

Hardening of European rate expectations

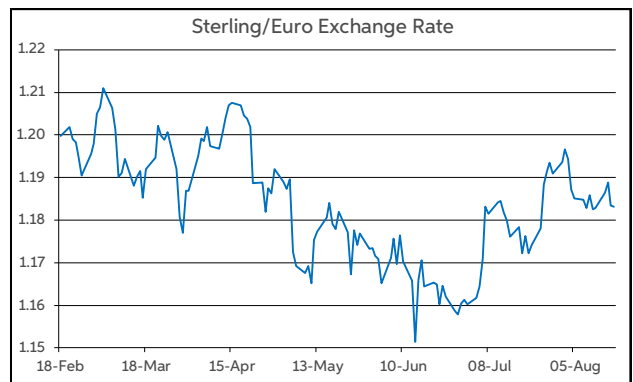
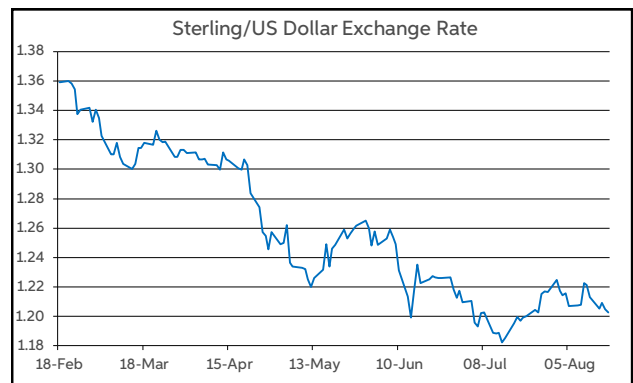
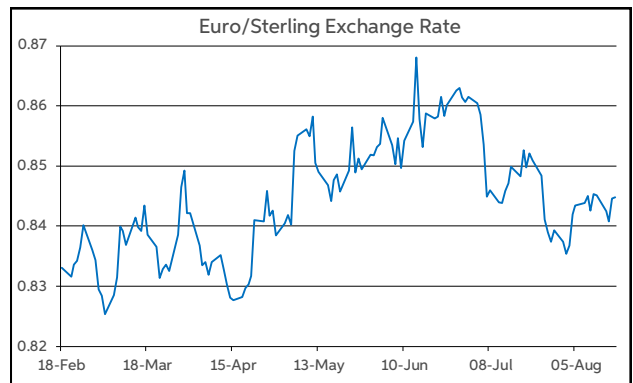
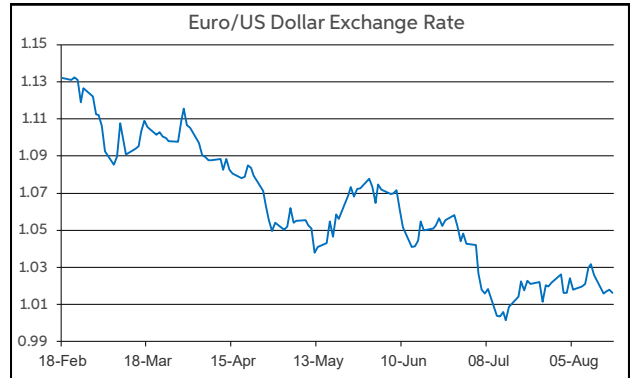
There were big moves on bond markets yesterday, with yields rising sharply, amid a hardening of European rate expectations in reaction to UK CPI inflation data. Official rates in the UK are now seen peaking nearer to 3.75% (vs. 3.25% on Monday). Eurozone rates are now being priced to rise to near 1.7% (vs. 1.4% previously). These developments weighed on investor sentiment.

The other main macro events were from the US diary. Data-wise, the headline number for July retail sales missed slightly versus consensus, printing at 0% m/m (f'cast for 0.1%). However, the underlying data indicate a solid start to Q3 for the all-important consumer side of the US economy. Meanwhile, the release of the Fed minutes from their July meeting (when they hiked rates by 75bps) was closely followed by markets. Overall, the minutes highlighted that the extent of the next rate hike will be very much data dependent. Futures contracts suggest the market is pricing at least 50bps of a rate hike from the Fed next month.

From a currency viewpoint, the action amongst the main pairs was generally confined to narrow ranges. However, the dollar was holding a slightly firmer tone amid the 'risk off' backdrop. Meanwhile, despite the firming in UK rate expectations, sterling found itself on the defensive. The EUR/USD pair edged lower within the \$1.01-1.02 band, while GBP/USD was unable to hold onto its position above \$1.21. Elsewhere, EUR/GBP recovered the ground it had lost from Tuesday, moving back up to the midpoint of 84-85p.

Looking ahead to today, the main calendar items of note are the final reading of Eurozone inflation (Jul), US existing home sales (Jul) and the regional Philly Fed survey (Aug).

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0163	-0.18	-10.60
EUR/GBP	0.845	0.58	0.60
GBP/USD	1.2028	-0.74	-11.09
GBP/EUR	1.183	-0.58	-0.59
USD/JPY	135.23	0.81	17.51
EUR/JPY	137.45	0.64	5.03

* 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	2.37	2.98	3.68	3.62	3.07
EUR	0.50	-0.03	0.33	1.22	1.56	1.71
GBP	1.75	1.79	2.25	3.16	3.57	3.10

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

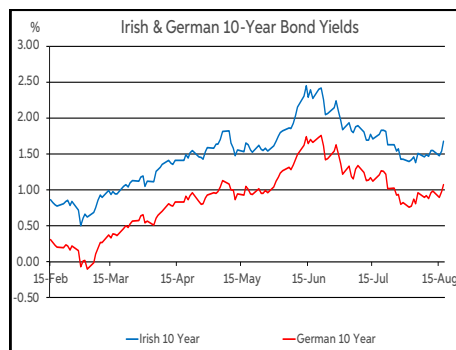
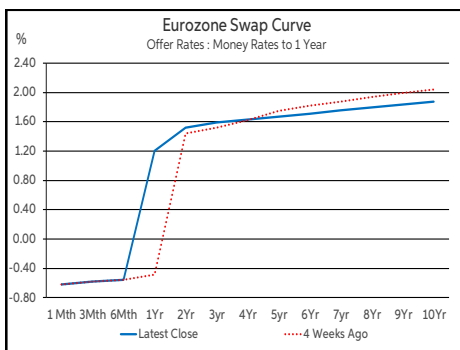
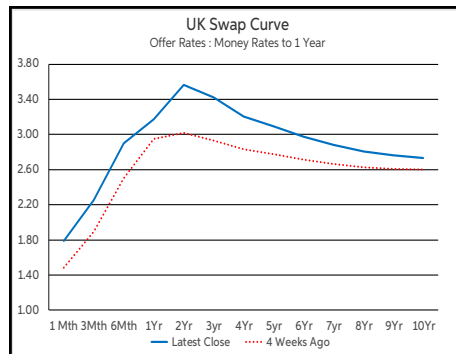
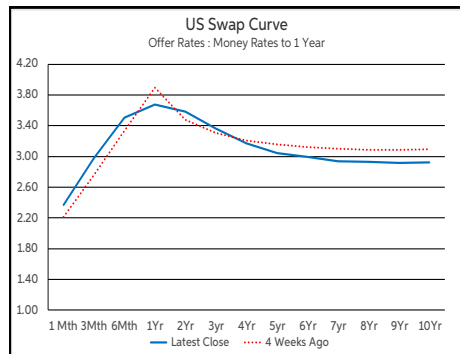
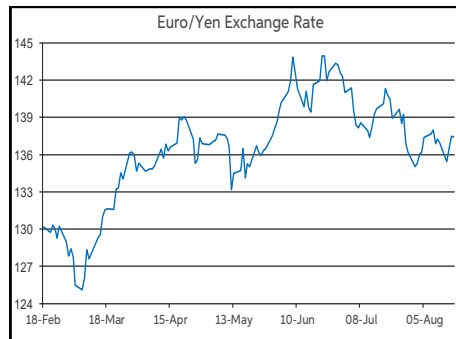
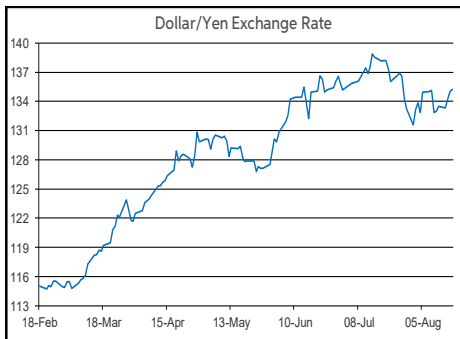
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

Thursday 18 August 2022
07:24 am



Euro		Sterling		Dollar	
EUR/GBP	0.845	GBP/EUR	1.183	USD/JPY	135.23
EUR/USD	1.0163	GBP/USD	1.2028	USD/CAD	1.2931
EUR/JPY	137.45	GBP/CAD	1.5552	USD/CHF	0.9526
EUR/SEK	10.5936	GBP/NZD	1.9185	USD/CNY	6.7913
EUR/DKK	7.4379	GBP/JPY	162.65	USD/BRL	5.166
EUR/NOK	9.9021	GBP/SEK	12.5318	USD/RUB	60.6
EUR/CHF	0.9683	GBP/DKK	8.7999	USD/INR	79.6625
EUR/AUD	1.4688	GBP/NOK	11.7136	AUD/USD	0.6919
EUR/HKD	7.971	GBP/CHF	1.1456	NZD/USD	0.6267
EUR/CAD	1.3144	GBP/AUD	1.7379		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	2.90	+9	-13	+139
Germany	1.08	+10	-18	+126
UK	2.29	+16	+15	+132
5 Year Swap %				
US	3.04	+9	-7	+171
Eurozone	1.67	+13	-7	+166
UK	3.09	+22	+32	+182
2 Year Swap %				
US	3.58	+7	+14	+264
Eurozone	1.52	+15	+9	+182
UK	3.57	+30	+55	+237
10 Year Government Bond Spreads to Benchmark bps				
Ireland	63	+2	+5	+20
Belgium	63	+2	+2	+27
France	58	+2	+0	+20
Italy	224	+8	-0	+87
Spain	115	+3	-8	+37
Portugal	106	+4	-9	+39
Greece	243	+8	+23	+94

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	93.65	+1.42	-12.41	+20.40
West Texas Oil	90.85	+1.82	-13.02	+20.60
Gold \$	1761.1	-0.82	+3.81	-3.68

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