

## Sterling on the defensive early doors

Last week, equities moved lower on both sides of the Atlantic. The Euro Stoxx 50 fell by 3.4%, while the S&P 500 shed 4%. On bond markets, yields moved higher along the curve in the US, Eurozone and the UK, with the most pronounced rises at the front end. The policy sensitive 2-year US Treasury yield briefly touched its highest level since 2007, while the 2-year UK Gilt yield rose by a substantial 25bps.

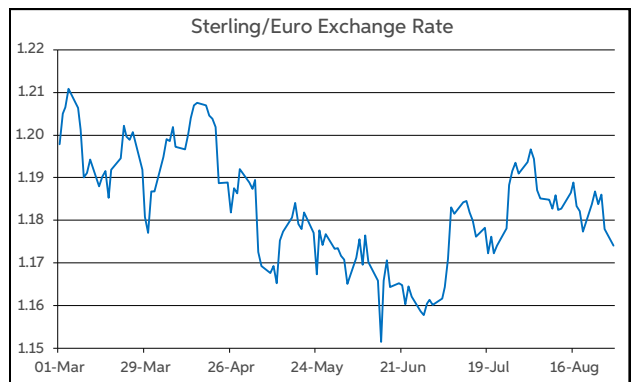
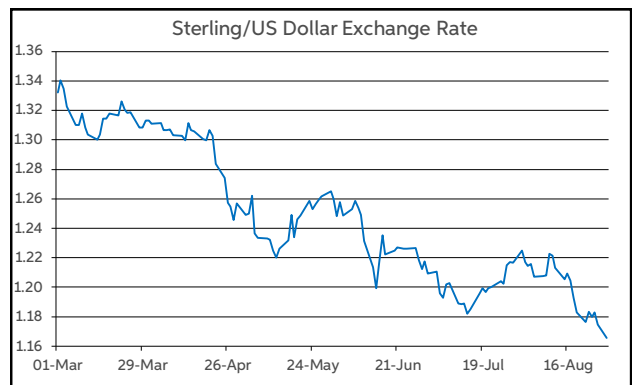
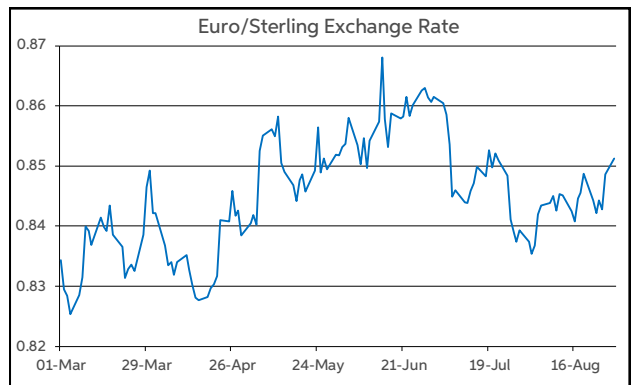
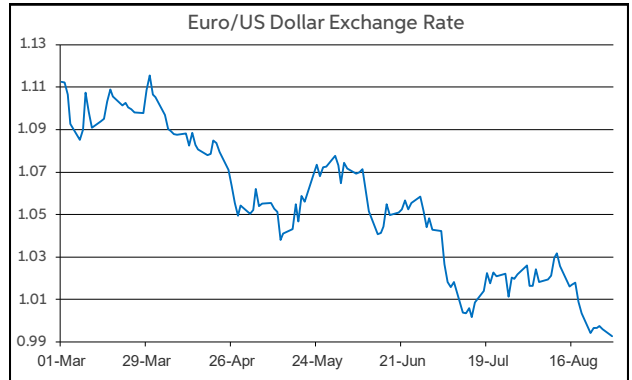
The move higher in bond yields largely reflected a further hardening in market rate expectations and some hawkish central bank rhetoric. Interest rates are now seen as climbing to as high as 2% in the Eurozone, and 4.25% in the UK, in 2023. Meanwhile, Fed Chair Powell emphasised in a key speech on Friday, that the US economy will require a restrictive monetary policy for some time.

On the currency front, the most significant action took place early in the week. EUR/USD fell to a new year-to-date low of \$0.99 on Tuesday, as did GBP/USD, at \$1.171. However, as the week progressed, the dollar was unable to hold onto all of its gains.

In early trading today though, sterling has found itself on the defensive. EUR/GBP is changing hands above the 85p mark, while GBP/USD is operating below \$1.17, near the midpoint of \$1.16-1.17. Elsewhere, EUR/USD starts the week in the lower half of the \$0.99-1.00 range.

Today, a market holiday in the UK may contribute to a quiet start to the week. Looking ahead, labour market data for August and a plethora of Fed speakers are due from the US. In the Eurozone, the important flash reading of HICP inflation and the EC sentiment indices for August are the main highlights.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	0.9929	-0.32	-12.66
EUR/GBP	0.8514	0.94	1.36
GBP/USD	1.1662	-1.24	-13.80
GBP/EUR	1.1741	-0.93	-1.34
USD/JPY	138.78	1.43	20.59
EUR/JPY	137.83	1.12	5.32

\* 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	2.52	3.07	3.84	3.82	3.36
EUR	0.50	0.09	0.54	1.66	2.10	2.24
GBP	1.75	1.92	2.42	3.72	3.99	3.55

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

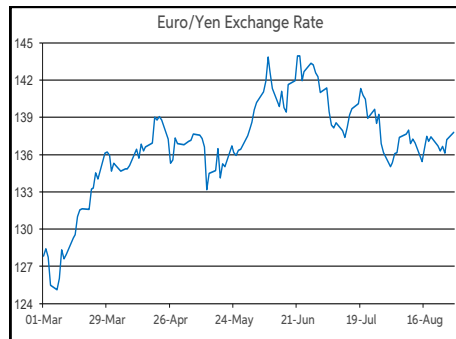
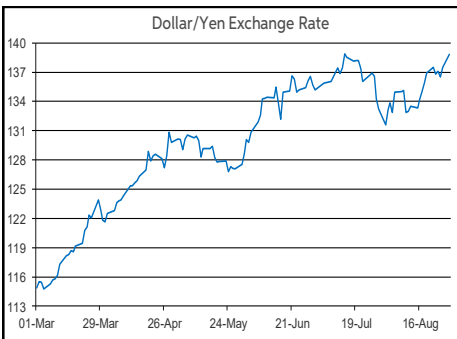
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

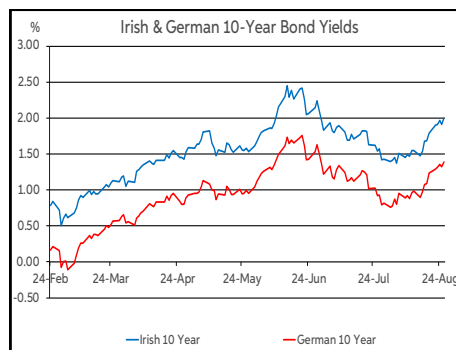
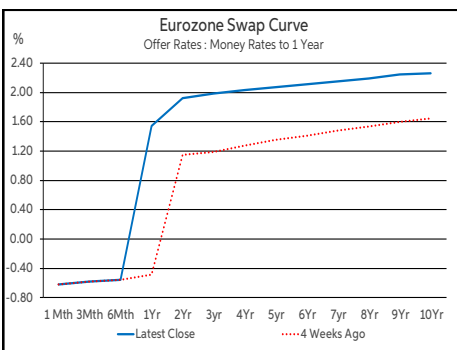
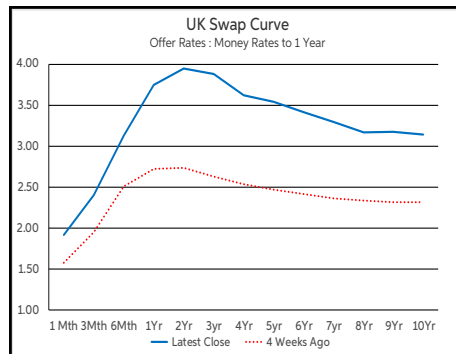
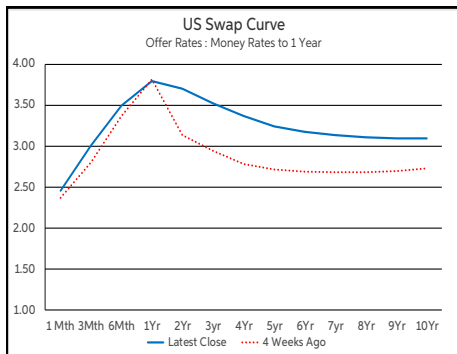
Monday 29 August 2022  
07:28 am



Euro		Sterling		Dollar	
EUR/GBP	0.8514	GBP/EUR	1.1741	USD/JPY	138.79
EUR/USD	0.9929	GBP/USD	1.1662	USD/CAD	1.307
EUR/JPY	137.82	GBP/CAD	1.5243	USD/CHF	0.9699
EUR/SEK	10.6286	GBP/NZD	1.9095	USD/CNY	6.919
EUR/DKK	7.4375	GBP/JPY	161.86	USD/BRL	5.0599
EUR/NOK	9.7404	GBP/SEK	12.4846	USD/RUB	59.3
EUR/CHF	0.9632	GBP/DKK	8.734	USD/INR	80.078
EUR/AUD	1.4488	GBP/NOK	11.4368	AUD/USD	0.6853
EUR/HKD	7.7941	GBP/CHF	1.1313	NZD/USD	0.6105
EUR/CAD	1.2978	GBP/AUD	1.7015		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
<b>10 Year Yield %</b>				
US	3.03	-0	+37	+152
Germany	1.40	+7	+57	+158
UK	2.60	-1	+75	+163
<b>5 Year Swap %</b>				
Ireland	2.05	+8	+60	+180
Belgium	2.03	+8	+61	+186
France	2.01	+8	+62	+182
Italy	3.69	+14	+54	+251
Spain	2.60	+10	+67	+200
Portugal	2.50	+9	+64	+201
Greece	3.97	+7	+98	+266
<b>2 Year Swap %</b>				
US	3.24	+8	+57	+191
Eurozone	2.08	+10	+73	+207
UK	3.54	+1	+107	+227
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	65	+1	+2	+22
Belgium	64	+1	+4	+28
France	61	+1	+5	+24
Italy	229	+7	-3	+93
Spain	120	+3	+10	+42
Portugal	110	+2	+7	+44
Greece	258	+0	+41	+108



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	100.99	+1.66	-8.20	+29.84
West Texas Oil	93.63	+0.32	-7.58	+24.29
Gold \$	1736.9	-1.23	-1.61	-5.01

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