

## Event risk for the euro this week

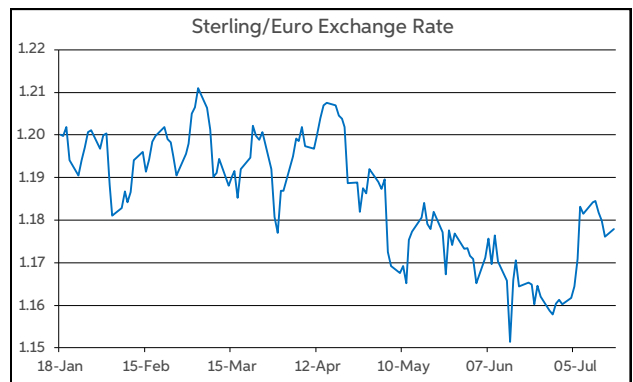
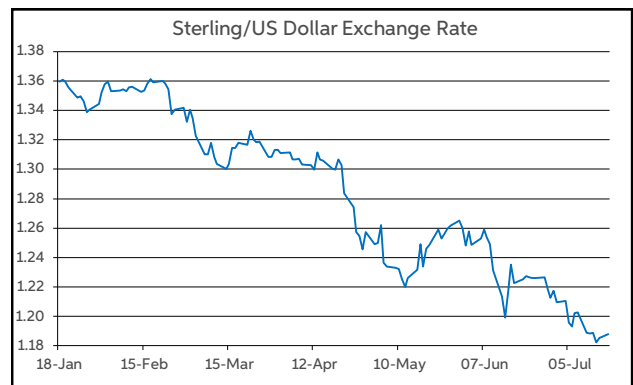
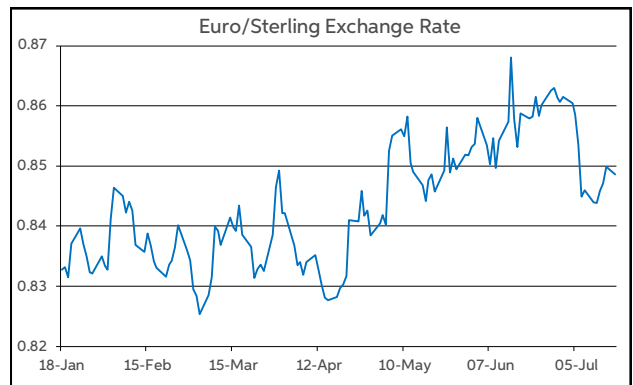
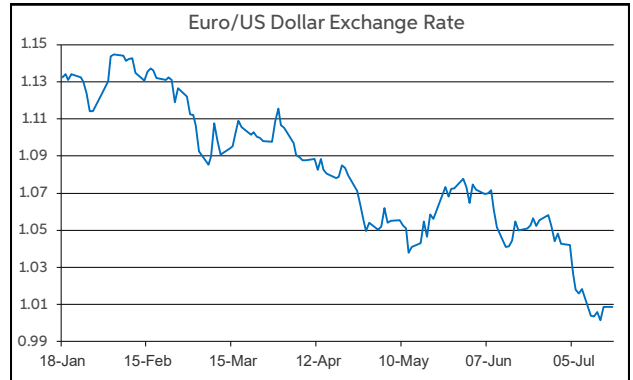
The dollar remained very much in the ascendancy on currency markets last week. Its position of dominance stems from, a flight to quality amid the risk averse backdrop and favourable interest rate differentials, with the Fed well ahead of the other main central banks in terms of rate hikes and hawkish guidance.

The currency's broad-based strength was reflected in the dollar index (a measure of the currency's value against a number of peers) breaking above 108, to new 20-year highs. Meanwhile, the move in EUR/USD grabbed the headlines, with the pair falling to parity and testing below this threshold for the first time since 2002. It fell to a low of \$0.995 before trading in a \$1.00-1.01 range heading into the weekend. The stronger dollar was also evident in GBP/USD falling below the \$1.18 handle to a low of \$1.176. Although it has since moved back up into the \$1.18-1.19 band. Elsewhere, EUR/GBP spent most of last week within 84-85p.

Looking to the week ahead, given the significant role that interest rate differentials are playing on FX markets, Thursday's ECB meeting poses some key event risk for the euro. The ECB has guided a 25bps rate hike, which would represent its first rate rise since 2011. The market, in terms of pricing expectations, has not ruled out a 50bps hike and sees rates getting to 1% by year end.

However, if the ECB fails to convince markets that significant rate hikes are on the cards, we could see the euro come under further downward pressure. As a result, EUR/USD may trade below parity on a more sustained basis. The previous time the pair fell below parity, it remained there for almost 3 years during the period 2000-2002. Data-wise, the highlights are the flash PMIs for July, UK labour market metrics (May) and CPI inflation for June.

**John Fahey, Senior Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0086	0.57	-11.28
EUR/GBP	0.8486	0.11	1.02
GBP/USD	1.1882	0.43	-12.17
GBP/EUR	1.1778	-0.11	-1.01
USD/JPY	138.26	-0.55	20.14
EUR/JPY	139.48	0.02	6.58

\* 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	2.12	2.74	3.46	3.37	3.04
EUR	0.00	-0.32	0.07	0.98	1.31	1.65
GBP	1.25	1.41	1.90	2.87	2.99	2.69

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

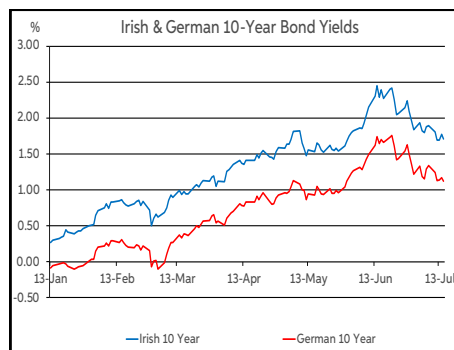
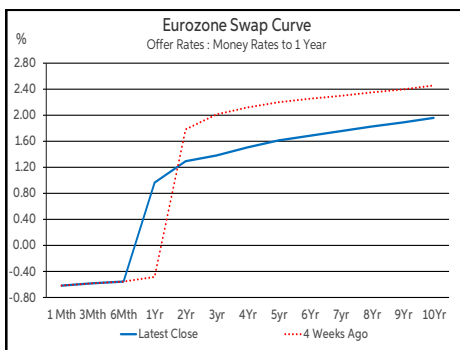
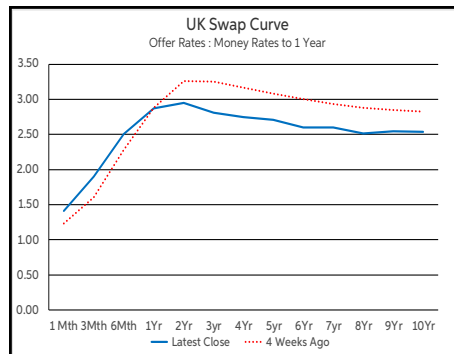
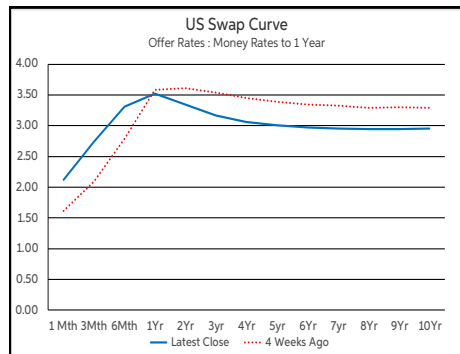
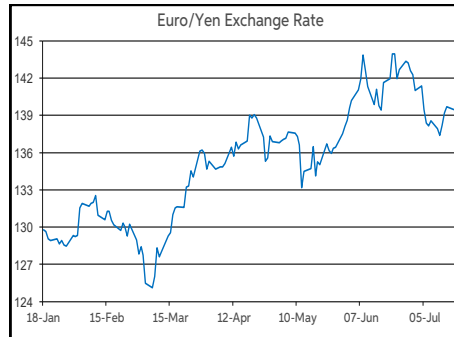
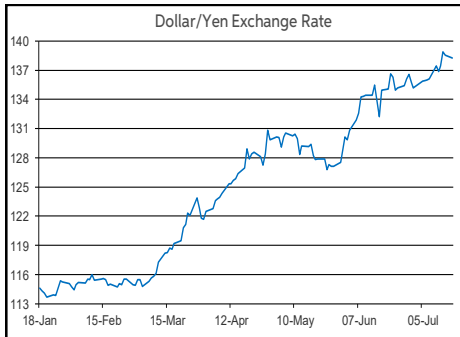
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

Monday 18 July 2022  
07:24 am



Euro		Sterling		Dollar	
EUR/GBP	0.8486	GBP/EUR	1.1778	USD/JPY	138.26
EUR/USD	1.0086	GBP/USD	1.1882	USD/CAD	1.2993
EUR/JPY	139.48	GBP/CAD	1.5441	USD/CHF	0.9756
EUR/SEK	10.567	GBP/NZD	1.9315	USD/CNY	6.747
EUR/DKK	7.4429	GBP/JPY	164.3	USD/BRL	5.4091
EUR/NOK	10.2781	GBP/SEK	12.4455	USD/RUB	57.2
EUR/CHF	0.9843	GBP/DKK	8.7665	USD/INR	79.885
EUR/AUD	1.4839	GBP/NOK	12.108		
EUR/HKD	7.9177	GBP/CHF	1.1594	AUD/USD	0.6797
EUR/CAD	1.3106	GBP/AUD	1.7482	NZD/USD	0.615



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
<b>10 Year Yield %</b>				
US	2.93	-3	-30	+142
Germany	1.13	-5	-53	+131
UK	2.09	-2	-41	+111
Ireland	1.75	-7	-59	+150
Belgium	1.77	-3	-53	+159
France	1.66	-3	-55	+146
Italy	3.36	-1	-31	+218
Spain	2.29	-4	-46	+169
Portugal	2.30	-5	-42	+182
Greece	3.52	-2	-49	+220
<b>5 Year Swap %</b>				
US	3.00	-4	-35	+167
Eurozone	1.62	+2	-57	+161
UK	2.71	-0	-37	+144
<b>2 Year Swap %</b>				
US	3.34	-4	-22	+240
Eurozone	1.29	+1	-48	+159
UK	2.95	-5	-31	+176
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	62	-1	-6	+19
Belgium	64	+3	+0	+28
France	53	+2	-1	+16
Italy	223	+4	+22	+87
Spain	116	+1	+7	+39
Portugal	117	-0	+12	+51
Greece	239	+3	+4	+90

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	101.16	+2.08	-10.57	+30.06
West Texas Oil	99.59	+1.84	-9.10	+32.20
Gold \$	1706.8	-0.16	-7.21	-6.65

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