD | 1.3417 |
| EUR/JPY | 124.16  | GBP/CAD  | 1.7621  | USD/CHF | 0.9061 |
| EUR/SEK | 10.2949 | GBP/NZD  | 1.9563  | USD/CNY | 6.9885 |
| EUR/DKK | 7.4438  | GBP/JPY  | 137.05  | USD/BRL | 5.155  |
| EUR/NOK | 10.758  | GBP/SEK  | 11.3591 | USD/RUB | 73.235 |
| EUR/CHF | 1.0782  | GBP/DKK  | 8.2176  | USD/INR | 74.79  |
| EUR/AUD | 1.6464  | GBP/NOK  | 11.8796 | AUD/USD | 0.7222 |
| EUR/HKD | 9.2192  | GBP/CHF  | 1.1901  | NZD/USD | 0.6712 |
| EUR/CAD | 1.5959  | GBP/AUD  | 1.8178  |         |        |



| Debt Markets  |       |     |         |        |
|---|-------|-----|---------|--------|
|   | Close | Day | 4 Weeks | End 19 |
| <b>10 Year Yield %</b>                                  |       |     |         |        |
| US  | 0.54  | -3  | -12     | -137   |
| Germany   | -0.55 | -5  | -12     | -36    |
| UK  | 0.09  | -3  | -10     | -73    |
| Ireland   | -0.14 | -4  | -16     | -26    |
| Belgium   | -0.24 | -4  | -12     | -34    |
| France  | -0.21 | -4  | -11     | -34    |
| Italy   | 1.03  | -3  | -25     | -39    |
| Spain   | 0.32  | -4  | -14     | -15    |
| Portugal  | 0.33  | -4  | -13     | -12    |
| Greece  | 1.10  | +0  | -9      | -35    |
| <b>5 Year Swap %</b>                                    |       |     |         |        |
| US  | 0.25  | -2  | -6      | -146   |
| Eurozone  | -0.40 | -3  | -5      | -28    |
| UK  | 0.15  | -2  | -10     | -73    |
| <b>2 Year Swap %</b>                                    |       |     |         |        |
| US  | 0.18  | -2  | -4      | -149   |
| Eurozone  | -0.43 | -2  | -5      | -13    |
| UK  | 0.10  | -1  | -9      | -70    |
| <b>10 Year Government Bond Spreads to Benchmark bps</b> |       |     |         |        |
| Ireland   | 41    | +1  | -4      | +10    |
| Belgium   | 31    | +1  | -0      | +2     |
| France  | 33    | +1  | +1      | +2     |
| Italy   | 158   | +2  | -14     | -4     |
| Spain   | 86    | +1  | -2      | +21    |
| Portugal  | 87    | +1  | -2      | +24    |
| Greece  | 165   | +5  | +2      | +1     |



| Commodities    |        |       |         |        |
|----------------|--------|-------|---------|--------|
|                | Close  | Day   | 4 Weeks | End 19 |
| Brent Oil      | 42.94  | -1.85 | -0.46   | -34.94 |
| West Texas Oil | 39.85  | -3.11 | -1.77   | -34.82 |
| Gold \$        | 1959.5 | -0.55 | +10.39  | +29.17 |

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