

## EUR/USD back below \$1.02

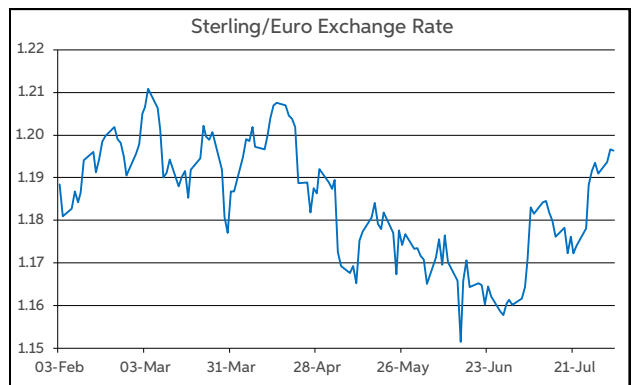
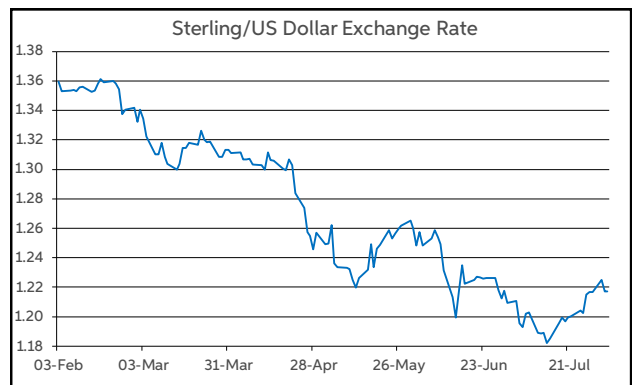
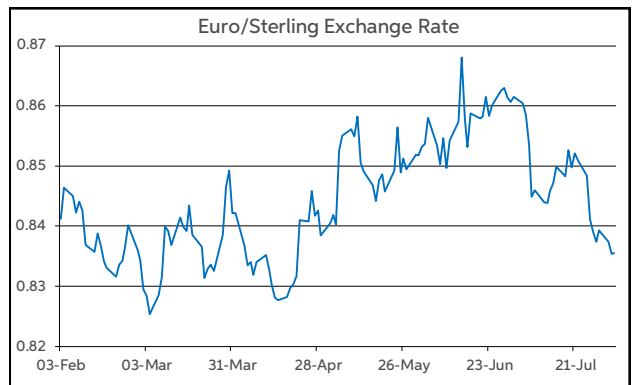
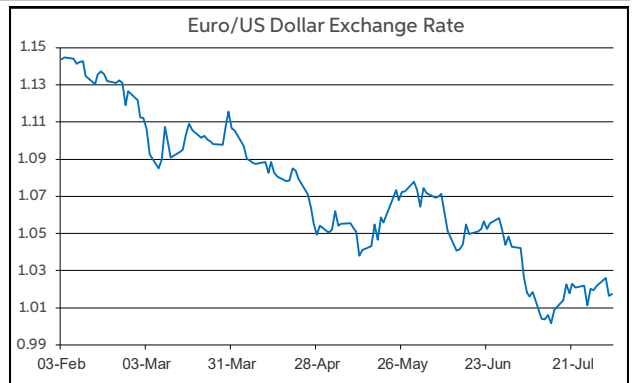
Investor sentiment was holding a somewhat cautious tone yesterday, amid sabre rattling between the US and China. The Euro Stoxx 50 fell by 0.6%, while the S&P 500 finished down 0.7% for the day. On bond markets, US Treasury yields rose by 10-20bps, following some hawkish rhetoric from a number of key Fed officials. Eurozone and UK yields also moved higher. Meanwhile, oil moved back up above \$100 per barrel.

Currency-wise, the euro was on the defensive as investors pared back their rate hike expectations in the Euro-area once again. The deposit rate is now seen as rising to near 1% by year end, and remaining in and around that level throughout 2023. Elsewhere, the dollar regained some momentum amid the risk averse backdrop, after a recent pause in its rally. The greenback was also boosted by higher interest expectations in the US, with rates now seen as peaking at 3.4% in Q1 2023.

As trading gets underway this morning, the softer tone to the euro and the slightly firmer dollar is evidenced by EUR/USD opening back just below the \$1.02 handle. EUR/GBP is operating at the midpoint of the 83-84p range. GBP/USD is changing hands back below \$1.22. Elsewhere, USD/JPY is trading up above ¥133.

Turning to the day ahead, the main release of note will be the latest US non-manufacturing ISM. The consensus is for the index to move lower to 53.5 in July from 55.3 previously. In the Eurozone, retail sales are forecast to stagnate in June, as inflation continues to weigh on disposable incomes. Producer prices are projected to ease slightly though, falling to +35.7% y/y in July from 36.3% y/y. However, barring any major surprises, the data may not influence the action on forex markets.

**Daniel Noonan, Economist, AIB**



| Today's Opening FX Rates |        |          |          |
|--------------------------|--------|----------|----------|
|                          |        | % Change |          |
|                          |        | Day *    | End 2021 |
| EUR/USD                  | 1.0174 | -0.93    | -10.50   |
| EUR/GBP                  | 0.8353 | -0.36    | -0.56    |
| GBP/USD                  | 1.2175 | -0.60    | -10.01   |
| GBP/EUR                  | 1.1962 | 0.36     | 0.56     |
| USD/JPY                  | 133.31 | 1.98     | 15.84    |
| EUR/JPY                  | 135.67 | 1.06     | 3.67     |

\* v Previous Day's European Open  
See Next Page for More Rates

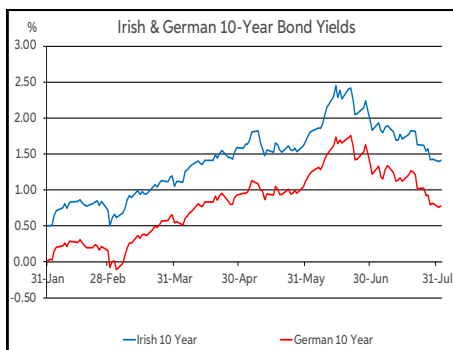
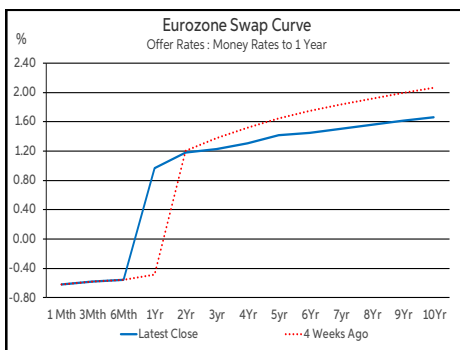
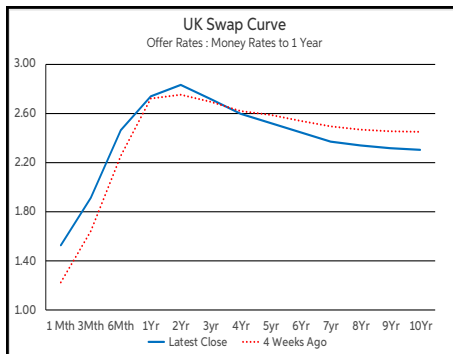
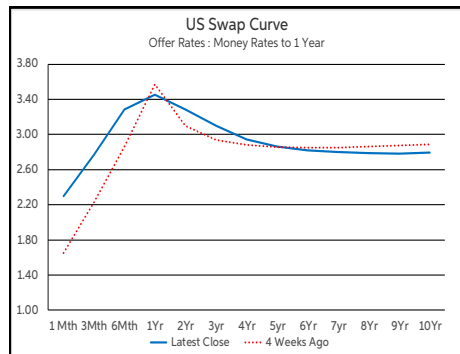
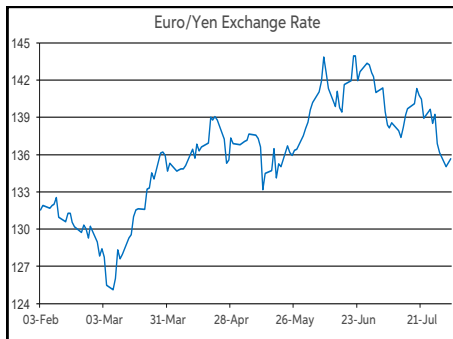
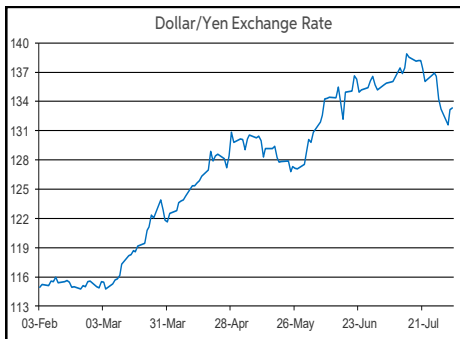
| Opening Interest Rates |           |              |       |            |      |      |
|------------------------|-----------|--------------|-------|------------|------|------|
|                        | Base Rate | Money Market |       | Swap Rates |      |      |
|                        |           | 1-Mth        | 3-Mth | 1-Yr       | 2-Yr | 5-Yr |
| USD                    | 2.375     | 2.37         | 2.80  | 3.43       | 3.30 | 2.85 |
| EUR                    | 0.50      | -0.06        | 0.25  | 0.97       | 1.18 | 1.39 |
| GBP                    | 1.25      | 1.63         | 1.96  | 2.80       | 2.84 | 2.53 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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

| Euro    |         | Sterling |         | Dollar  |        |
|---------|---------|----------|---------|---------|--------|
| EUR/GBP | 0.8353  | GBP/EUR  | 1.1962  | USD/JPY | 133.31 |
| EUR/USD | 1.0174  | GBP/USD  | 1.2175  | USD/CAD | 1.2849 |
| EUR/JPY | 135.67  | GBP/CAD  | 1.565   | USD/CHF | 0.9563 |
| EUR/SEK | 10.4097 | GBP/NZD  | 1.9441  | USD/CNY | 6.751  |
| EUR/DKK | 7.4437  | GBP/JPY  | 162.33  | USD/BRL | 5.2776 |
| EUR/NOK | 9.9269  | GBP/SEK  | 12.4575 | USD/RUB | 60.2   |
| EUR/CHF | 0.9731  | GBP/DKK  | 8.9058  | USD/INR | 78.794 |
| EUR/AUD | 1.4671  | GBP/NOK  | 11.8804 | AUD/USD | 0.6933 |
| EUR/HKD | 7.9855  | GBP/CHF  | 1.1646  | NZD/USD | 0.6261 |
| EUR/CAD | 1.3075  | GBP/AUD  | 1.7558  |         |        |



| Debt Markets  |       |            |         |        |
|---|-------|------------|---------|--------|
|   | Close | Change bps |         |        |
|   |       | Day        | 4 Weeks | End 21 |
| <b>10 Year Yield %</b>                                  |       |            |         |        |
| US  | 2.75  | +16        | -7      | +124   |
| Germany   | 0.78  | +2         | -41     | +96    |
| UK  | 1.87  | +6         | -18     | +90    |
| <b>Ireland</b>  |       |            |         |        |
| Ireland   | 1.44  | +1         | -40     | +119   |
| Belgium   | 1.41  | +4         | -48     | +124   |
| France  | 1.38  | +3         | -43     | +119   |
| Italy   | 3.03  | +4         | -24     | +185   |
| Spain   | 1.93  | +8         | -37     | +134   |
| Portugal  | 1.87  | +8         | -45     | +138   |
| Greece  | 2.96  | +4         | -45     | +164   |
| <b>5 Year Swap %</b>                                    |       |            |         |        |
| US  | 2.86  | +24        | +5      | +153   |
| Eurozone  | 1.42  | +10        | -22     | +140   |
| UK  | 2.52  | +5         | -6      | +125   |
| <b>2 Year Swap %</b>                                    |       |            |         |        |
| US  | 3.28  | +19        | +22     | +234   |
| Eurozone  | 1.18  | +6         | -2      | +148   |
| UK  | 2.83  | +7         | +8      | +164   |
| <b>10 Year Government Bond Spreads to Benchmark bps</b> |       |            |         |        |
| Ireland   | 66    | -1         | +0      | +23    |
| Belgium   | 63    | +2         | -8      | +28    |
| France  | 60    | +1         | -3      | +22    |
| Italy   | 225   | +2         | +17     | +89    |
| Spain   | 115   | +6         | +3      | +38    |
| Portugal  | 109   | +6         | -5      | +42    |
| Greece  | 218   | +2         | -5      | +68    |

| Commodities    |          |       |         |        |
|----------------|----------|-------|---------|--------|
|                | % Change |       |         |        |
|                | Close    | Day   | 4 Weeks | End 21 |
| Brent Oil      | 100.54   | +0.51 | -2.17   | +29.26 |
| West Texas Oil | 97.14    | +0.57 | -4.34   | +28.95 |
| Gold \$        | 1759.7   | -0.68 | -0.26   | -3.75  |

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