

## Dollar softer following easing in US inflation

The key focus for markets yesterday was the US CPI inflation report for July. The data produced some surprises and in return generated a reaction across a number of markets, including for the dollar. In terms of the specifics, the heading inflation rate fell by more than expected to 8.5% (from 9.1% in June) and versus a forecast for 8.7%. There was also a positive surprise from the core rate, which remained unchanged from its June reading of 5.9% versus expectations for a rise to 6.1%.

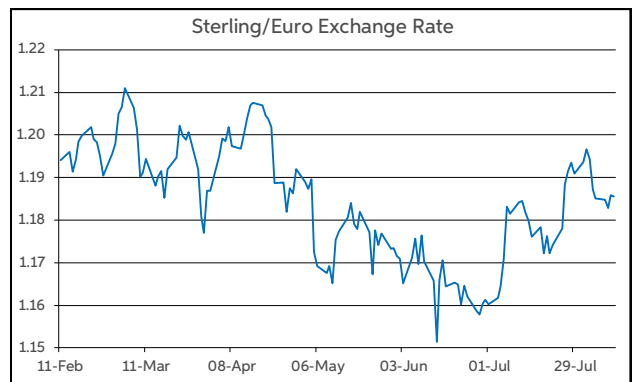
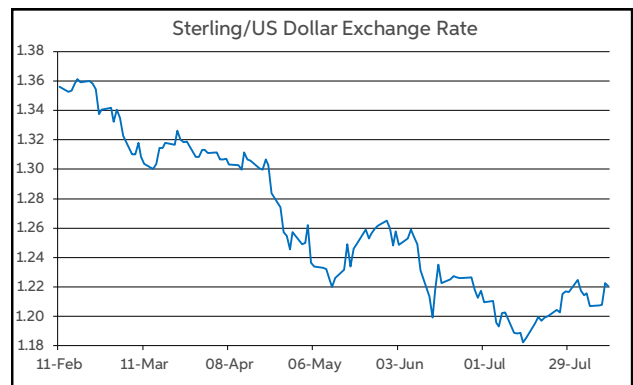
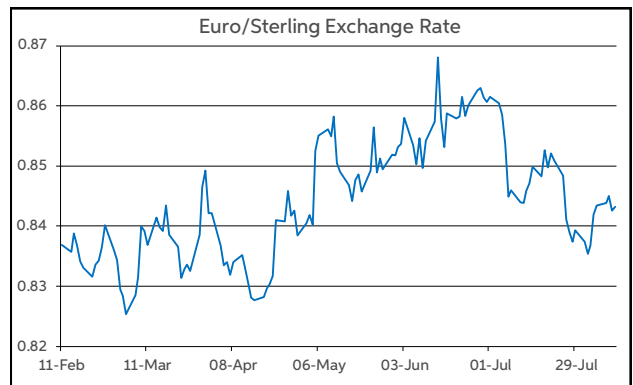
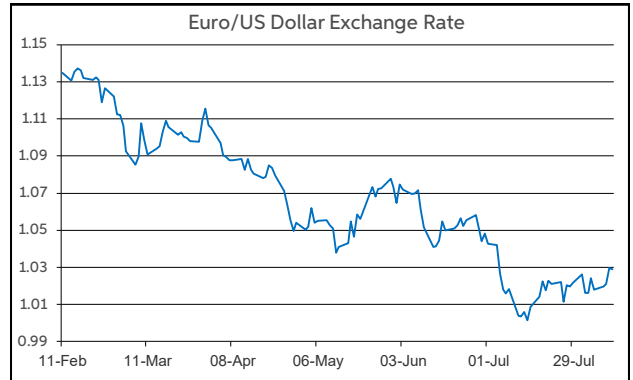
The inflation update was much anticipated by markets as they try to assess the likelihood of a 50bps or 75bps rate hike from the Fed at its next meeting on September 21st. In this regard, futures contracts indicate that the market has paired back its rate hike expectations over the remainder of this year.

The market has lowered the chances of a 75bps hike in September. It now sees rates ending this year nearer to 3.4%, compared to 3.6% prior to the inflation numbers. This sparked strong gains on equity markets, with the S&P 500 up by 2.1% at the close, while at the same time US Treasury yields fell.

The US inflation news also coincided with some dollar weakness. The greenback fell by over 1% in the immediate aftermath of the data release. However, it has recovered some ground in overnight trading, supported by some hawkish Fed comments. In level terms, EUR/USD opens just below \$1.03, having traded as high as \$1.0368 yesterday. GBP/USD is trading up at the \$1.22 threshold. EUR/GBP remains in a tight range near to the midpoint of 84-85p.

Today's macro diary, unlike yesterday's, has no top tier data due. Therefore, it could be a less eventful day for currency markets.

**John Fahey, Senior Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0295	0.82	-9.44
EUR/GBP	0.8432	-0.21	0.38
GBP/USD	1.2207	1.04	-9.77
GBP/EUR	1.1857	0.21	-0.38
USD/JPY	132.98	-1.49	15.55
EUR/JPY	136.92	-0.69	4.62

\* 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	2.40	2.92	3.60	3.47	2.96
EUR	0.50	-0.02	0.32	1.12	1.35	1.56
GBP	1.75	1.72	2.12	2.99	3.02	2.67

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

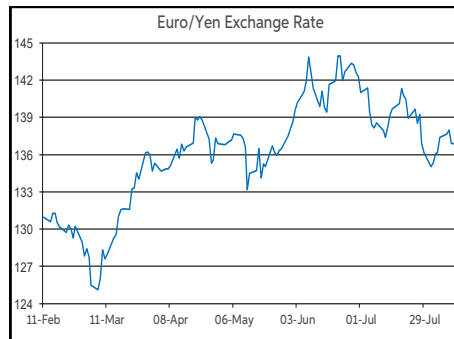
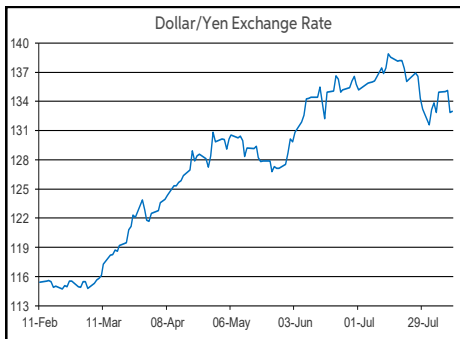
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

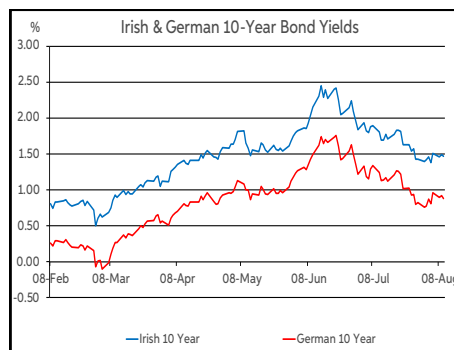
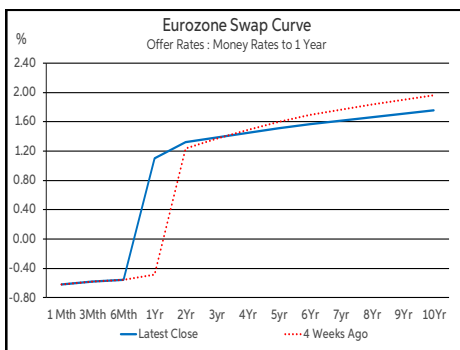
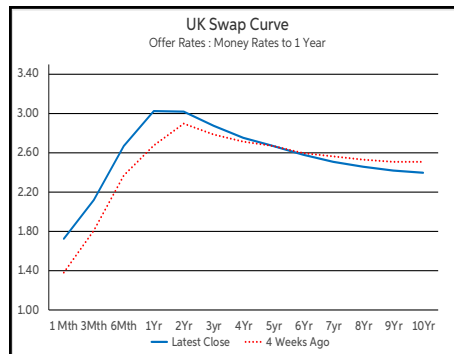
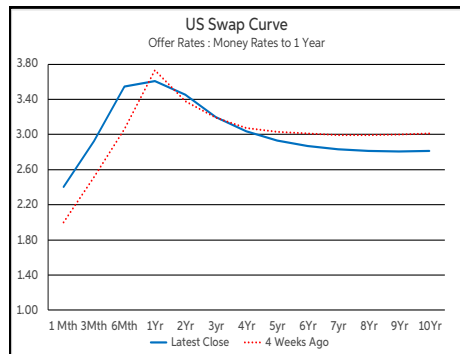
Thursday 11 August 2022  
07:19 am



Euro		Sterling		Dollar	
EUR/GBP	0.8432	GBP/EUR	1.1857	USD/JPY	132.98
EUR/USD	1.0295	GBP/USD	1.2207	USD/CAD	1.277
EUR/JPY	136.92	GBP/CAD	1.559	USD/CHF	0.9428
EUR/SEK	10.3524	GBP/NZD	1.9052	USD/CNY	6.7369
EUR/DKK	7.4398	GBP/JPY	162.32	USD/BRL	5.0947
EUR/NOK	9.7988	GBP/SEK	12.2758	USD/RUB	60.5
EUR/CHF	0.9707	GBP/DKK	8.8203	USD/INR	79.439
EUR/AUD	1.4524	GBP/NOK	11.6198		
EUR/HKD	8.0786	GBP/CHF	1.1512	AUD/USD	0.7088
EUR/CAD	1.315	GBP/AUD	1.722	NZD/USD	0.6405



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
<b>10 Year Yield %</b>				
US	2.78	+1	-15	+127
Germany	0.89	-4	-26	+107
UK	1.96	-2	-11	+98
Ireland	1.51	-2	-25	+126
Belgium	1.49	-2	-28	+131
France	1.46	-2	-21	+126
Italy	2.99	-6	-23	+181
Spain	2.00	-3	-26	+141
Portugal	1.91	-4	-35	+143
Greece	3.20	-2	-30	+188
<b>5 Year Swap %</b>				
US	2.93	-3	-6	+160
Eurozone	1.51	-2	-8	+150
UK	2.67	-4	+0	+139
<b>2 Year Swap %</b>				
US	3.45	-2	+10	+251
Eurozone	1.32	-2	+10	+162
UK	3.02	-5	+13	+183
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	62	+2	+1	+19
Belgium	60	+2	-2	+25
France	57	+2	+5	+20
Italy	211	-2	+3	+74
Spain	112	+1	+0	+34
Portugal	103	-0	-9	+36
Greece	231	+1	-4	+82



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	97.4	+1.13	-2.18	+25.22
West Texas Oil	94.68	+1.61	-3.82	+25.69
Gold \$	1792.1	-0.11	+3.28	-1.98

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