

Sterling caught in the cross hairs

Investor sentiment continued to hold a risk averse tone yesterday. Concerns that Russia will not restart supplying Europe with gas through the Nord Stream 1 pipeline following three-days of maintenance, which commenced on Wednesday, contributed to the Euro Stoxx 50 losing 1.3%. The S&P 500 finished down 0.8%. Elsewhere, oil declined by circa 3%, moving back towards \$96 per barrel on growing fears of a global recession.

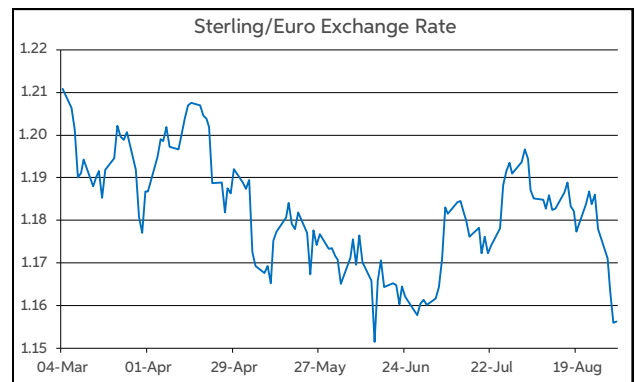
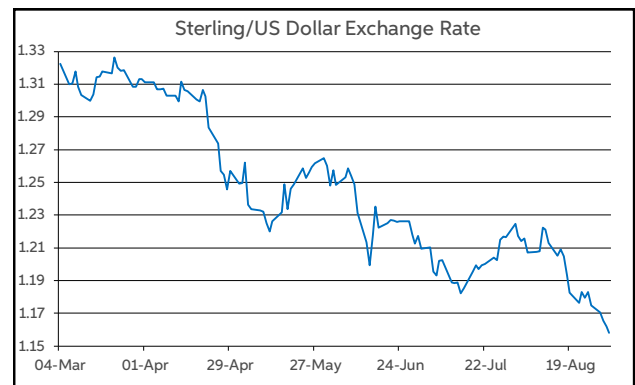
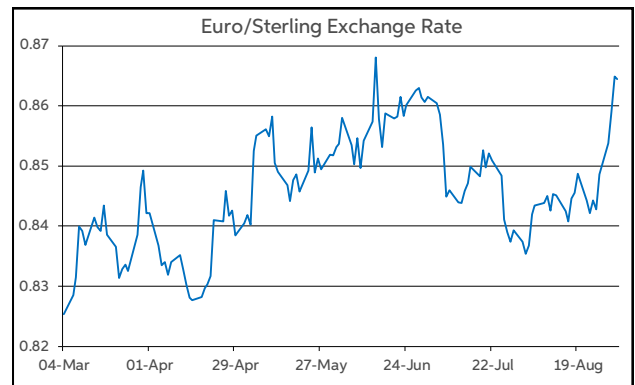
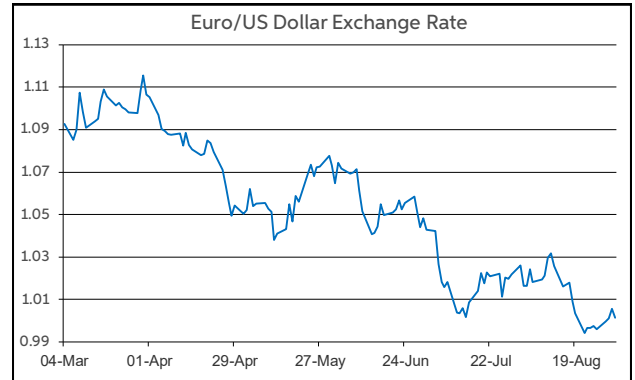
Currency-wise, the euro remained on the front foot yesterday, as an above consensus Eurozone inflation reading saw market rate expectations harden further. Headline HICP rose to 9.1% in August (vs. 9% f'cast). The ex-food & energy reading jumped to 5.5% (vs. 5.1% f'cast). Market pricing now reflects an 80% chance of a 75bps rate hike from the ECB next week. EUR/USD traded to a high of \$1.008 yesterday.

Overnight though, the dollar regained some momentum following further hawkish Fed rhetoric. From a sterling viewpoint, the currency has found itself in the cross hairs of the firmer euro and dollar over the past 24 hours, losing 0.7-0.9%.

In level terms, EUR/USD is changing hands down at \$1.001. Meantime, EUR/GBP opens up at the midpoint of the 86-87p range. The firmer tone to the dollar is evidenced by GBP/USD operating under the \$1.16 handle, at a fresh YTD low of \$1.157.

Today, the main release of note will be the manufacturing ISM for August in the US. The index is projected to edge slightly lower, but remain in expansion mode. In the Eurozone, the unemployment rate is expected to remain at 6.6% in July. Barring any major surprises though, the data may not impact on forex markets.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0011	-0.27	-11.94
EUR/GBP	0.8647	0.65	2.94
GBP/USD	1.1577	-0.90	-14.43
GBP/EUR	1.1562	-0.65	-2.86
USD/JPY	139.3	0.60	21.05
EUR/JPY	139.5	0.35	6.59

* 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	2.56	3.08	3.89	3.85	3.42
EUR	0.50	0.20	0.62	1.84	2.22	2.28
GBP	1.75	2.03	2.52	3.84	4.11	3.64

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

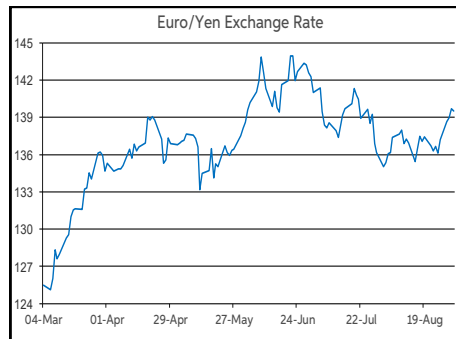
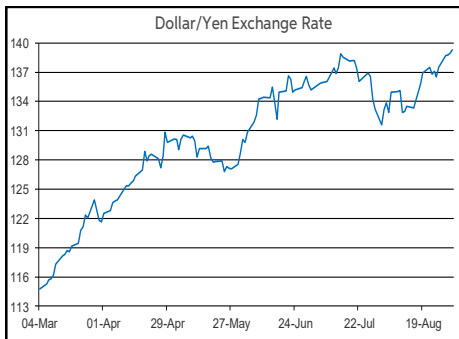
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

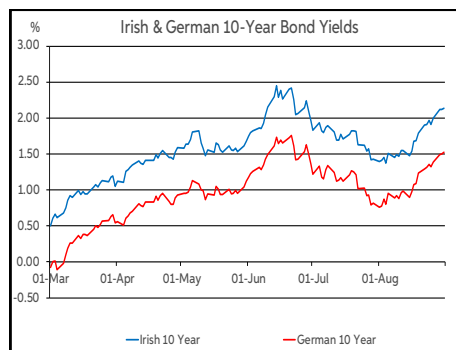
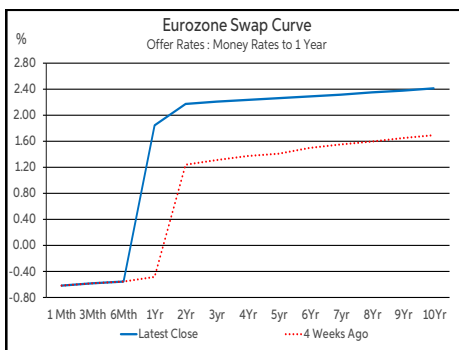
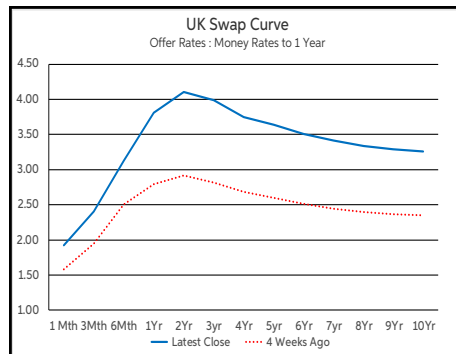
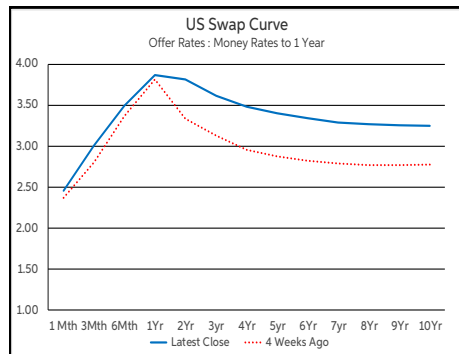
Thursday 01 September 2022
07:24 am



Euro		Sterling		Dollar	
EUR/GBP	0.8647	GBP/EUR	1.1562	USD/JPY	139.3
EUR/USD	1.0011	GBP/USD	1.1577	USD/CAD	1.3172
EUR/JPY	139.5	GBP/CAD	1.5254	USD/CHF	0.9794
EUR/SEK	10.7187	GBP/NZD	1.901	USD/CNY	6.902
EUR/DKK	7.4376	GBP/JPY	161.29	USD/BRL	5.1828
EUR/NOK	10.0512	GBP/SEK	12.393	USD/RUB	60.2
EUR/CHF	0.9806	GBP/DKK	8.5995	USD/INR	79.383
EUR/AUD	1.468	GBP/NOK	11.624	AUD/USD	0.6819
EUR/HKD	7.8592	GBP/CHF	1.1341	NZD/USD	0.6089
EUR/CAD	1.319	GBP/AUD	1.6977		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.20	+8	+49	+168
Germany	1.54	+3	+66	+172
UK	2.80	+9	+89	+183
5 Year Swap %				
US	3.40	+8	+57	+207
Eurozone	2.26	+2	+86	+225
UK	3.64	+5	+104	+236
2 Year Swap %				
US	3.81	+5	+52	+287
Eurozone	2.18	+3	+94	+248
UK	4.10	+4	+119	+291
10 Year Government Bond Spreads to Benchmark bps				
Ireland	66	+0	+5	+24
Belgium	65	+1	+5	+29
France	61	+0	+5	+24
Italy	235	+5	+20	+99
Spain	120	+2	+9	+43
Portugal	111	+0	+5	+44
Greece	256	+6	+39	+107



Commodities				
	Close	% Change		
		Day	4 Weeks	End 21
Brent Oil	96.49	-2.84	-0.30	+24.06
West Texas Oil	90.09	-2.16	-3.39	+19.59
Gold \$	1710.7	-0.75	-3.07	-6.44

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