

## Soft data dampen rate hike expectations

Despite concerns regarding a slowdown in activity on both sides of the Atlantic, there was a positive tone to investor sentiment yesterday, with most markets making gains. On equity markets, both the Euro Stoxx 50 and the S&P 500 closed up 1.2%.

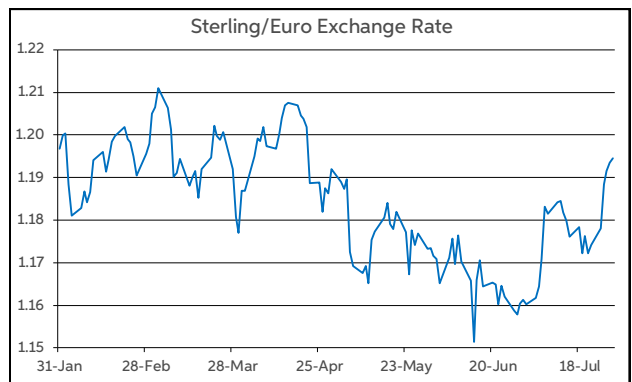
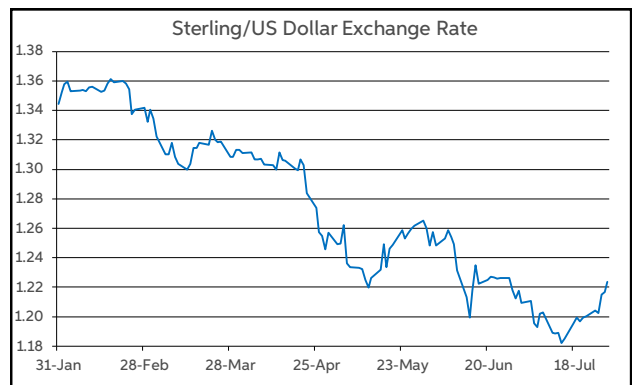
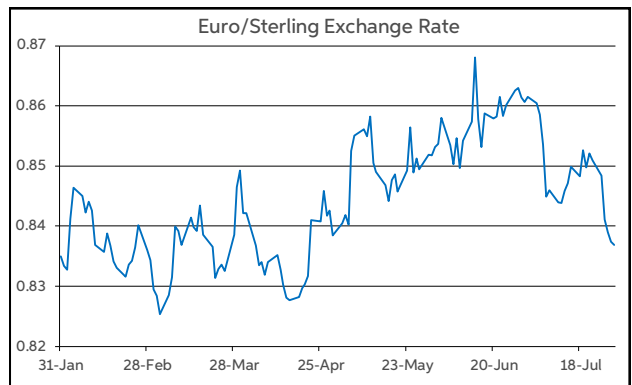
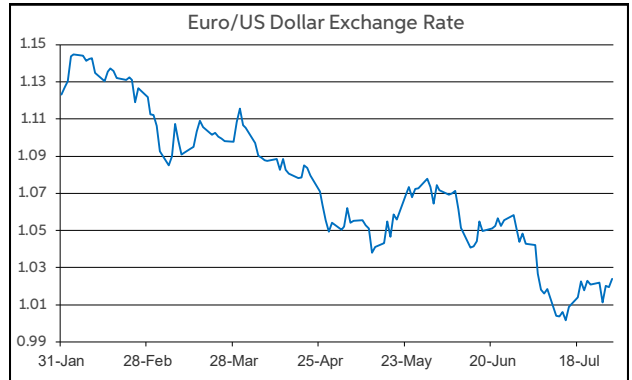
Data-wise, US Q2 GDP printed below the consensus, contracting by 0.9% in annualised terms (vs. +0.4% f'cast). US GDP has now contracted in two consecutive quarters. Meanwhile, the EC sentiment indices deteriorated in July, indicating that growth may have slowed further at the start of Q3 in the Eurozone. In terms of inflation, German HICP rose to 8.5% in July (vs. 8.1% f'cast).

Markets pared back their expectations for the peak in official rates following the release of the data yesterday. US rates are now seen as peaking at 3.25% by the end of the year, while the ECB deposit rate is now projected to peak at just 1% in early 2023. UK rate expectations also softened. On bond markets yields moved circa 10-20bps lower across the board.

Currency-wise, amid choppy trading conditions, the yen recouped some significant ground, as rate expectations fell elsewhere. Sterling was holding a slightly firmer tone also. EUR/USD opens this morning nearer to the midpoint of \$1.02-1.03. GBP/USD is trading above the \$1.22 threshold. EUR/GBP is back below 84p.

A busy data schedule ahead includes Eurozone Q2 GDP as well as flash HICP inflation for July. GDP is forecast to slow to +0.2% from +0.6% in Q1, while headline HICP is projected to be unchanged at 8.6%, with the core rate rising to 4.7% from 4.6%. In the US, core-PCE inflation is expected to remain at 4.7% in June. US income and consumption data for June will also feature.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0238	0.37	-9.94
EUR/GBP	0.8369	-0.23	-0.37
GBP/USD	1.2231	0.60	-9.59
GBP/EUR	1.1942	0.23	0.37
USD/JPY	132.56	-2.13	15.19
EUR/JPY	135.75	-1.76	3.73

\* 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	2.37	2.81	3.28	3.09	2.71
EUR	0.50	-0.06	0.24	0.94	1.13	1.36
GBP	1.25	1.58	1.95	2.75	2.77	2.50

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

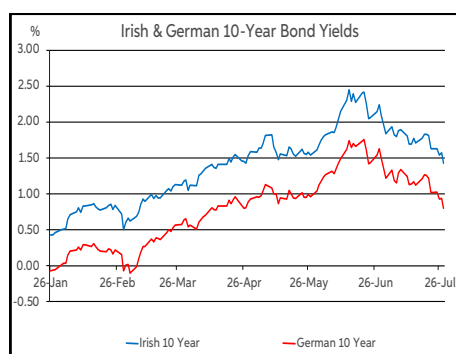
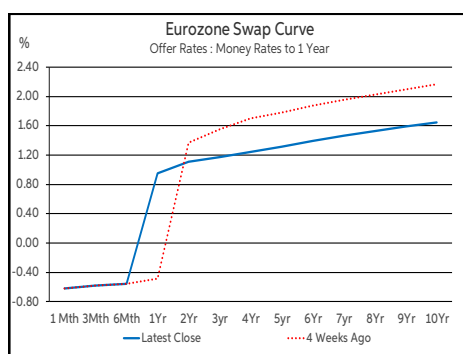
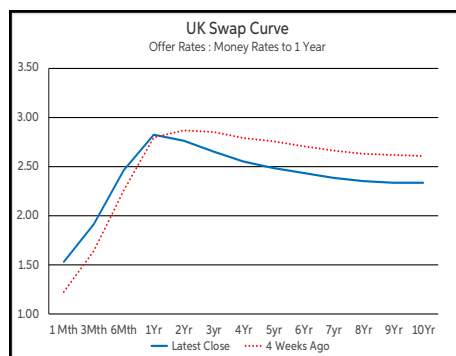
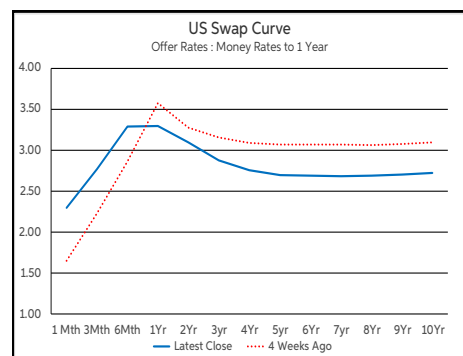
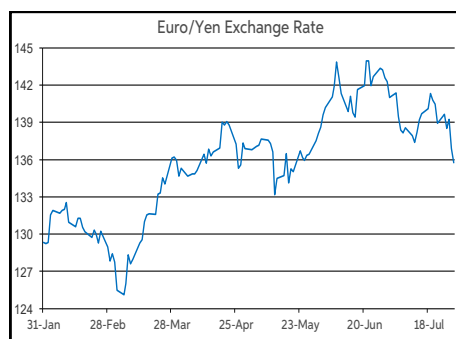
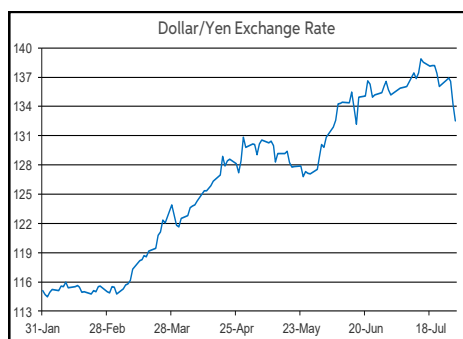
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

Friday 29 July 2022  
07:58 am



Euro		Sterling		Dollar	
EUR/GBP	0.8369	GBP/EUR	1.1944	USD/JPY	132.6
EUR/USD	1.0238	GBP/USD	1.2232	USD/CAD	1.2796
EUR/JPY	135.77	GBP/CAD	1.5653	USD/CHF	0.9507
EUR/SEK	10.4018	GBP/NZD	1.9347	USD/CNY	6.7382
EUR/DKK	7.4431	GBP/JPY	162.17	USD/BRL	5.1838
EUR/NOK	9.9239	GBP/SEK	12.4253	USD/RUB	60.85
EUR/CHF	0.9734	GBP/DKK	8.8907	USD/INR	79.364
EUR/AUD	1.4591	GBP/NOK	11.8555	AUD/USD	0.7016
EUR/HKD	8.0372	GBP/CHF	1.1631	NZD/USD	0.6319
EUR/CAD	1.3101	GBP/AUD	1.7431		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
<b>10 Year Yield %</b>				
US	2.67	-11	-35	+116
Germany	0.80	-14	-57	+98
UK	1.87	-8	-37	+90
Ireland	1.50	-12	-49	+125
Belgium	1.41	-16	-63	+123
France	1.37	-16	-58	+118
Italy	3.25	-18	-14	+207
Spain	1.97	-18	-49	+138
Portugal	1.90	-17	-56	+142
Greece	2.94	-9	-68	+163
<b>5 Year Swap %</b>				
US	2.70	-14	-33	+136
Eurozone	1.32	-15	-46	+131
UK	2.49	-12	-27	+121
<b>2 Year Swap %</b>				
US	3.09	-11	-15	+215
Eurozone	1.11	-16	-25	+141
UK	2.76	-12	-10	+157
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	70	+1	+8	+27
Belgium	61	-2	-7	+25
France	57	-3	-2	+20
Italy	245	-4	+43	+109
Spain	117	-4	+8	+40
Portugal	110	-3	+1	+44
Greece	214	+4	-11	+65

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	107.14	+0.49	-6.68	+37.75
West Texas Oil	99.11	-0.92	-8.03	+31.57
Gold \$	1755.5	+1.25	-2.84	-3.99

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