

Dollar volatility, but sterling also in focus this week

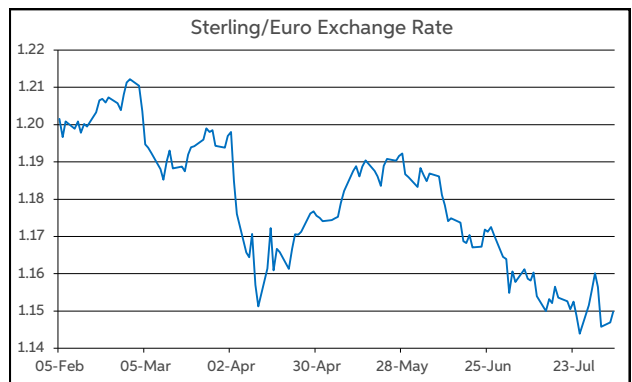
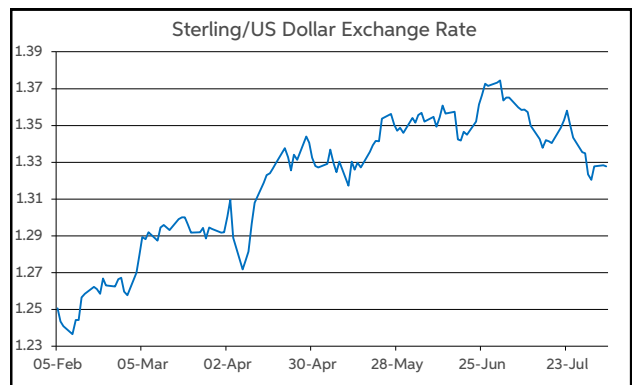
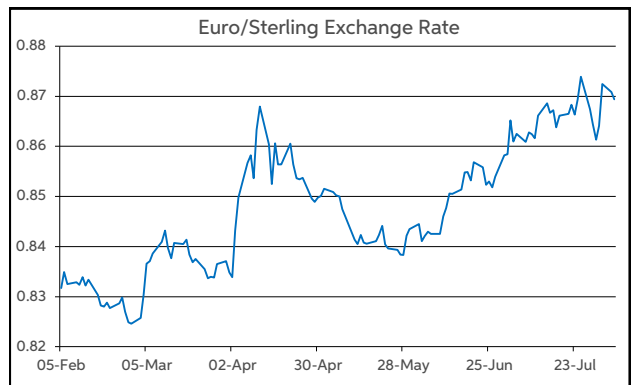
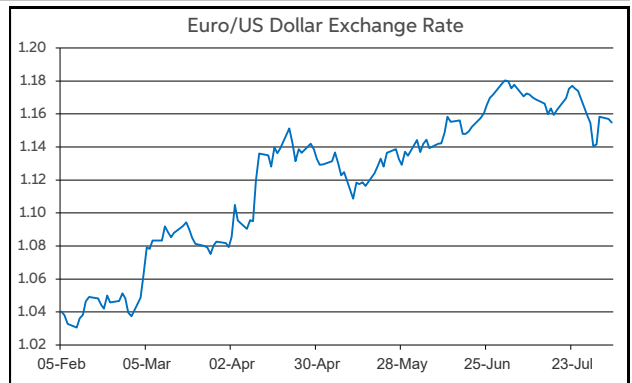
While yesterday's currency action was relatively muted, the dollar has continued to have an eventful/volatile time on the exchanges over recent weeks. In July, the currency started the month on the slide, continuing its weakening trend that took hold during the second quarter. This was reflected in EUR/USD and GBP/USD posting fresh year-to-date highs on July 1st of \$1.1829 and \$1.3788, respectively.

For the rest of July though, the greenback was very much on an upward trajectory. A firming in US rate expectations amid better-than-anticipated US macro data, progress on trade deals and a less dovish tone from the Fed's July FOMC underpinned the dollar's recovery. EUR/USD ended last month back down near \$1.14, while GBP/USD was trading in and around the \$1.32 mark.

The dollar's recent 'volatile' nature was once again in evidence at the start of August. Last Friday's disappointing payrolls report for July, especially the downward revisions to previous months, weighed heavily on the currency. The very weak jobs numbers saw a notable and immediate softening in US rate expectations. The market moved to price-in 50-60bps of easing by year end (compared to 35bps pre-Payrolls), including attaching around a 90% probability to a 25bps rate reduction at the next Fed meeting in mid-September. Against this backdrop, the EUR/USD pair traded back above the \$1.15 threshold, with GBP/USD rising nearer to the \$1.33 handle.

Overall, the last few weeks has highlighted the dollar's more volatile nature. A key aspect to this, is its sensitivity to US macro releases (labour market and inflation) that will decide, if and when, the Fed will resume its easing cycle. This week's calendar though is sparse in terms of US data. Today's non-manufacturing ISM (July) is the only US release of note over the coming days. Indeed, the focus may shift to some extent to sterling with Thursday's BoE meeting, where the central bank is expected to cut interest rates by 25bps.

John Fahey, Senior Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2024 |
| EUR/USD | 1.1548 | -0.22 | 11.54 |
| EUR/GBP | 0.8694 | -0.26 | 5.09 |
| GBP/USD | 1.3278 | 0.01 | 6.13 |
| GBP/EUR | 1.1496 | 0.26 | -4.84 |
| USD/JPY | 147.1 | -0.39 | -6.41 |
| EUR/JPY | 169.91 | -0.60 | 4.40 |

* 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 | 4.38 | 4.34 | 4.23 | 3.81 | 3.76 | 3.69 |
| EUR | 2.00 | 1.89 | 1.99 | 2.02 | 2.05 | 2.31 |
| GBP | 4.25 | 3.99 | 3.98 | 3.73 | 3.85 | 3.91 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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

Opening Levels

Tuesday 05 August 2025
07:15 am



Euro

| | |
|---------|---------|
| EUR/GBP | 0.8694 |
| EUR/USD | 1.1548 |
| EUR/JPY | 169.91 |
| EUR/SEK | 11.1801 |
| EUR/DKK | 7.4622 |
| EUR/NOK | 11.8748 |
| EUR/CHF | 0.935 |
| EUR/AUD | 1.7867 |
| EUR/HKD | 9.0635 |
| EUR/CAD | 1.592 |

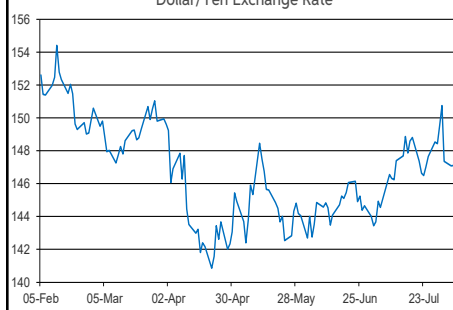
Sterling

| | |
|---------|---------|
| GBP/EUR | 1.1496 |
| GBP/USD | 1.3278 |
| GBP/CAD | 1.8301 |
| GBP/NZD | 2.2516 |
| GBP/JPY | 195.35 |
| GBP/SEK | 12.8524 |
| GBP/DKK | 8.578 |
| GBP/NOK | 13.642 |
| GBP/CHF | 1.075 |
| GBP/AUD | 2.0542 |

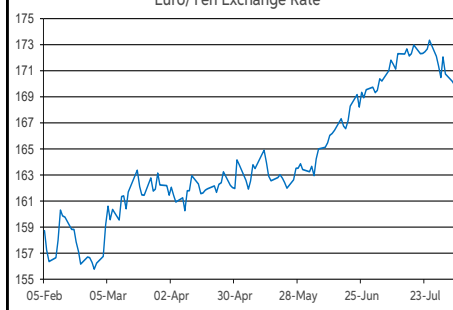
Dollar

| | |
|---------|--------|
| USD/JPY | 147.1 |
| USD/CAD | 1.3784 |
| USD/CHF | 0.8096 |
| USD/CNY | 7.1837 |
| USD/BRL | 5.4969 |
| USD/RUB | 79.85 |
| USD/INR | 87.786 |
| AUD/USD | 0.6461 |
| NZD/USD | 0.5893 |

Dollar/Yen Exchange Rate

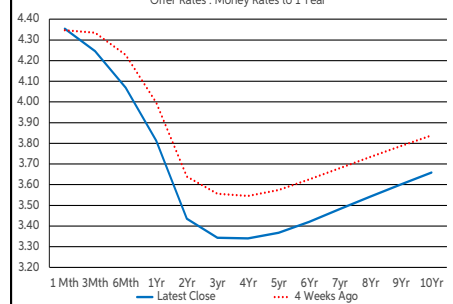


Euro/Yen Exchange Rate



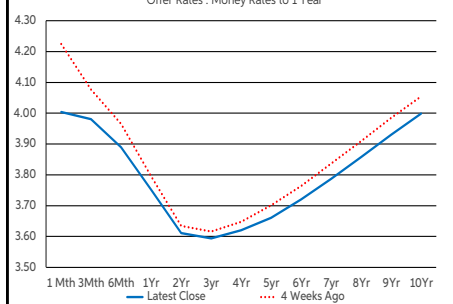
US Swap Curve

Offer Rates : Money Rates to 1 Year



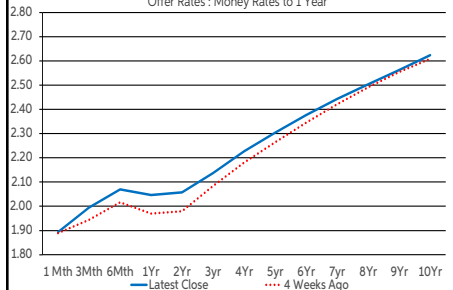
UK Swap Curve

Offer Rates : Money Rates to 1 Year

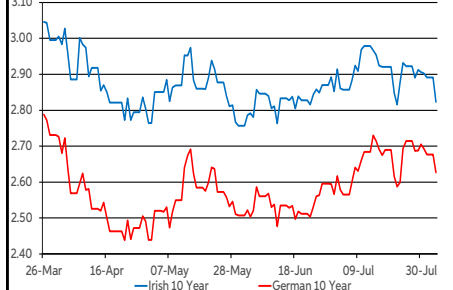


Eurozone Swap Curve

Offer Rates : Money Rates to 1 Year



Irish & German 10-Year Bond Yields



Debt Markets

| | Close | Change bps | | |
|--|-------|------------|---------|--------|
| | | Day | 4 Weeks | End 24 |
| 10 Year Yield % | | | | |
| US | 4.20 | -2 | -20 | -38 |
| Germany | 2.63 | -5 | +2 | +26 |
| UK | 4.51 | -2 | -8 | -7 |
| Ireland | 2.87 | -5 | -4 | +22 |
| Belgium | 3.15 | -6 | -5 | +16 |
| France | 3.28 | -7 | -4 | +9 |
| Italy | 3.46 | -8 | -6 | -6 |
| Spain | 3.20 | -6 | -6 | +14 |
| Portugal | 3.05 | -6 | -4 | +20 |
| Greece | 3.34 | -2 | -2 | +9 |
| 5 Year Swap % | | | | |
| US | 3.63 | -3 | -19 | -66 |
| Eurozone | 2.29 | -3 | +3 | +5 |
| UK | 3.90 | -1 | -3 | -38 |
| 2 Year Swap % | | | | |
| US | 3.69 | -2 | -20 | -64 |
| Eurozone | 2.04 | -2 | +6 | -15 |
| UK | 3.84 | +1 | -2 | -65 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 24 | -0 | -6 | -5 |
| Belgium | 52 | -2 | -7 | -10 |
| France | 66 | -2 | -6 | -18 |
| Italy | 83 | -3 | -8 | -32 |
| Spain | 57 | -1 | -8 | -13 |
| Portugal | 42 | -2 | -6 | -6 |
| Greece | 71 | +3 | -5 | -18 |

Commodities

| | Close | % Change | | |
|----------------|--------|----------|---------|--------|
| | | Day | 4 Weeks | End 24 |
| Brent Oil | 68.76 | -1.31 | -1.18 | -7.88 |
| West Texas Oil | 71.65 | -0.17 | -1.90 | -1.27 |
| Gold \$ | 3372.8 | +0.31 | +1.13 | +28.55 |

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