

ECB meeting poses event risk for the euro

There was a mixed mood on markets yesterday. Having initially moved lower, the Euro Stoxx 50 rebounded into the close to finish flat for the day. The S&P 500 rose by 0.6%. On the currency front, the main pairs were confined to fairly tight trading ranges. Of the limited moves to register, the dollar eked out some slight gains.

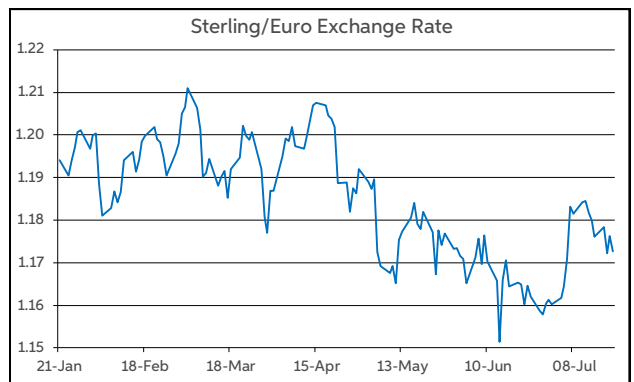
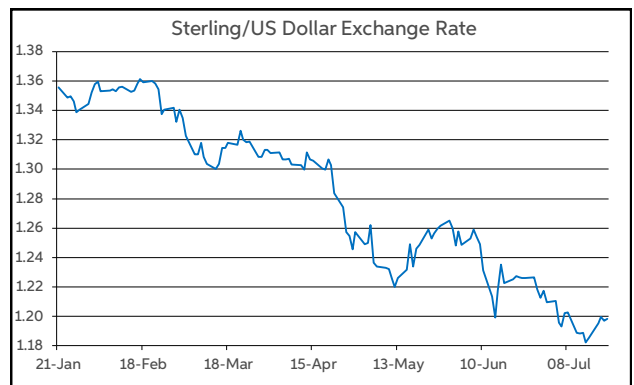
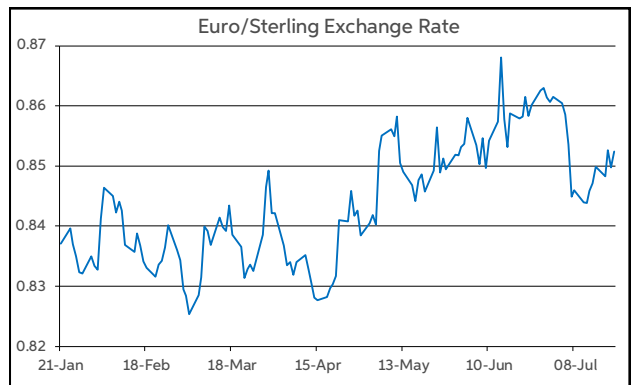
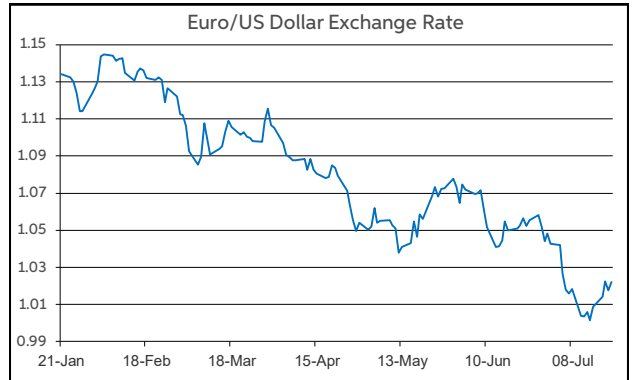
Meanwhile, Italian PM Draghi lost the support of three of the largest parties in his unity Government, plunging the country into a political crisis. The 10-year Italian BTP-Bund spread jumped to a peak of 245bps, but has since narrowed somewhat.

Data-wise, Eurozone flash consumer confidence fell to a new all-time low of -27 in July, below the consensus of -24.9. Meanwhile in the US, existing home sales declined for the fifth consecutive month, falling to a 2-year low of 5.12m in June, below the 5.38m forecast. Both metrics are indicative of increasing headwinds to economic activity for the US and Eurozone economies.

As trading gets underway this morning, the slightly firmer tone to the dollar sees EUR/USD open back closer to the \$1.02 level. EUR/GBP remains in the lower half of the 85-86p corridor. GBP/USD is operating back under the \$1.20 handle.

Today, all eyes will be on the ECB meeting. It is expected to hike rates by 25bps, having provided clear guidance at its previous policy meeting that it would do so. However in recent days speculation has increased that the ECB may consider a larger 50bps rate hike. The market will be paying close attention to any update to the ECB's forward guidance on rates. It will also be looking for more concrete details on the new anti-fragmentation tool. The event poses some key event risk for the euro.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0219	-0.22	-10.11
EUR/GBP	0.8525	0.13	1.49
GBP/USD	1.1986	-0.36	-11.41
GBP/EUR	1.1725	-0.13	-1.47
USD/JPY	138.33	0.25	20.20
EUR/JPY	141.37	0.02	8.02

* 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	2.21	2.76	3.54	3.50	3.18
EUR	0.00	-0.33	0.04	1.09	1.45	1.75
GBP	1.25	1.48	1.90	2.93	3.02	2.78

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

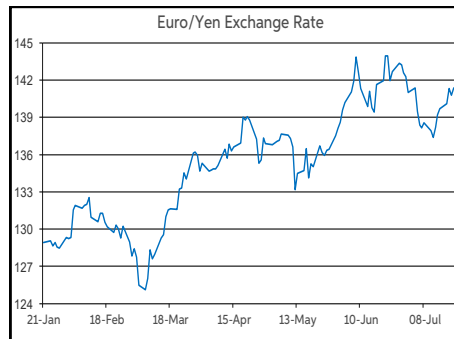
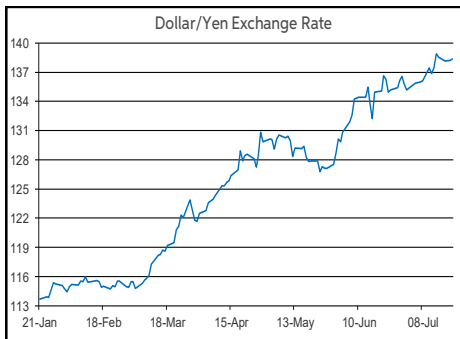
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

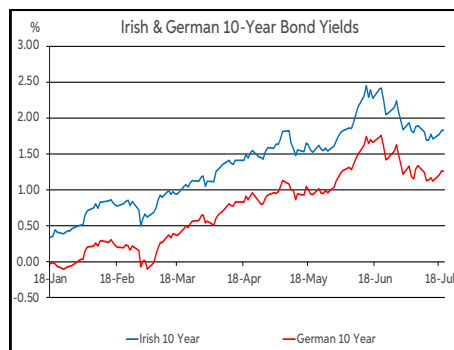
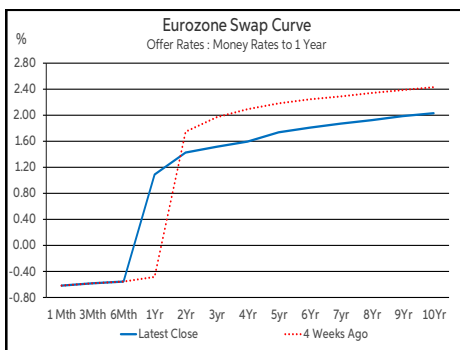
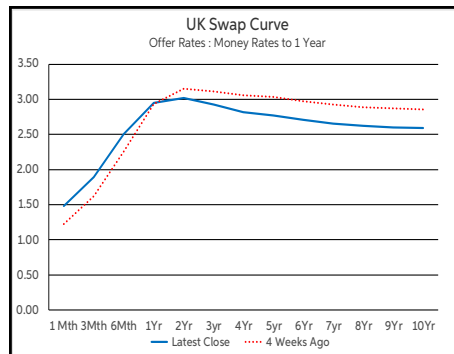
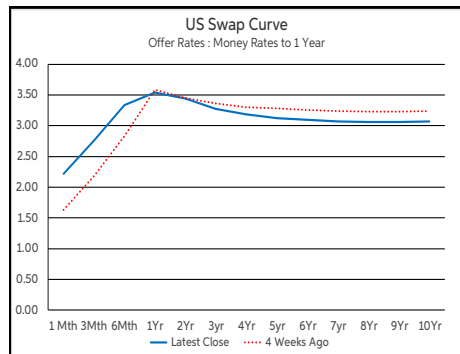
Thursday 21 July 2022
07:26 am



Euro		Sterling		Dollar	
EUR/GBP	0.8525	GBP/EUR	1.1725	USD/JPY	138.33
EUR/USD	1.0219	GBP/USD	1.1986	USD/CAD	1.2867
EUR/JPY	141.37	GBP/CAD	1.5423	USD/CHF	0.9706
EUR/SEK	10.4326	GBP/NZD	1.9244	USD/CNY	6.7585
EUR/DKK	7.4448	GBP/JPY	165.8	USD/BRL	5.4714
EUR/NOK	10.163	GBP/SEK	12.2336	USD/RUB	54.9
EUR/CHF	0.992	GBP/DKK	8.7298	USD/INR	79.9675
EUR/AUD	1.4808	GBP/NOK	11.9148	AUD/USD	0.6901
EUR/HKD	8.0204	GBP/CHF	1.1636	NZD/USD	0.6226
EUR/CAD	1.315	GBP/AUD	1.7367		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.03	+0	-13	+152
Germany	1.26	-2	-36	+144
UK	2.14	-3	-35	+117
Ireland	1.84	-3	-45	+159
Belgium	1.87	-2	-39	+169
France	1.84	-2	-33	+164
Italy	3.50	+6	-14	+231
Spain	2.49	+0	-21	+189
Portugal	2.40	+0	-27	+192
Greece	3.46	-0	-41	+214
5 Year Swap %				
US	3.12	+2	-12	+179
Eurozone	1.74	-2	-44	+173
UK	2.77	-4	-25	+150
2 Year Swap %				
US	3.44	-1	+2	+250
Eurozone	1.43	-1	-31	+173
UK	3.02	-4	-13	+182
10 Year Government Bond Spreads to Benchmark bps				
Ireland	58	-1	-9	+15
Belgium	61	-0	-3	+25
France	58	+0	+3	+20
Italy	224	+8	+22	+87
Spain	123	+2	+15	+45
Portugal	114	+2	+9	+48
Greece	220	+1	-5	+71



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	106.92	-0.40	-4.31	+37.46
West Texas Oil	104.45	-1.57	-1.67	+38.66
Gold \$	1696.4	-0.86	-7.67	-7.22

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