

Risk-off mood continued yesterday

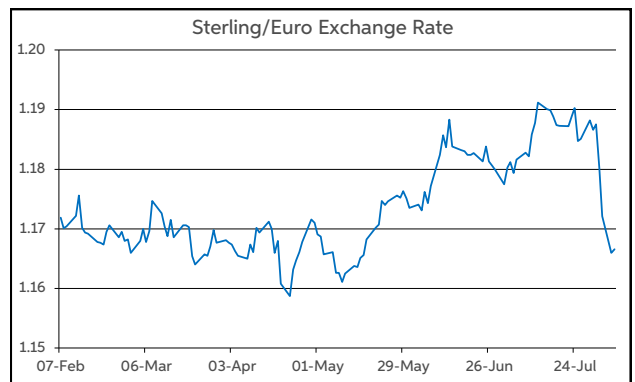
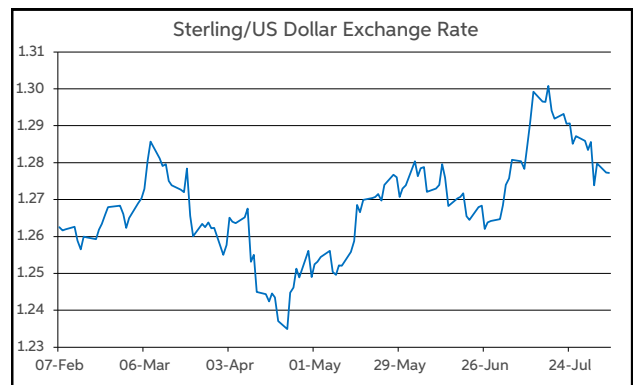
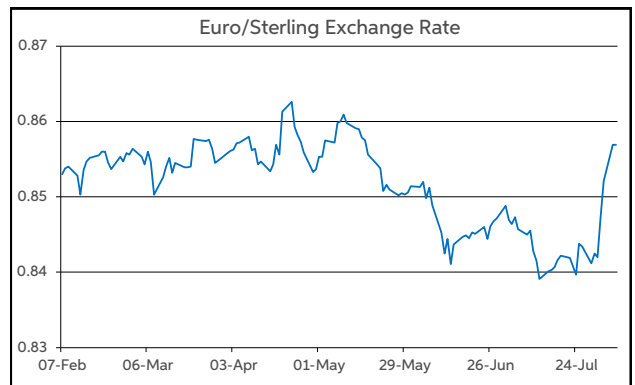
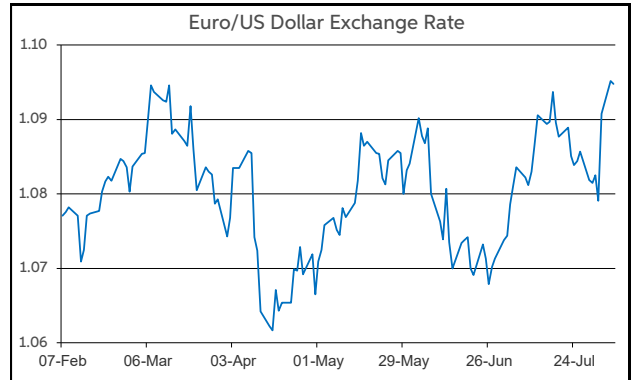
The strong risk-off mood on markets from last week carried through into trading yesterday. Concerns in relation to health of the US economy following last weeks disappointing labour market report, and the unwinding of the significant yen carry trade, have led to increased levels of volatility on markets, with the VIX index spiking to a high of 65 yesterday. Against this backdrop, the Euro Stoxx 50 fell by 1.4% yesterday, while the S&P 500 shed 3%.

On the monetary policy front, Fed officials Goolsbee and Daly sought to clam the market turmoil yesterday. Both indicated that the Fed is open to cutting rates in September, but argued the US economy is slowing and not “falling off a cliff”. Meanwhile, the US non-manufacturing ISM printed above the consensus. It rose to 51.4 in July, from 48.8 (and vs. 51.0 f’cast). Furthermore, the survey details showed new orders and employment expanded in the month. US market rate expectations firmed by circa 10bps along the curve after the release.

Currency-wise, trading conditions remained volatile, particularly in relation to the yen. Indeed, USD/JPY operated in a very wide ¥141.7-146.6 range yesterday. Elsewhere, EUR/USD tested above \$1.10. However, the dollar recouped its losses overnight. In level terms, EUR/USD opens this morning at the midpoint of \$1.09-1.10. GBP/USD is changing hands in the top half \$1.27-1.28. Meantime, EUR/GBP is in the upper half of the 85-86p corridor. USD/JPY is in the ¥145-146 trading band.

Turning to the day ahead, Eurozone retail sales for June will be released. A modest 0.1% contraction is pencilled in for the month. However, the data are unlikely to impact the euro. Indeed, the main focus today will likely remain on trading conditions.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0948	0.16	-0.80
EUR/GBP	0.857	0.36	-1.13
GBP/USD	1.2772	-0.22	0.34
GBP/EUR	1.1665	-0.36	1.14
USD/JPY	145.89	1.90	3.42
EUR/JPY	159.72	2.05	2.63

* 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	5.38	5.47	5.49	4.59	4.09	3.72
EUR	4.25	3.61	3.62	3.10	2.76	2.50
GBP	5.00	4.93	4.90	4.49	4.32	3.89

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
---------	----------------------------	------------	------------	------------------	---------------------------	-----------------	-----------------------------------

Euro

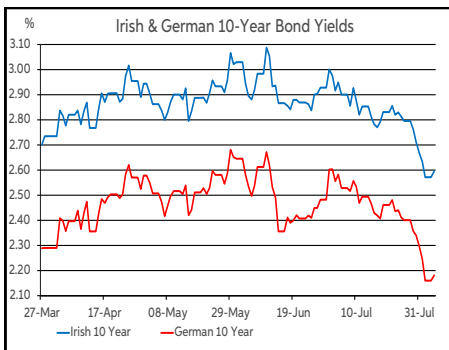
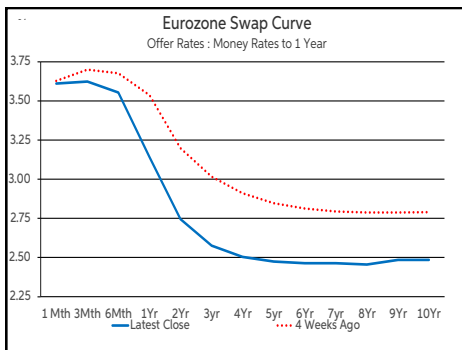
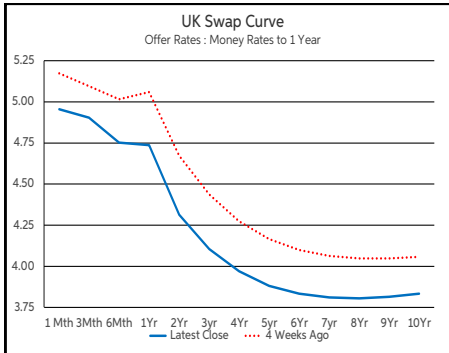
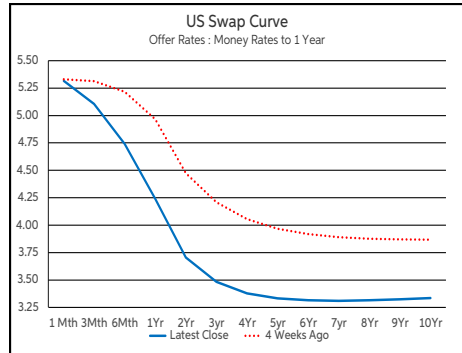
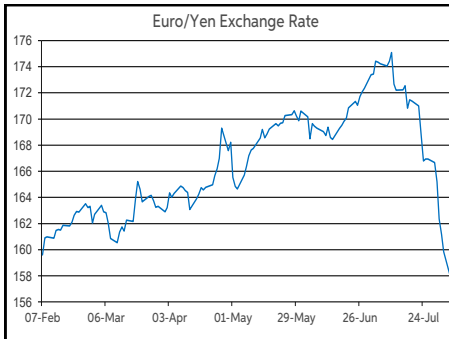
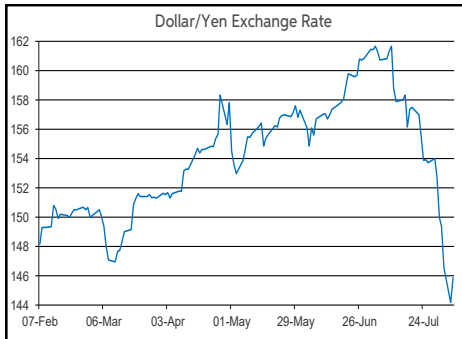
EUR/GBP	0.857
EUR/USD	1.0948
EUR/JPY	159.72
EUR/SEK	11.5276
EUR/DKK	7.4605
EUR/NOK	12.0109
EUR/CHF	0.9381
EUR/AUD	1.6781
EUR/HKD	8.5322
EUR/CAD	1.5126

Sterling

GBP/EUR	1.1665
GBP/USD	1.2772
GBP/CAD	1.7647
GBP/NZD	2.1525
GBP/JPY	186.33
GBP/SEK	13.4394
GBP/DKK	8.7033
GBP/NOK	14.0179
GBP/CHF	1.0944
GBP/AUD	1.9576

Dollar

USD/JPY	145.89
USD/CAD	1.3816
USD/CHF	0.8568
USD/CNY	7.1491
USD/BRL	5.7239
USD/RUB	85.3
USD/INR	83.871
AUD/USD	0.6523
NZD/USD	0.5932



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	3.78	-1	-49	-8
Germany	2.18	+2	-34	+15
UK	3.87	+4	-24	+33
5 Year Swap %				
US	3.62	+3	-60	-17
Eurozone	2.48	+2	-36	+5
UK	3.88	+5	-28	+23
2 Year Swap %				
US	3.98	+4	-75	-35
Eurozone	2.75	+1	-44	-5
UK	4.31	+5	-35	+5
10 Year Government Bond Spreads to Benchmark bps				
Ireland	44	-1	+7	+10
Belgium	66	+1	+9	+0
France	80	-0	+15	+27
Italy	150	+4	+13	-17
Spain	91	+1	+12	-5
Portugal	70	-0	+9	-6
Greece	115	+0	+9	+10

Commodities

	Close	% Change		
		Day	4 Weeks	End 23
Brent Oil	76.3	-0.66	-11.02	-0.96
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2407.6	-1.46	+2.07	+16.73

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, p.l.c. and Allied Irish Bank (GB). In Northern Ireland it is distributed by Allied Irish Bank (NI). In the United States of America it is distributed by Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and AIB (NI) are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.