

EUR/USD testing below parity

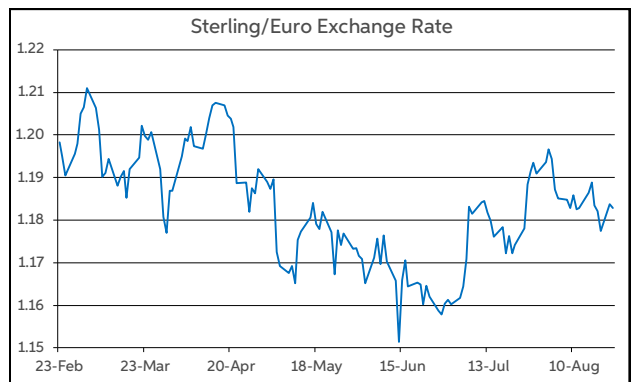
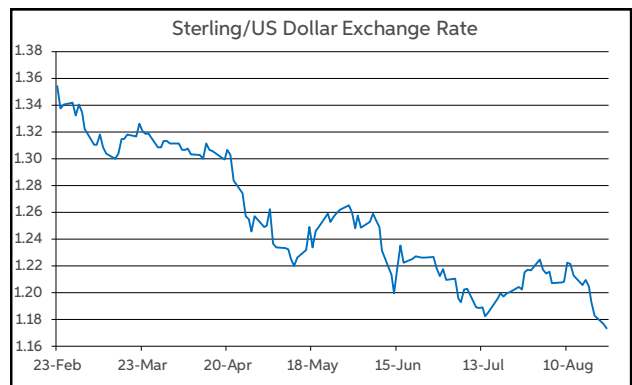
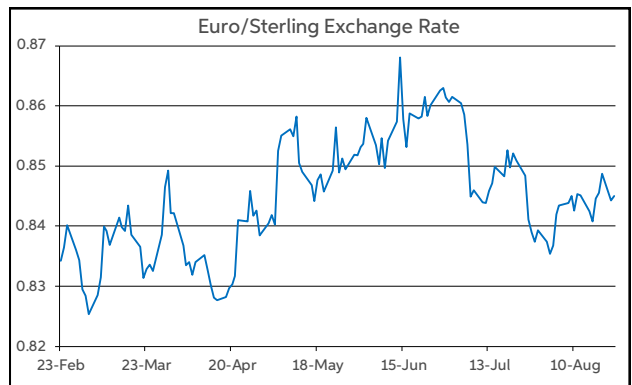
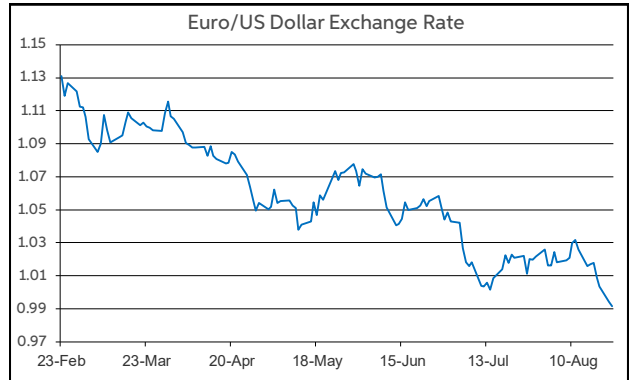
The dollar continued to hold the upper hand on the exchanges yesterday. This was against the backdrop of a distinctly risk averse tone to investor sentiment. Concerns over European energy supplies and a further hardening of ECB rate expectations weighed on risk appetite in the Eurozone. Futures contracts now see the Depo rate getting up towards 1.9% in 2023. This is around an additional 20bps in rate rises than what was priced in yesterday morning.

The firming in market rate pricing saw bond yields move upwards across the board. The German 10-year Bund yield was 7bps higher, rising to 1.3%, while the yield on 10-year UK Gilts rose by 10bps to above 2.5%. Meanwhile the 10-year Treasury yield rose by 5bps, to move back above the 3% level. The negative tone to risk appetite was reflected in the Euro Stoxx 50 falling by 1.9%. The 'risk off' mood carried over onto Wall Street. At the closing bell last night, the S&P 500 was down 2.1% on the day.

Currency-wise, the risk aversion and the dollar's safe haven appeal once again outweighed relative moves in interest rate differentials. The dollar's on-going dominance was evident in the EUR/USD pair testing below parity. This has continued in overnight action with the pair trading to a new year-to-date low of \$0.991. At the same time, GBP/USD has fallen below the \$1.18 threshold and opens this morning in the lower half of \$1.17-1.18. Elsewhere, EUR/GBP has spent the past 24 hours in a relatively narrow range close to the midpoint of the 84-85p band.

Ahead today, the flash PMIs for August from the Eurozone, US and UK are the key data releases today. The indices are all expected to weaken further, bar the US services index.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	0.9916	-1.22	-12.77
EUR/GBP	0.845	-0.39	0.60
GBP/USD	1.1733	-0.81	-13.28
GBP/EUR	1.183	0.39	-0.59
USD/JPY	137.31	0.05	19.32
EUR/JPY	136.18	-1.15	4.06

* 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	2.43	2.98	3.72	3.64	3.19
EUR	0.50	0.03	0.43	1.40	1.79	1.99
GBP	1.75	1.85	2.35	3.59	3.79	3.37

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

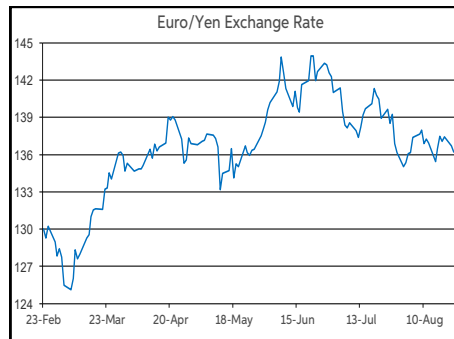
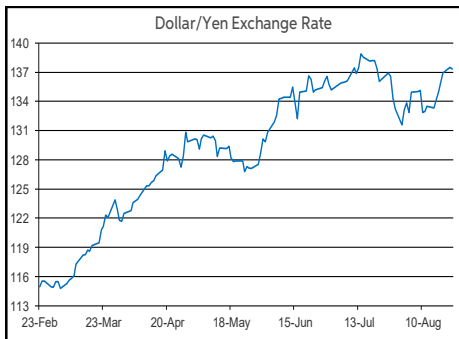
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

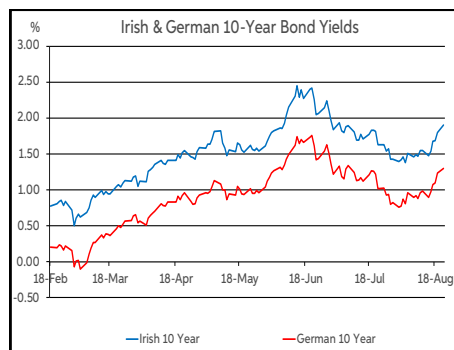
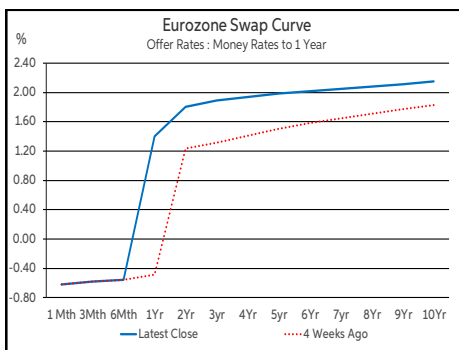
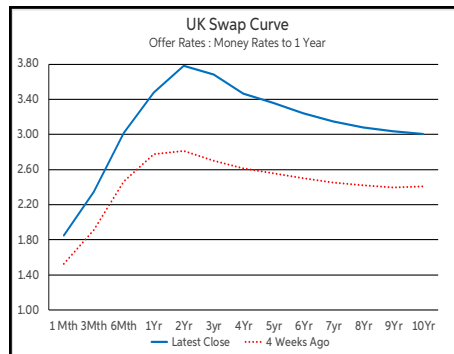
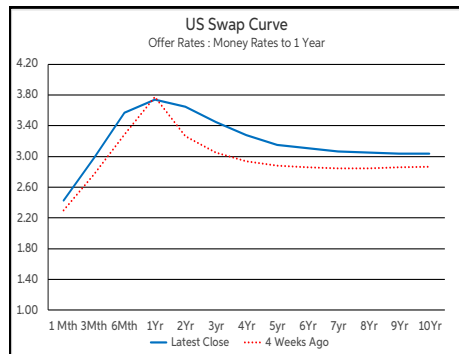
Tuesday 23 August 2022
07:23 am



Euro		Sterling		Dollar	
EUR/GBP	0.845	GBP/EUR	1.183	USD/JPY	137.31
EUR/USD	0.9916	GBP/USD	1.1733	USD/CAD	1.3052
EUR/JPY	136.18	GBP/CAD	1.5316	USD/CHF	0.9651
EUR/SEK	10.6551	GBP/NZD	1.9042	USD/CNY	6.8607
EUR/DKK	7.4374	GBP/JPY	161.11	USD/BRL	5.1571
EUR/NOK	9.7715	GBP/SEK	12.6033	USD/RUB	59.8
EUR/CHF	0.9571	GBP/DKK	8.7981	USD/INR	79.883
EUR/AUD	1.4461	GBP/NOK	11.5645	AUD/USD	0.6856
EUR/HKD	7.7814	GBP/CHF	1.1327	NZD/USD	0.6159
EUR/CAD	1.2944	GBP/AUD	1.711		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.02	+5	+22	+151
Germany	1.30	+7	+27	+148
UK	2.51	+10	+58	+154
Ireland	1.93	+9	+25	+169
Belgium	1.92	+8	+28	+175
France	1.91	+10	+29	+171
Italy	3.63	+14	+24	+244
Spain	2.50	+12	+27	+191
Portugal	2.38	+8	+22	+190
Greece	3.78	+9	+68	+247
5 Year Swap %				
US	3.15	+6	+31	+182
Eurozone	1.98	+14	+49	+197
UK	3.36	+12	+81	+209
2 Year Swap %				
US	3.64	+8	+42	+270
Eurozone	1.80	+13	+58	+210
UK	3.78	+12	+98	+259
10 Year Government Bond Spreads to Benchmark bps				
Ireland	63	+3	-2	+21
Belgium	62	+1	+1	+27
France	60	+3	+2	+23
Italy	233	+7	-3	+96
Spain	120	+6	-0	+43
Portugal	108	+2	-5	+42
Greece	248	+2	+41	+99



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	96.48	-0.25	-8.25	+24.04
West Texas Oil	93.42	-0.14	-6.42	+24.01
Gold \$	1735.7	-0.69	+0.98	-5.07

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