

Risk Aversion to the fore

Amid a quiet macro data/event calendar concerns over the risks to the economic outlook from Covid-19 variants weighed on risk appetite yesterday. Heightened US-China tensions were also unhelpful to sentiment. Some profit-taking may also have contributed to the falls on equity markets, given many indices were at, or near to, all-time highs over recent weeks.

In Europe, the Euro Stoxx 50 fell by 2.7%. Meanwhile, at the closing bell on Wall Street last night, the global benchmark S&P 500 index was down by 1.6% on the day. In overnight action, the 'risk-off' tone has continued on Asia-Pacific markets, reflected in the Nikkei falling by 1.0%.

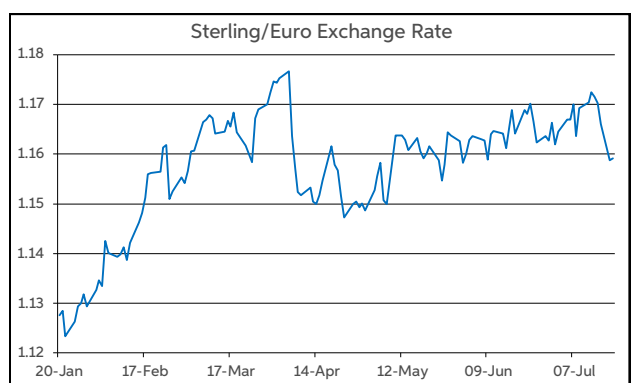
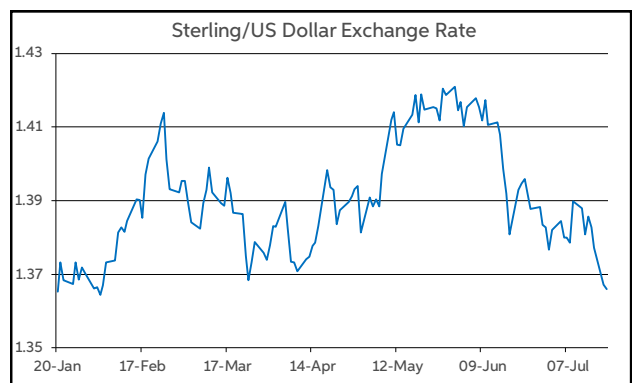
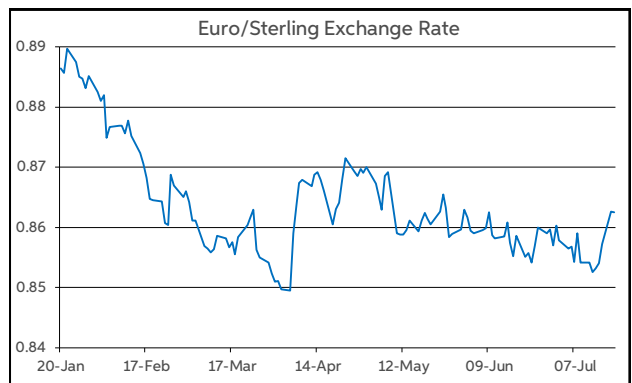
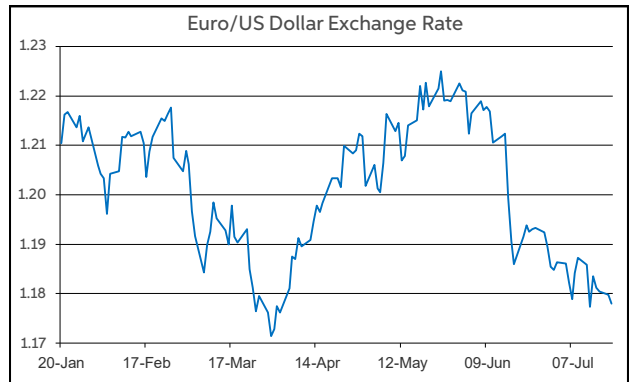
The risk aversion was also evident in a rally on bond markets, with yields falling amid safe haven demand. This included the US 10-year Treasury yield falling at one stage during the day below the 1.2% level for the first time since February.

On the currency front, the action was more subdued compared to other markets. Of the moves to register, sterling was generally holding a softer tone, while safe haven currencies such as the yen and dollar benefitted from the risk averse environment.

In level terms, the weaker sterling tone is illustrated in EUR/GBP opening this morning above 86p mark and GBP/USD changing hands below the \$1.37 handle. Meanwhile, EUR/USD has edged back below the \$1.18 level.

Looking ahead to today, the macro diary is quiet, with US housing starts for June one of the few highlights. Therefore, newsflow regarding Covid-19 could remain the centre of attention.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2020
EUR/USD	1.178	-0.21	-3.55
EUR/GBP	0.8625	0.51	-3.49
GBP/USD	1.3659	-0.70	-0.10
GBP/EUR	1.1591	-0.51	3.62
USD/JPY	109.48	-0.38	6.04
EUR/JPY	128.99	-0.59	2.24

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates						
		Money Market		Swap Rates		
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	0.125	0.09	0.13	0.15	0.29	0.77
EUR	0.00	-0.56	-0.55	-0.51	-0.46	-0.33
GBP	0.10	0.05	0.07	0.25	0.43	0.66

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

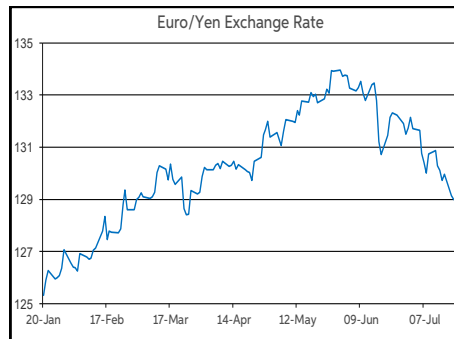
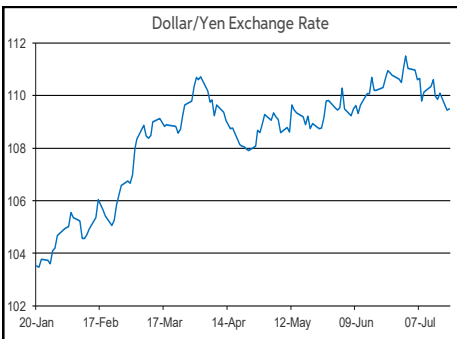
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

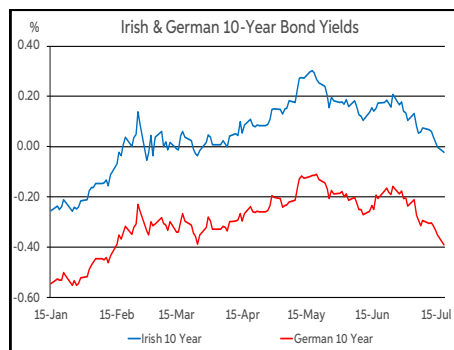
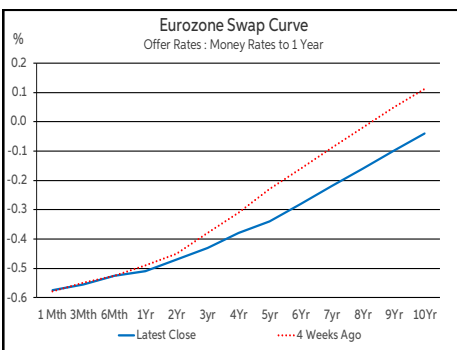
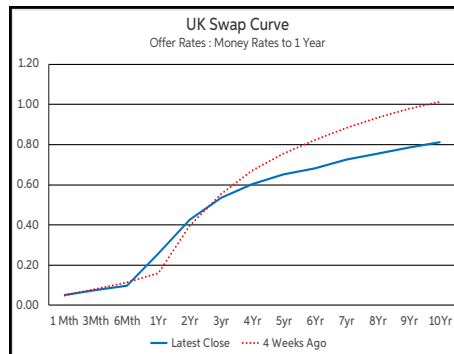
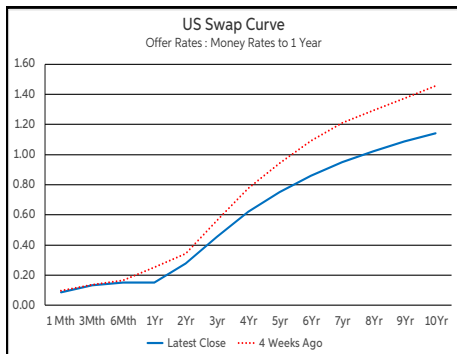
Tuesday 20 July 2021
07:20 am



Euro		Sterling		Dollar	
EUR/GBP	0.8624	GBP/EUR	1.1592	USD/JPY	109.48
EUR/USD	1.178	GBP/USD	1.3659	USD/CAD	1.2769
EUR/JPY	128.98	GBP/CAD	1.7442	USD/CHF	0.9189
EUR/SEK	10.2483	GBP/NZD	1.9795	USD/CNY	6.4873
EUR/DKK	7.4382	GBP/JPY	149.53	USD/BRL	5.2521
EUR/NOK	10.5673	GBP/SEK	11.8781	USD/RUB	74.6091
EUR/CHF	1.0826	GBP/DKK	8.6229	USD/INR	74.865
EUR/AUD	1.6096	GBP/NOK	12.2478	AUD/USD	0.7318
EUR/HKD	9.1544	GBP/CHF	1.2553	NZD/USD	0.6897
EUR/CAD	1.5044	GBP/AUD	1.866		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 20
10 Year Yield %				
US	1.20	-10	-30	+28
Germany	-0.39	-4	-21	+19
UK	0.56	-7	-21	+36
5 Year Swap %				
US	0.75	-7	-16	+33
Eurozone	-0.34	-2	-10	+12
UK	0.65	-6	-10	+46
2 Year Swap %				
US	0.28	-1	-4	+8
Eurozone	-0.47	-0	-1	+6
UK	0.43	-3	+4	+40
10 Year Government Bond Spreads to Benchmark bps				
Ireland	40	+2	+2	+13
Belgium	32	+1	+1	+13
France	35	+1	+1	+12
Italy	110	+3	+4	-0
Spain	74	+2	+11	+11
Portugal	64	+1	+2	-0
Greece	106	+3	+7	-14



Commodities				
	% Change			
	Close	Day	4 Weeks	End 20
Brent Oil	68.62	-6.75	-8.38	+32.47
West Texas Oil	66.45	-7.40	-9.76	+37.44
Gold \$	1812.3	+0.08	+1.65	-4.44

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