

Bank of England meeting ahead today

Investor sentiment was somewhat mixed yesterday. The Euro Stoxx 50 gained 0.7%, while across the Atlantic, the S&P 500 shed 0.5%. Volatility on US bond markets saw the 10Yr Treasury yield trade between 1.13-1.21%, before settling at 1.18%, little changed from 24 hours ago. Currency-wise, the dollar inched slightly higher, although the main pairs continued to trade in tight ranges.

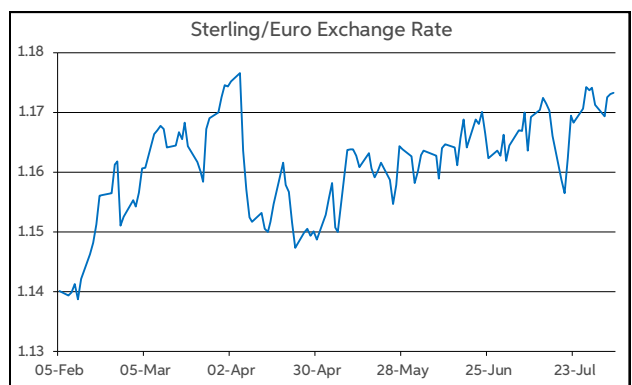
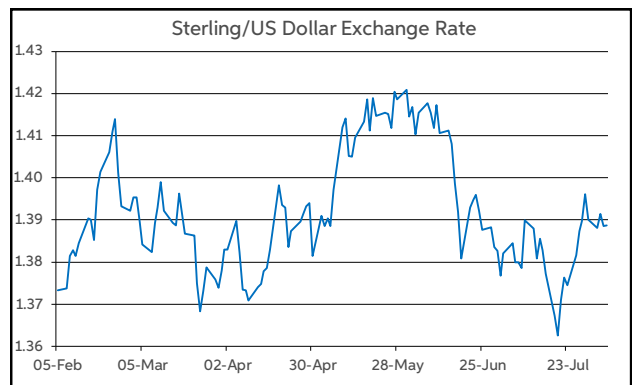
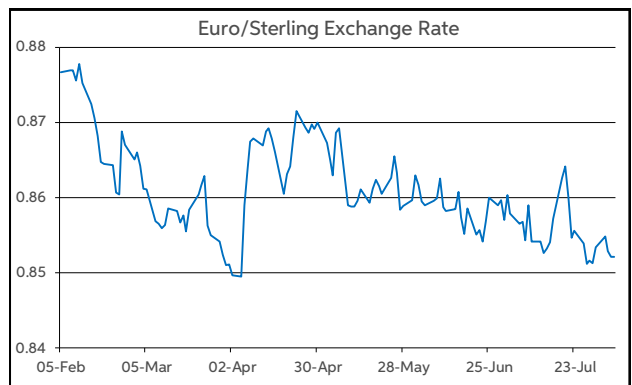
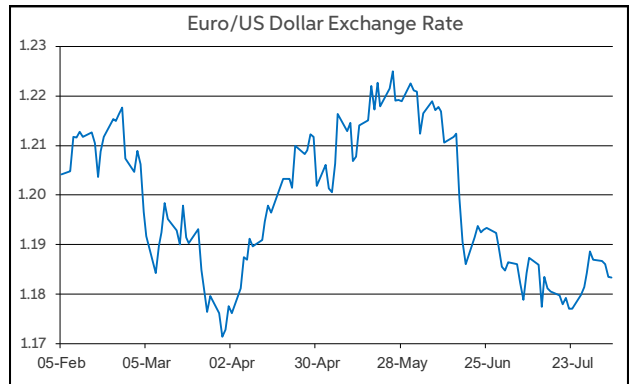
Data-wise, in the US the July ADP employment report printed at 330k, well below the 695k consensus ahead of the non-farm payroll report due Friday. The release saw the dollar come under some downward pressure. However, a sharp rise to a record 64.1 from 60.1 for the non-manufacturing ISM, and a return to expansion mode for the employment sub-index saw the dollar reverse its losses. Hawkish comments by Fed Vice-Chair Clarida also coincided with the dollar registering further gains.

In level terms, the slightly firmer tone to the dollar is reflected by EUR/USD opening in the bottom half of \$1.18-1.19. Meantime, EUR/GBP continues to change hands in a narrow 85-86p band. Elsewhere, GBP/USD is trading back below the \$1.39 mark.

Today, the Bank of England will make its latest monetary policy announcement. No changes to policy are anticipated. However, a more hawkish tone from the central bank, a large revision to the inflation forecast, or a possible vote by a member of the MPC to end QE early may provide some support for sterling.

An otherwise sparse data schedule suggests that barring any surprises from the MPC, the action on currency markets may be muted as investors keep their powder dry ahead of Friday's US payroll report.

Daniel Noonan, Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2020 |
| EUR/USD | 1.1832 | -0.31 | -3.12 |
| EUR/GBP | 0.8522 | 0.00 | -4.64 |
| GBP/USD | 1.3886 | -0.28 | 1.56 |
| GBP/EUR | 1.1732 | 0.00 | 4.87 |
| USD/JPY | 109.63 | 0.52 | 6.19 |
| EUR/JPY | 129.76 | 0.22 | 2.85 |

* 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 | 0.09 | 0.12 | 0.13 | 0.29 | 0.79 |
| EUR | 0.00 | -0.56 | -0.55 | -0.53 | -0.49 | -0.38 |
| GBP | 0.10 | 0.05 | 0.07 | 0.25 | 0.44 | 0.65 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

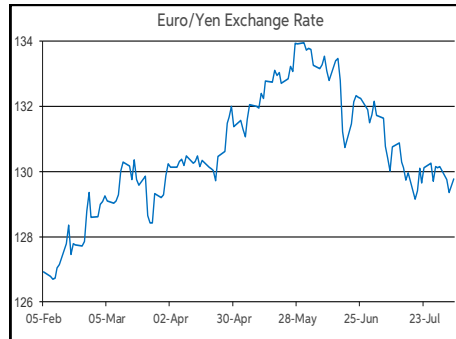
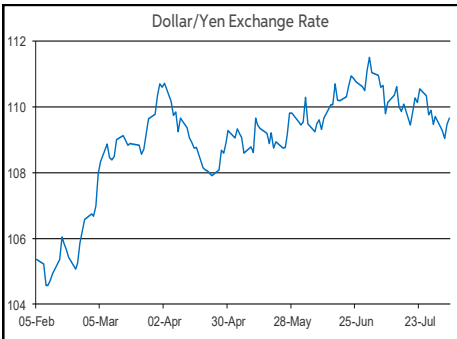
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|---------|--|----------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke Shane Gargan Enda Homan | FX Options | Mark Tuite | Reuters Phone | AIBG.I 00353-1-7724018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

Opening Levels

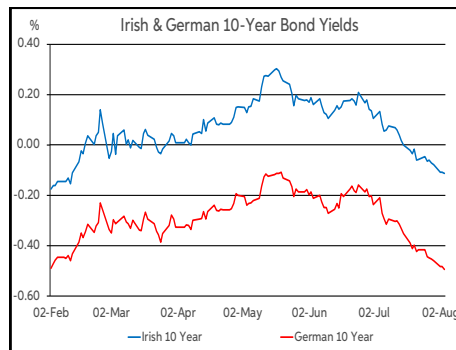
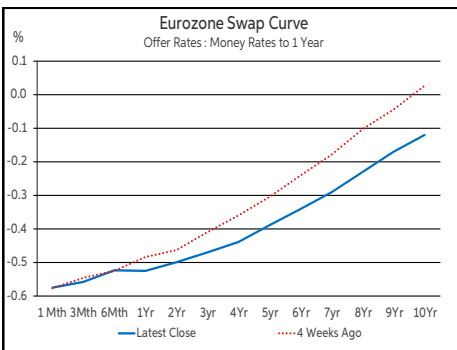
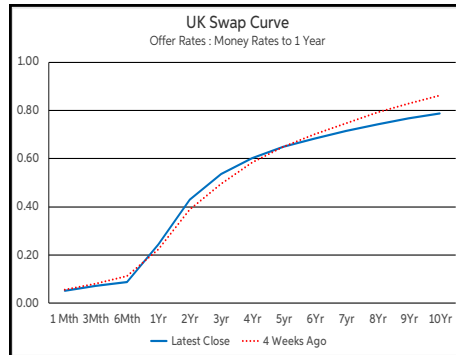
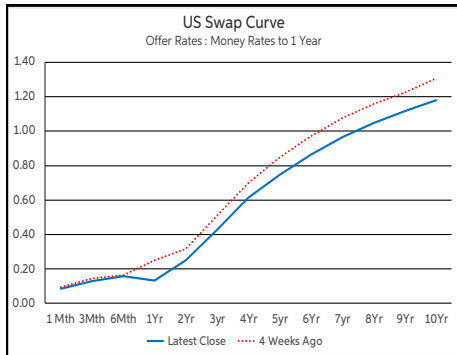
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| Euro | | Sterling | | Dollar | |
|---------|---------|----------|---------|---------|---------|
| EUR/GBP | 0.8522 | GBP/EUR | 1.1732 | USD/JPY | 109.63 |
| EUR/USD | 1.1832 | GBP/USD | 1.3886 | USD/CAD | 1.2526 |
| EUR/JPY | 129.76 | GBP/CAD | 1.7392 | USD/CHF | 0.9072 |
| EUR/SEK | 10.1884 | GBP/NZD | 1.9701 | USD/CNY | 6.4644 |
| EUR/DKK | 7.4363 | GBP/JPY | 152.23 | USD/BRL | 5.1685 |
| EUR/NOK | 10.4589 | GBP/SEK | 11.9519 | USD/RUB | 73.15 |
| EUR/CHF | 1.0738 | GBP/DKK | 8.7242 | USD/INR | 74.2475 |
| EUR/AUD | 1.6001 | GBP/NOK | 12.2693 | AUD/USD | 0.7393 |
| EUR/HKD | 9.1996 | GBP/CHF | 1.26 | NZD/USD | 0.7046 |
| EUR/CAD | 1.4821 | GBP/AUD | 1.8781 | | |



| Debt Markets | | | | |
|---|-------|------------|---------|--------|
| | Close | Change bps | | |
| | | Day | 4 Weeks | End 20 |
| 10 Year Yield % | | | | |
| US | 1.18 | +1 | -14 | +26 |
| Germany | -0.49 | -1 | -20 | +8 |
| UK | 0.52 | -0 | -9 | +32 |
| 5 Year Swap % | | | | |
| US | 0.75 | +4 | -10 | +32 |
| Eurozone | -0.39 | -1 | -8 | +7 |
| UK | 0.65 | +2 | +0 | +46 |
| 2 Year Swap % | | | | |
| US | 0.25 | +3 | -3 | +6 |
| Eurozone | -0.50 | +0 | -3 | +3 |
| UK | 0.43 | +1 | +5 | +40 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 41 | +1 | +4 | +14 |
| Belgium | 34 | +0 | +4 | +15 |
| France | 34 | -0 | +1 | +11 |
| Italy | 105 | -0 | +2 | -5 |
| Spain | 73 | +1 | +10 | +10 |
| Portugal | 63 | +1 | +3 | -0 |
| Greece | 104 | +0 | +2 | -16 |



| Commodities | | | | |
|----------------|----------|-------|---------|--------|
| | % Change | | | |
| | Close | Day | 4 Weeks | End 20 |
| Brent Oil | 70.38 | -2.80 | -4.15 | +35.87 |
| West Texas Oil | 68.19 | -3.47 | -5.58 | +41.03 |
| Gold \$ | 1811.4 | +0.08 | +0.44 | -4.49 |

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