

## Dollar in a dominant position

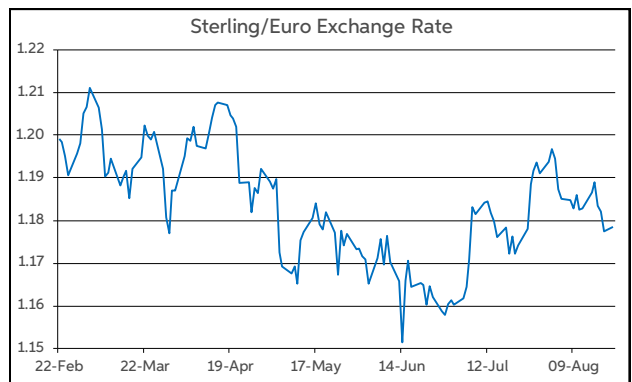
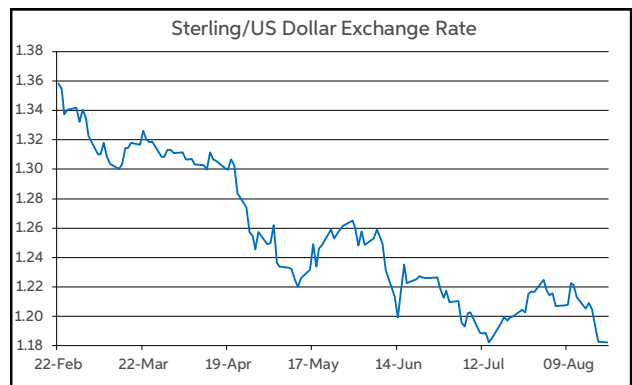
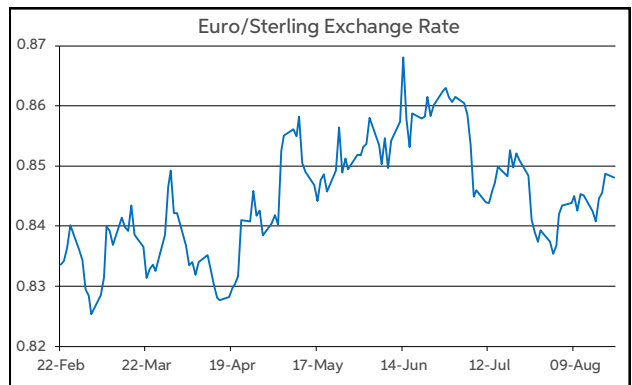
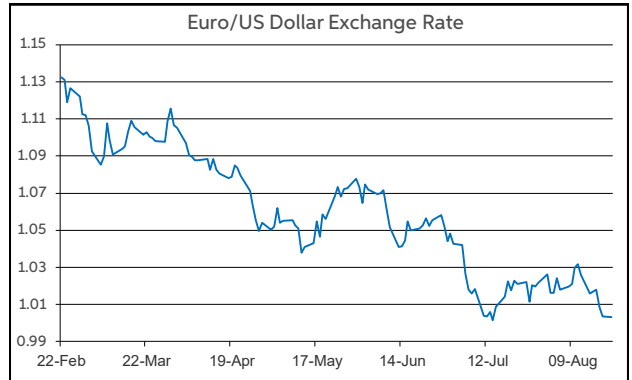
Last week saw a notable hardening in European rate expectations. The key driver of this was the higher than expected UK CPI inflation for July. The headline rate rose to 10.1% (9.8% f'cast). However, the extent of the reaction on interest rate markets was somewhat surprising given it was not a huge miss as well as the fact that UK inflation is expected to peak at above 13% in Q4.

The BoE rate is now seen rising to near 4% next year, compared to 3.25% last Monday. Retail sales and wage growth data also added to the firming in UK futures contracts. Meanwhile, there is also now an additional 25bps priced in for ECB hikes, with the depo rate seen getting up to near 1.7% next year. In contrast there was minimal movement in US market rates.

However, despite this, the dollar was very much in the ascendancy last week. Market concerns regarding the global macro outlook and the resulting safe haven appeal of the greenback outweighed the relative moves in interest rates. At the same time, sterling suffered from the view that the extent of rate hikes now envisaged would further depress the UK economy. In level terms, the dollar's dominance is reflected in EUR/USD starting this week just above parity at \$1.003. The combination of the stronger dollar and weaker sterling sees GBP/USD down close to \$1.18. The softer pound is also evident in EUR/GBP in the upper half of 84-85p.

This week, flash PMIs for August and US Core-PCE inflation are the main data highlights. However, attention is likely to be focused on Fed Chair Powell's speech at Jackson Hole. Although, the degree of rate guidance may be limited given the Fed has adopted a data dependent approach to its future rate hikes. The ECB meeting 'account' will also warrant some attention.

**John Fahey, Senior Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0031	-0.43	-11.76
EUR/GBP	0.8481	0.21	0.96
GBP/USD	1.1825	-0.63	-12.60
GBP/EUR	1.1784	-0.21	-0.96
USD/JPY	137.04	0.57	19.08
EUR/JPY	137.51	0.16	5.07

\* 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	2.39	2.96	3.66	3.61	3.13
EUR	0.50	0.03	0.43	1.33	1.71	1.86
GBP	1.75	1.80	2.32	3.48	3.69	3.24

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

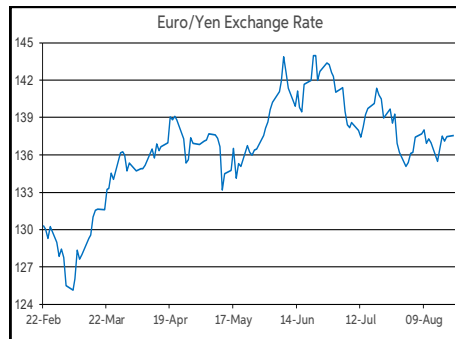
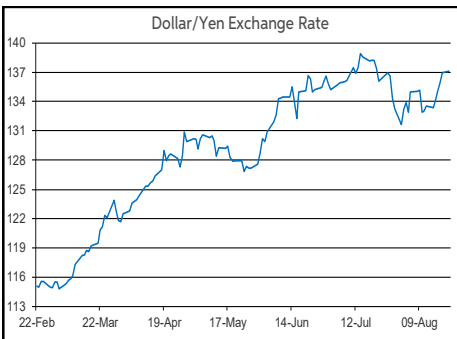
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

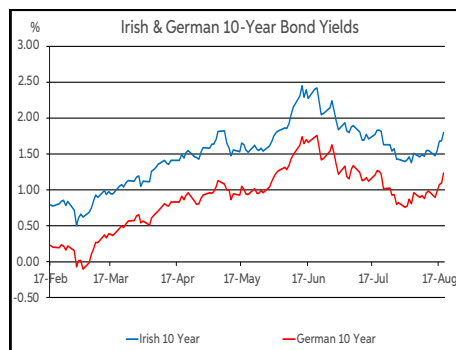
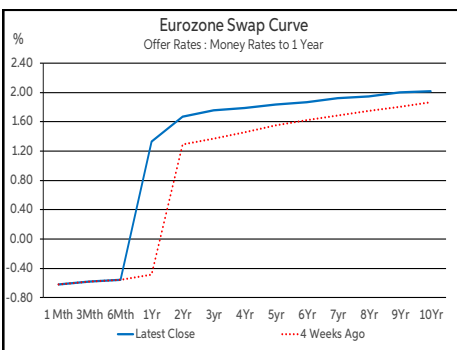
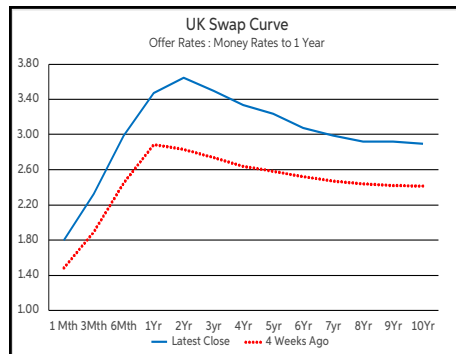
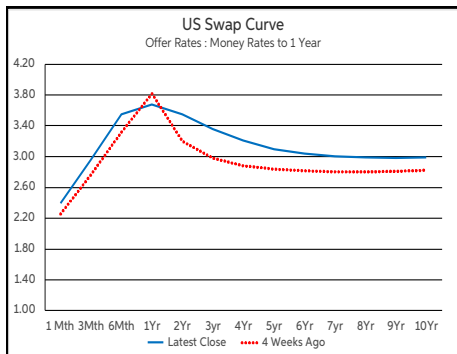
Monday 22 August 2022  
07:23 am



Euro		Sterling		Dollar	
EUR/GBP	0.8481	GBP/EUR	1.1784	USD/JPY	137.04
EUR/USD	1.0031	GBP/USD	1.1825	USD/CAD	1.2997
EUR/JPY	137.51	GBP/CAD	1.5372	USD/CHF	0.9594
EUR/SEK	10.6296	GBP/NZD	1.906	USD/CNY	6.8247
EUR/DKK	7.4369	GBP/JPY	162.07	USD/BRL	5.1701
EUR/NOK	9.8494	GBP/SEK	12.525	USD/RUB	59.1
EUR/CHF	0.9624	GBP/DKK	8.7648	USD/INR	79.87
EUR/AUD	1.4537	GBP/NOK	11.6044		
EUR/HKD	7.8711	GBP/CHF	1.1345	AUD/USD	0.6899
EUR/CAD	1.304	GBP/AUD	1.7135	NZD/USD	0.6204



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
<b>10 Year Yield %</b>				
US	2.98	+9	+22	+146
Germany	1.23	+14	+21	+141
UK	2.42	+10	+48	+144
<b>5 Year Swap %</b>				
US	3.09	+8	+29	+176
Eurozone	1.84	+11	+30	+183
UK	3.24	+8	+66	+196
<b>2 Year Swap %</b>				
US	3.55	+3	+39	+261
Eurozone	1.67	+10	+39	+197
UK	3.65	+4	+82	+245
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	61	-1	-6	+18
Belgium	61	-1	-3	+26
France	57	-1	-2	+20
Italy	226	+3	-14	+89
Spain	114	-0	-9	+37
Portugal	106	-0	-11	+40
Greece	246	+2	+20	+97



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	96.72	+0.13	-6.28	+24.35
West Texas Oil	93.55	+0.38	-4.26	+24.19
Gold \$	1747.8	-0.59	+1.24	-4.41

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