

Risk aversion back in vogue

The more cautious tone we had seen to investor sentiment in recent days gathered additional momentum yesterday. Risk appetite was hampered by concerns of a possible 'second wave' of Covid-19 in the US. At the same time, the sombre June economic update from the Fed on Wednesday night appeared to dwell on the minds of market participants as well.

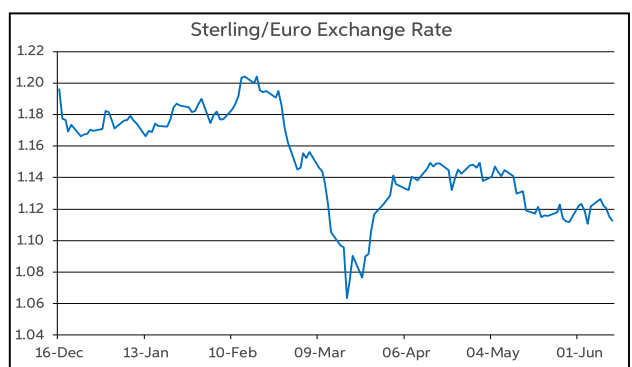
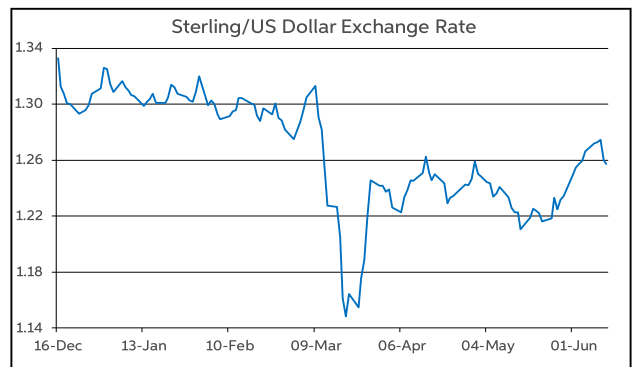
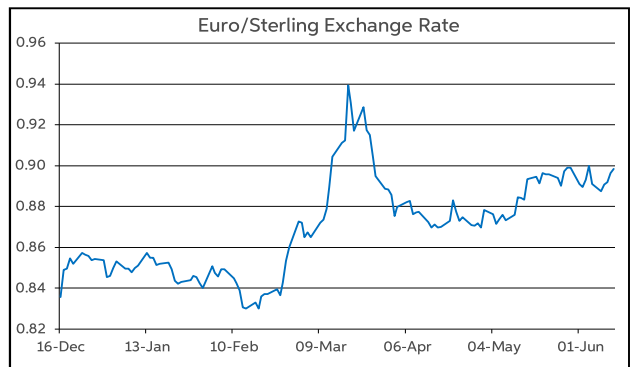
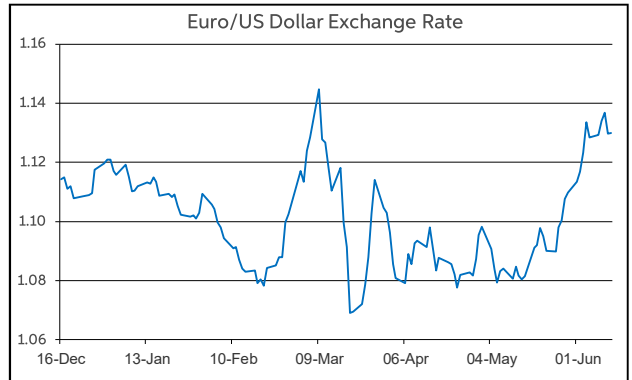
This risk averse mood was reflected in a notable sell-off on equity markets. In Europe, the Euro Stoxx 50 fell by 4.5% on the day. At the close on Wall Street, the S&P 500 was down nearly 6%. In overnight action, the mood on Asia-Pacific markets has remained in 'risk-off' mode, although the magnitude of falls has eased. The negative tone to risk appetite has also been evident on bond markets. Demand for safe havens has seen downward pressure on yields. Ten year yields are down around 5-10bps across the board.

On currency markets, the most significant impact from the risk averse mood in other markets was on sterling. It has tended to be vulnerable in these more nervy market conditions. Meanwhile, the euro has given up some of its recent gains against the dollar.

As a result, EUR/GBP opens this morning up near to 90p. Meantime, EUR/USD has moved back down from near to \$1.14 to trade closer to the \$1.13 threshold. Elsewhere, cable (GBP/USD) is changing hands below \$1.26, down from the \$1.28 level earlier in the week.

Data-wise, already this morning, we got UK GDP for April. In the month, it showed a 20.4% fall, while on a 3-month/3 month basis, it fell by 10.4%. Both of these measures were slightly weaker than forecast, though the impact on sterling has been limited.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2019
EUR/USD	1.13	-0.44	0.80
EUR/GBP	0.8984	0.40	6.27
GBP/USD	1.2575	-0.84	-5.16
GBP/EUR	1.1127	-0.40	-5.90
USD/JPY	107.13	0.06	-1.36
EUR/JPY	121.06	-0.39	-0.63

* 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	0.31	0.30	0.29	0.38
EUR	0.00	-0.48	-0.35	-0.27	-0.30	-0.28
GBP	0.10	0.09	0.20	0.29	0.27	0.31

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

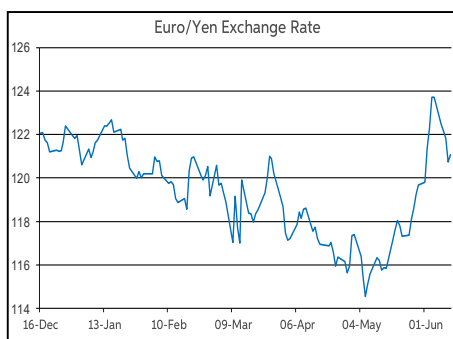
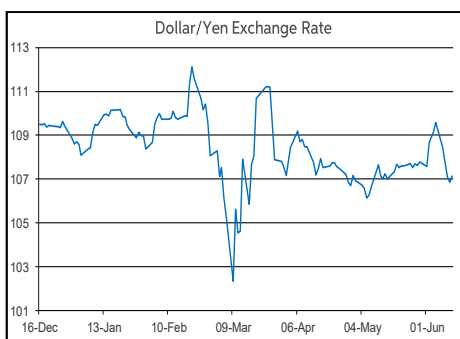
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

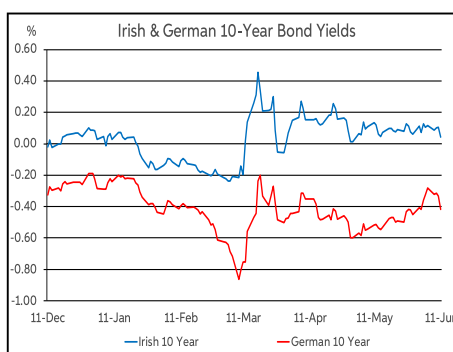
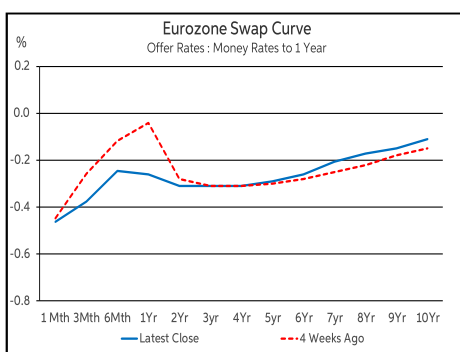
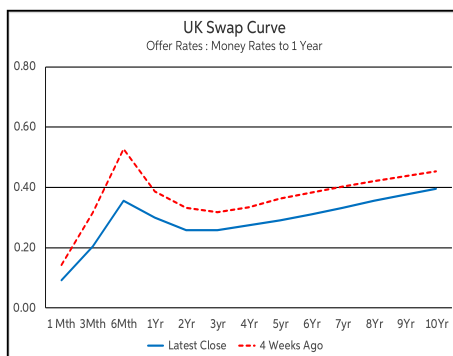
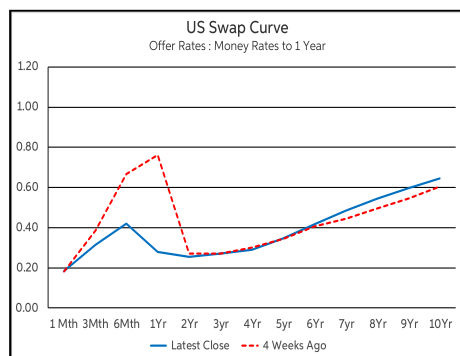
Friday 12 June 2020
07:23 am



Euro		Sterling		Dollar	
EUR/GBP	0.8984	GBP/EUR	1.1127	USD/JPY	107.13
EUR/USD	1.13	GBP/USD	1.2575	USD/CAD	1.3624
EUR/JPY	121.06	GBP/CAD	1.7127	USD/CHF	0.9447
EUR/SEK	10.52	GBP/NZD	1.956	USD/CNY	7.0836
EUR/DKK	7.454	GBP/JPY	134.72	USD/BRL	4.976
EUR/NOK	10.862	GBP/SEK	11.7039	USD/RUB	69.9024
EUR/CHF	1.0677	GBP/DKK	8.2952	USD/INR	75.975
EUR/AUD	1.6484	GBP/NOK	12.0874	AUD/USD	0.6852
EUR/HKD	8.7564	GBP/CHF	1.1879	NZD/USD	0.6425
EUR/CAD	1.5389	GBP/AUD	1.8347		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 19
10 Year Yield %				
US	0.67	-7	+5	-125
Germany	-0.41	-8	+13	-23
UK	0.20	-7	-1	-63
Ireland	0.06	-7	-4	-6
Belgium	-0.01	-8	-6	-11
France	0.00	-8	+4	-12
Italy	1.45	-7	-37	+2
Spain	0.64	-5	-19	+17
Portugal	0.61	-4	-27	+16
Greece	1.32	-6	-72	-13
5 Year Swap %				
US	0.35	-2	+4	-136
Eurozone	-0.29	-5	+2	-17
UK	0.29	-3	-6	-59
2 Year Swap %				
US	0.25	+2	+2	-141
Eurozone	-0.31	-2	-2	-1
UK	0.26	-2	-6	-54
10 Year Government Bond Spreads to Benchmark bps				
Ireland	48	+2	-17	+17
Belgium	40	+0	-19	+12
France	42	+1	-9	+11
Italy	186	+2	-50	+25
Spain	105	+3	-32	+40
Portugal	102	+4	-40	+39
Greece	174	+2	-85	+9



Commodities				
	% Change			
	Close	Day	4 Weeks	End 19
Brent Oil	38.55	-7.62	+23.84	-41.59
West Texas Oil	36.43	-7.87	+32.96	-40.42
Gold \$	1727.2	-0.52	-0.12	+13.85

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