

## US CPI due today

The action across financial markets remained somewhat subdued yesterday. Equity markets on both side of the Atlantic inched higher. Meantime, on bond markets, US Treasury yields rose by 3-4bps along the curve. Currency-wise, the euro continued to edge slightly lower, although, the action on the exchanges remained lacklustre for much of the day.

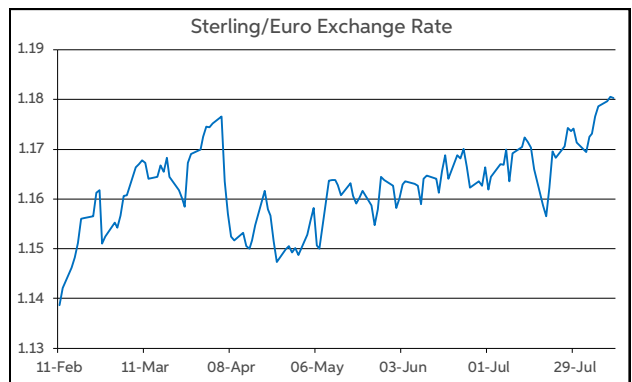
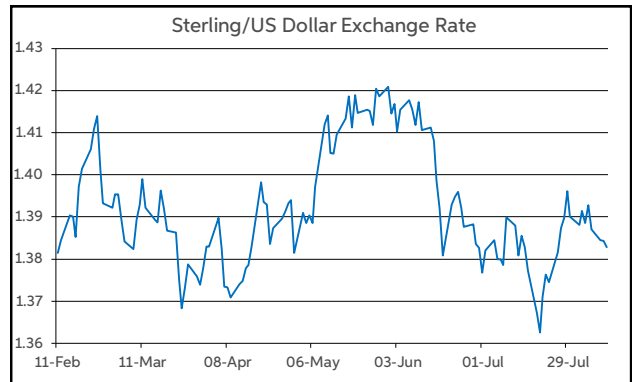
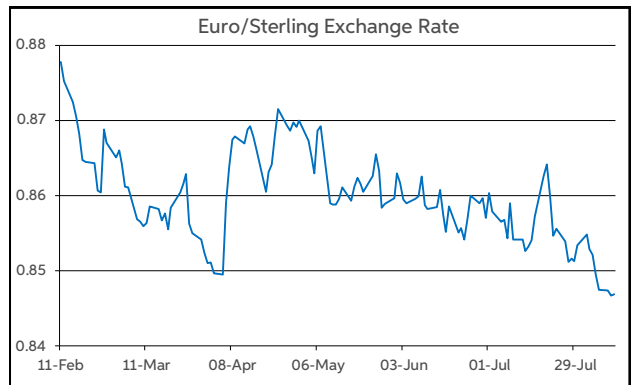
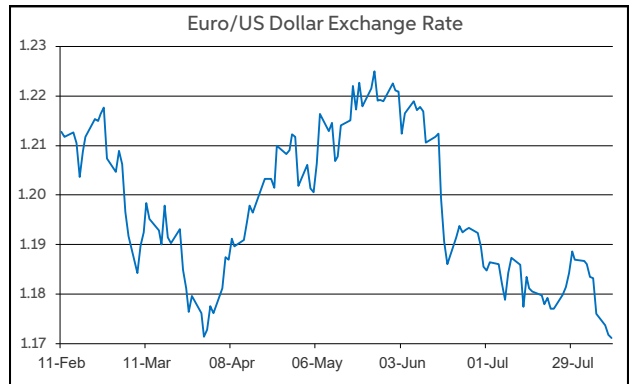
The euro has been on the back foot since the end of July. The single currency has lost ground to both sterling and the dollar since then, albeit the move lower has been gradual. Nonetheless, EUR/USD has dropped very near to its year-to-date low just above \$1.17. The euro is also near its year-to-date low against sterling.

Data-wise, a disappointing German ZEW print proved to be unhelpful for the euro yesterday. Sentiment plunged from 63.3 in July to 40.4 in August, and was well below the consensus of 56.7. Meantime, in the US small business optimism fell to 99.7 from 102.5 in July. However, the release did not impact the dollar.

In level terms, EUR/USD opens this morning just above the \$1.17 threshold. Meanwhile, EUR/GBP is changing hands in the top half of 84-85p. Elsewhere, cable (GBP/USD) continues to operate in the \$1.38-1.39 corridor.

Today, all eyes will be on the July CPI inflation release from the US. The forecast is for the headline rate to edge lower to 5.3% YoY from 5.4%. The core rate is also projected to decline to 4.3% from 4.5%. However, another above consensus release (as happened in June) could provide some support for the dollar, as it would add further pressure on the Fed to start tightening monetary policy sooner rather than later.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.1711	-0.21	-4.11
EUR/GBP	0.8468	-0.09	-5.25
GBP/USD	1.3828	-0.12	1.13
GBP/EUR	1.1805	0.09	5.54
USD/JPY	110.72	0.37	7.25
EUR/JPY	129.67	0.15	2.78

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

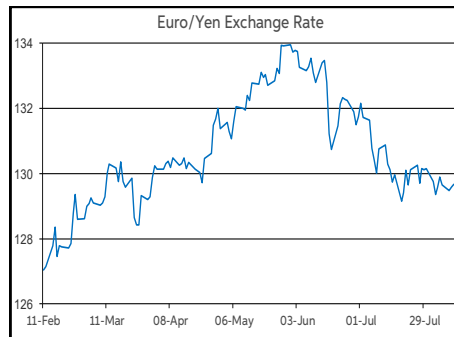
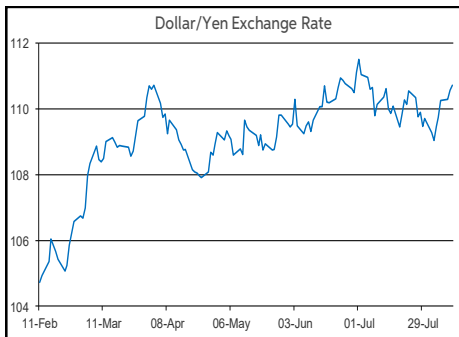
Opening Interest Rates						
		Money Market		Swap Rates		
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	0.125	0.10	0.13	0.15	0.35	0.92
EUR	0.00	-0.56	-0.54	-0.52	-0.48	-0.36
GBP	0.10	0.05	0.07	0.29	0.51	0.72

All rates quoted are indicative market rates

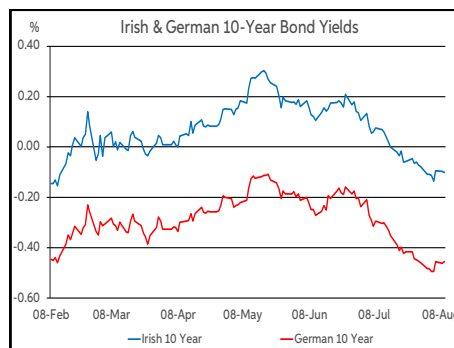
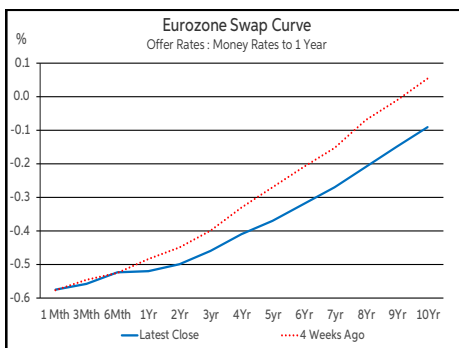
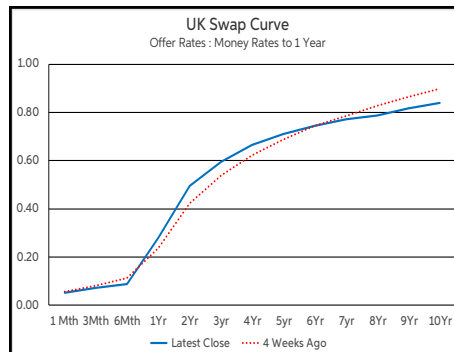
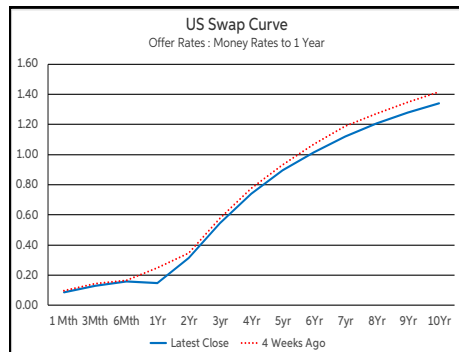
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FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Euro		Sterling		Dollar	
EUR/GBP	0.8469	GBP/EUR	1.1804	USD/JPY	110.71
EUR/USD	1.171	GBP/USD	1.3827	USD/CAD	1.2525
EUR/JPY	129.67	GBP/CAD	1.7317	USD/CHF	0.9234
EUR/SEK	10.2169	GBP/NZD	1.9738	USD/CNY	6.4827
EUR/DKK	7.4368	GBP/JPY	153.08	USD/BRL	5.1895
EUR/NOK	10.4615	GBP/SEK	12.0622	USD/RUB	73.93
EUR/CHF	1.0815	GBP/DKK	8.779	USD/INR	74.418
EUR/AUD	1.5959	GBP/NOK	12.3458	AUD/USD	0.7337
EUR/HKD	9.1128	GBP/CHF	1.2769	NZD/USD	0.7004
EUR/CAD	1.4669	GBP/AUD	1.8842		



	Close	Change bps		
		Day	4 Weeks	End 20
<b>10 Year Yield %</b>				
US	1.35	+3	-6	+44
Germany	-0.45	+1	-16	+12
UK	0.59	+1	-4	+40
<b>5 Year Swap %</b>				
US	0.90	+4	-1	+48
Eurozone	-0.37	-0	-9	+9
UK	0.71	+2	+3	+52
<b>2 Year Swap %</b>				
US	0.31	+3	-0	+12
Eurozone	-0.50	-1	-4	+3
UK	0.50	+1	+8	+47
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	39	-1	-1	+12
Belgium	31	-1	+1	+12
France	33	-1	-1	+9
Italy	101	-1	-2	-9
Spain	69	-1	+7	+6
Portugal	57	-1	-3	-6
Greece	99	-0	-3	-21



	Commodities			
	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	70.63	+2.30	-7.66	+36.35
West Texas Oil	68.33	+2.66	-9.18	+41.32
Gold \$	1728.7	-0.04	-4.36	-8.85

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