

Dollar very much to the fore

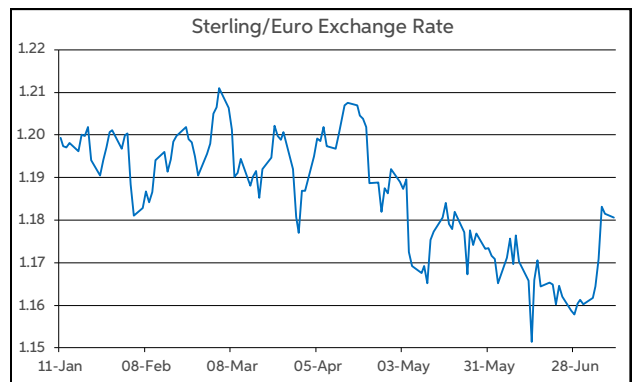
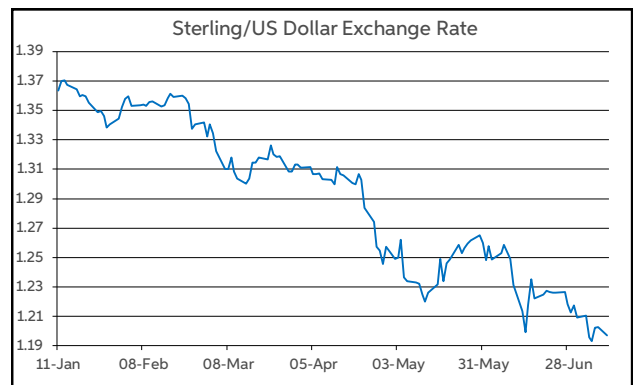
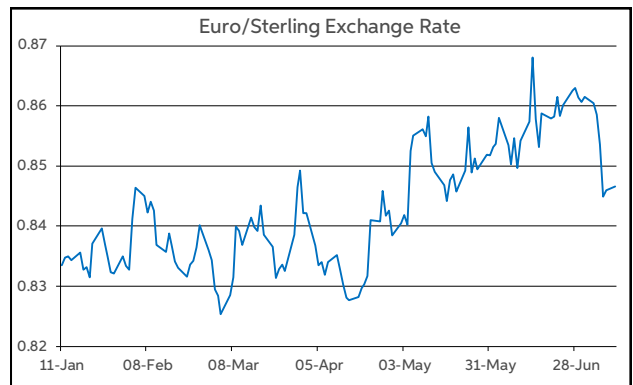
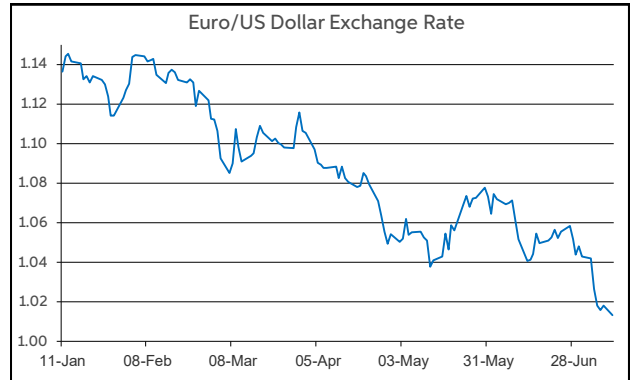
The action on the currency front last week grabbed some of the market headlines. The dollar was very much in the ascendancy, while the euro was under pressure, resulting in a major support level giving way. Interest rate differentials have been playing an important role in this recent FX action. An easing in commodity prices, combined with heightened 'recession' concerns, has seen markets anticipating that there may be only limited rate hikes in many economies outside of the US.

The US Fed is already well into its rate tightening cycle, with the Fed's funds rate at 1.625%, which included a 75bps hike in June. Futures contracts are anticipating US rates at 3.25% by end year. In contrast, the ECB has yet to begin to raise rates and markets are eyeing rates rising to just 0.75% by end year. Meantime, the BoE has been increasing interest rates in gradual 25bps increments. The dollar is also being supported by safe haven demand amid the increased nervousness on markets regarding the risk of recession.

In level terms, in a significant move, EUR/USD fell to 20-year lows with the key support at \$1.04 being breached. The pair fell to a low of \$1.007. Dollar strength was also reflected in GBP/USD falling below \$1.20. Meanwhile, the weaker euro saw EUR/GBP fall from 86p territory to under the 85p handle.

As trading gets underway this morning EUR/USD is above the \$1.01 mark. Last week's moves open the way to a fall to parity or below for the pair. The last time this occurred, it endured for almost 3 years during the period 2000-2002. So, for the week ahead, the action in EUR/USD will remain a key point of focus. Data-wise, the main highlights this week are US consumer sentiment (July) retail sales and CPI (both June) and UK GDP (May).

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0133	-0.20	-10.86
EUR/GBP	0.8466	0.19	0.79
GBP/USD	1.1969	-0.37	-11.53
GBP/EUR	1.1807	-0.19	-0.78
USD/JPY	136.98	1.12	19.03
EUR/JPY	138.83	0.93	6.08

* 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	1.625	1.90	2.42	3.36	3.36	3.14
EUR	0.00	-0.43	-0.09	0.85	1.30	1.72
GBP	1.25	1.28	1.76	2.80	3.04	2.85

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

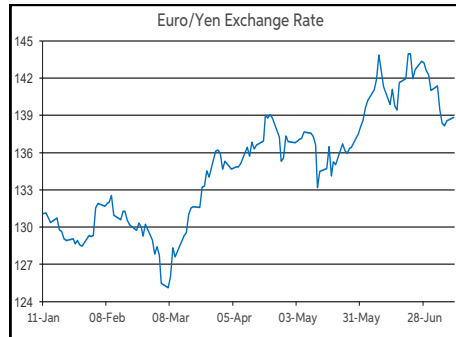
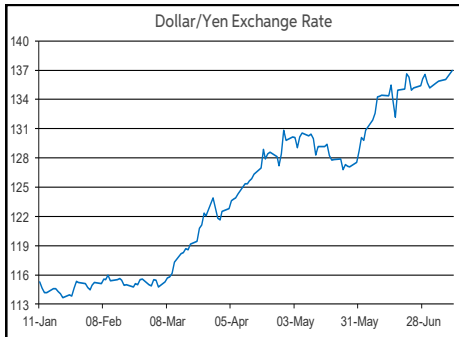
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

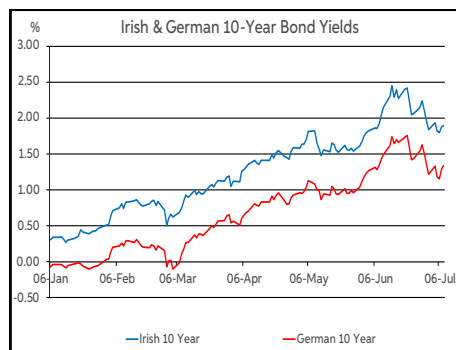
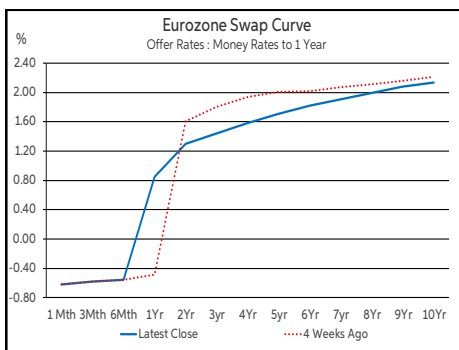
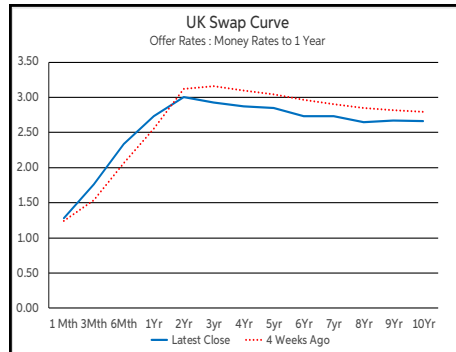
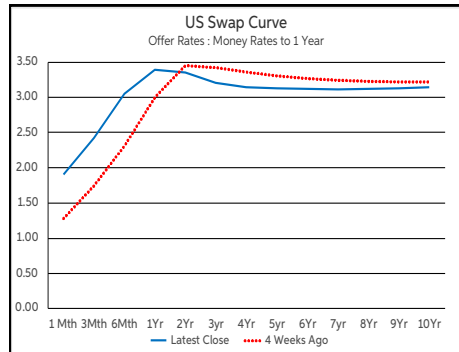
Monday 11 July 2022
07:27 am



Euro		Sterling		Dollar	
EUR/GBP	0.8466	GBP/EUR	1.1807	USD/JPY	136.98
EUR/USD	1.0133	GBP/USD	1.1969	USD/CAD	1.299
EUR/JPY	138.83	GBP/CAD	1.5548	USD/CHF	0.98
EUR/SEK	10.7248	GBP/NZD	1.9406	USD/CNY	6.7116
EUR/DKK	7.4409	GBP/JPY	163.95	USD/BRL	5.2536
EUR/NOK	10.3059	GBP/SEK	12.6616	USD/RUB	61
EUR/CHF	0.9932	GBP/DKK	8.786	USD/INR	79.419
EUR/AUD	1.4881	GBP/NOK	12.1672	AUD/USD	0.6809
EUR/HKD	7.9554	GBP/CHF	1.1731	NZD/USD	0.6165
EUR/CAD	1.3165	GBP/AUD	1.7573		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.08	+8	-8	+157
Germany	1.35	+6	-16	+153
UK	2.23	+11	-21	+126
Ireland	1.96	+6	-23	+171
Belgium	1.98	+4	-18	+181
France	1.88	+3	-21	+169
Italy	3.37	-1	-48	+219
Spain	2.42	+2	-35	+183
Portugal	2.44	+4	-36	+195
Greece	3.65	+12	-72	+234
5 Year Swap %				
US	3.13	+11	-14	+179
Eurozone	1.71	-2	-29	+170
UK	2.85	+12	-19	+157
2 Year Swap %				
US	3.35	+10	-6	+241
Eurozone	1.30	-1	-30	+160
UK	3.00	+8	-11	+181
10 Year Government Bond Spreads to Benchmark bps				
Ireland	61	+0	-8	+18
Belgium	64	-2	-2	+28
France	54	-2	-5	+17
Italy	203	-6	-32	+66
Spain	107	-4	-19	+30
Portugal	109	-2	-20	+43
Greece	230	+7	-56	+81



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	107.02	+2.26	-12.29	+37.59
West Texas Oil	106.78	+2.06	-11.55	+41.75
Gold \$	1741.8	+0.13	-6.90	-4.73

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