

Sterling gains as risk backdrop improves

Market risk appetite improved at the beginning of the trading week yesterday. Support was provided as President Trump opted last Friday for a less stringent approach than expected in retaliating against China's actions in Hong Kong. Notably, he did not withdraw from the Phase 1 trade deal. Equities moved modestly higher as a result, with the main European indices up 0.5-1.5%. The gains in the US were smaller, with the S&P 500 improving by 0.4%.

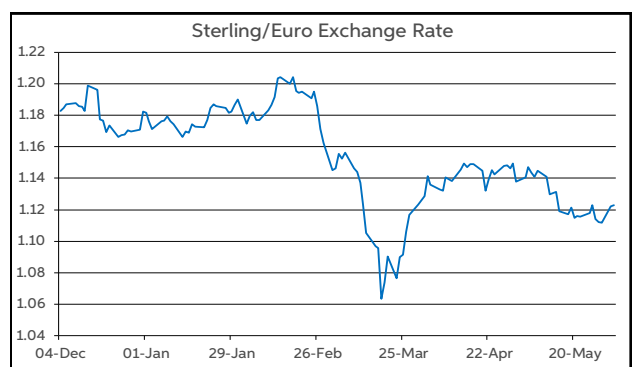
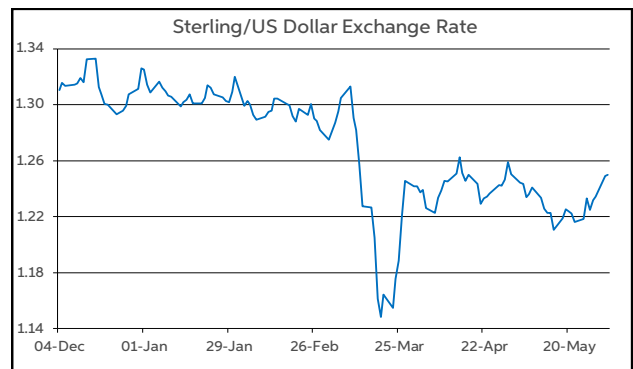
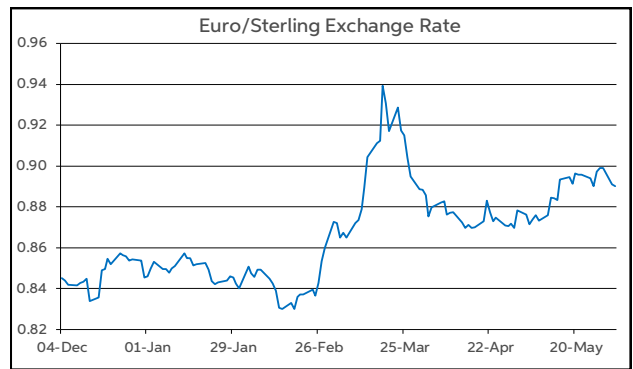
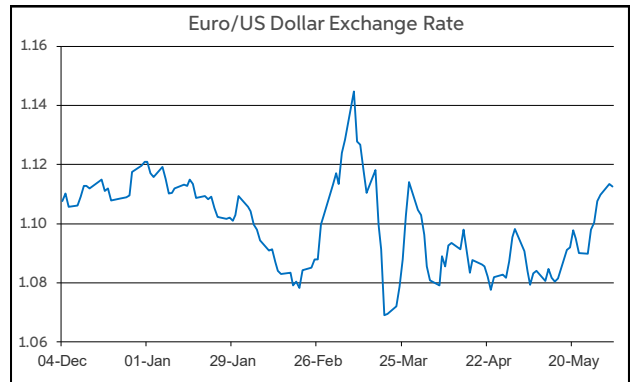
FX-wise, sterling, which gained circa 1% against the dollar and the euro yesterday, may have been supported by the risk-on tone. There was no other obvious macro reason for the move. It will be interesting to see if the currency can hold its gains this week as the latest round of EU-UK trade talks get underway today.

The only data release due of any note yesterday was the May print of the manufacturing ISM in the US. Like the PMIs, the index improved in the month (43.1 from 41.5). The data provided further evidence that the downturn may have bottomed out as the economy gradually reopens. Dollar reaction, though, was minimal.

In level terms, the firmer sterling tone is reflected in EUR/GBP opening this morning back down at 89p, having tested above 90p at the end of last week. At the same time, cable (GBP/USD) is changing hands close to the \$1.25 level. Meanwhile, EUR/USD continues to operate in the lower half of the \$1.11-1.12 range.

Turning to the day ahead, there is little out from a data perspective to be of influence to the main pairs. Sterling, though, could prove sensitive to headlines on the aforementioned EU-UK trade talks. For the dollar, shifts in sentiment linked to the US-China tensions and societal strains within the US could be a source of direction.

Conor Beakey, Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2019 |
| EUR/USD | 1.1125 | -0.06 | -0.76 |
| EUR/GBP | 0.8903 | -0.97 | 5.31 |
| GBP/USD | 1.2495 | 0.91 | -5.76 |
| GBP/EUR | 1.1229 | 0.98 | -5.04 |
| USD/JPY | 107.71 | 0.18 | -0.83 |
| EUR/JPY | 119.84 | 0.11 | -1.63 |

* 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 | 0.34 | 0.27 | 0.27 | 0.37 |
| EUR | 0.00 | -0.48 | -0.31 | -0.24 | -0.29 | -0.27 |
| GBP | 0.10 | 0.10 | 0.21 | 0.30 | 0.27 | 0.33 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

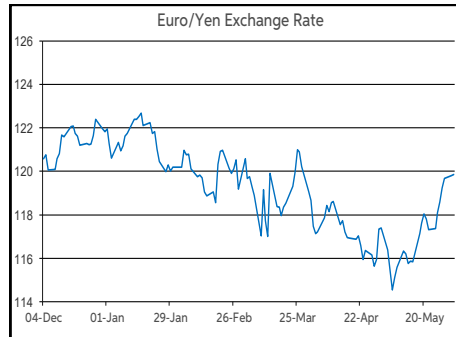
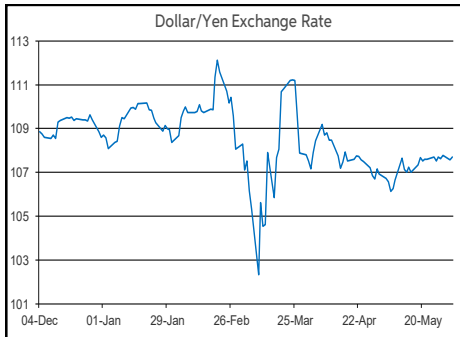
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|---------|--|----------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke Shane Gargan Enda Homan | FX Options | Mark Tuite | Reuters Phone | AIBG.I 00353-1-7724018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

Opening Levels

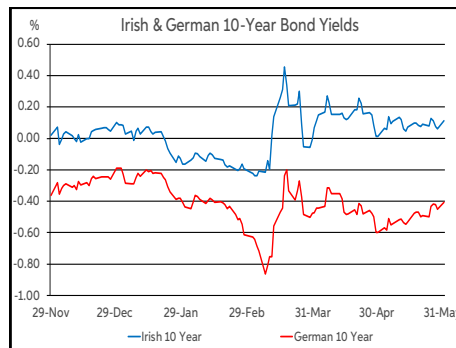
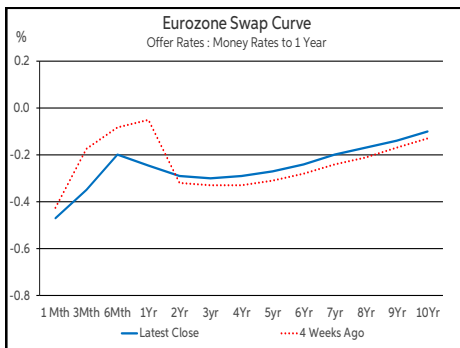
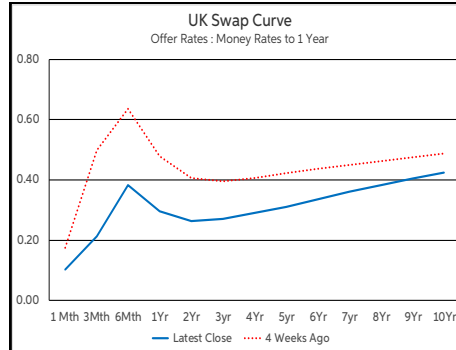
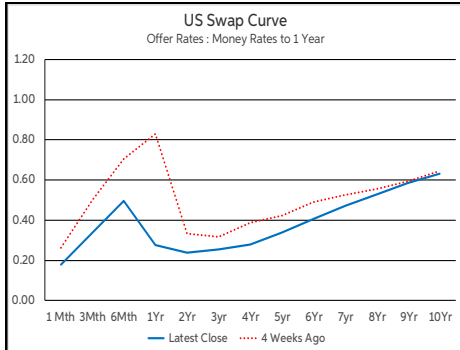
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| Euro | | Sterling | | Dollar | |
|---------|---------|----------|---------|---------|---------|
| EUR/GBP | 0.8902 | GBP/EUR | 1.1228 | USD/JPY | 107.71 |
| EUR/USD | 1.1125 | GBP/USD | 1.2496 | USD/CAD | 1.354 |
| EUR/JPY | 119.84 | GBP/CAD | 1.6912 | USD/CHF | 0.9615 |
| EUR/SEK | 10.4224 | GBP/NZD | 1.9904 | USD/CNY | 7.1203 |
| EUR/DKK | 7.4547 | GBP/JPY | 134.59 | USD/BRL | 5.3665 |
| EUR/NOK | 10.7112 | GBP/SEK | 11.7019 | USD/RUB | 68.8729 |
| EUR/CHF | 1.0698 | GBP/DKK | 8.3703 | USD/INR | 75.583 |
| EUR/AUD | 1.6373 | GBP/NOK | 12.0237 | AUD/USD | 0.6794 |
| EUR/HKD | 8.6231 | GBP/CHF | 1.2015 | NZD/USD | 0.6275 |
| EUR/CAD | 1.5066 | GBP/AUD | 1.8388 | | |



| Debt Markets | | | | |
|---|-------|-----|---------|--------|
| | Close | Day | 4 Weeks | End 19 |
| 10 Year Yield % | | | | |
| US | 0.67 | +1 | +4 | -125 |
| Germany | -0.40 | +5 | +16 | -22 |
| UK | 0.23 | +5 | -0 | -59 |
| Ireland | 0.14 | +4 | +2 | +2 |
| Belgium | 0.04 | +5 | +1 | -6 |
| France | -0.02 | +5 | +2 | -14 |
| Italy | 1.47 | -2 | -29 | +4 |
| Spain | 0.59 | +2 | -25 | +12 |
| Portugal | 0.52 | -0 | -36 | +7 |
| Greece | 1.50 | -1 | -67 | +4 |
| 5 Year Swap % | | | | |
| US | 0.34 | -0 | -4 | -137 |
| Eurozone | -0.27 | +1 | +5 | -15 |
| UK | 0.31 | +2 | -10 | -57 |
| 2 Year Swap % | | | | |
| US | 0.24 | +1 | -6 | -142 |
| Eurozone | -0.29 | -0 | +4 | +1 |
| UK | 0.26 | +1 | -13 | -53 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 54 | -1 | -14 | +24 |
| Belgium | 45 | +1 | -15 | +16 |
| France | 38 | +1 | -14 | +7 |
| Italy | 187 | -7 | -44 | +26 |
| Spain | 99 | -3 | -41 | +33 |
| Portugal | 92 | -5 | -51 | +29 |
| Greece | 191 | -6 | -82 | +26 |



| Commodities | | | | |
|----------------|--------|-------|---------|--------|
| | Close | Day | 4 Weeks | End 19 |
| Brent Oil | 38.32 | +8.46 | +40.88 | -41.94 |
| West Texas Oil | 35.49 | -0.22 | +73.38 | -41.95 |
| Gold \$ | 1740.0 | +0.79 | +2.27 | +14.70 |

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