

Dollar in the driving seat

There was a risk averse mood on markets for much of yesterday. The Euro Stoxx 50 shed 1.7%, while the S&P 500 rebounded late in the US session to finish slightly higher, up 0.3%. Elsewhere, oil prices dropped by a further 4%, moving back to \$92 per barrel as reports of lockdowns in China to counteract a wave of Covid-19 exasperated concerns of slower global growth.

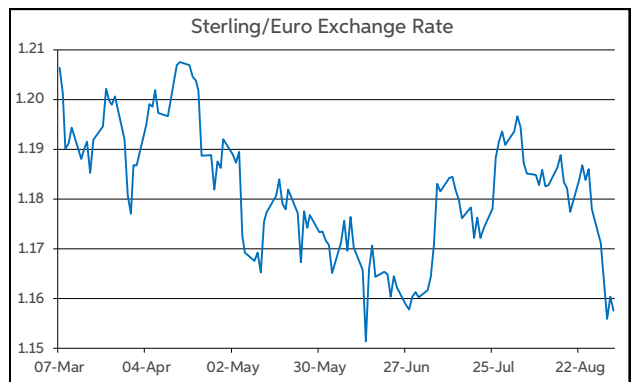
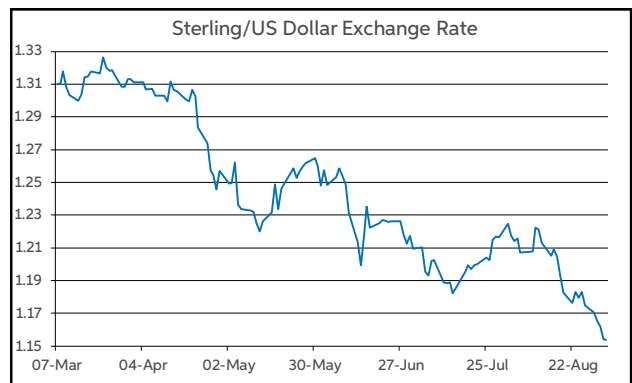
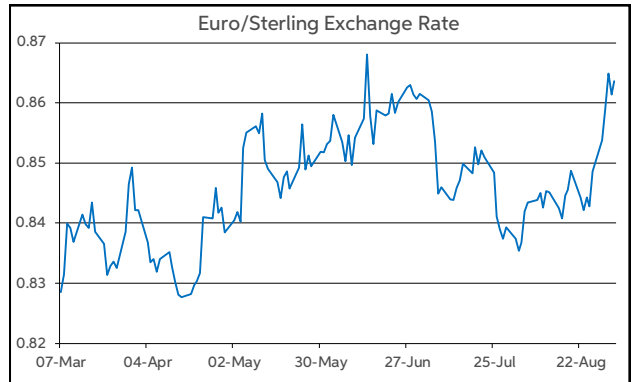
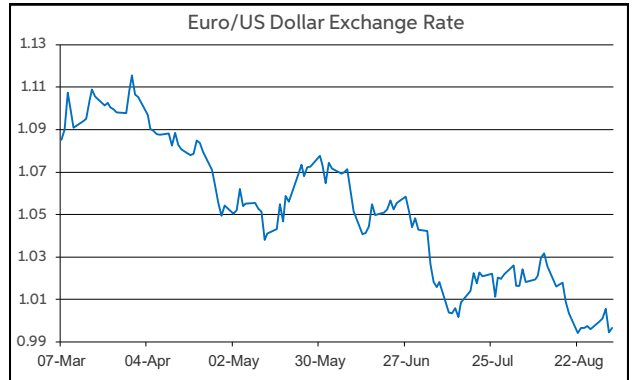
Amid the “risk-off” backdrop, the dollar was in the driving seat on currency markets. US rate expectations hardened also, which proved helpful for the dollar. Throughout this week, a plethora of Fed speakers have sounded relentlessly hawkish. Markets have taken note, and current pricing gives a third consecutive 75bps rate hike around a 75% chance, while the peak in rates is now projected at being near 4% in Q1 2023.

The dollar index rose to a fresh 20-year high yesterday, with USD/JPY trading above the ¥140 level for the first time since 1998. Cable (GBP/USD) briefly moved to test the \$1.15 level, for the first time since its flash crash in March 2020. Meanwhile, EUR/USD fell back below parity.

As trading gets underway this morning, EUR/USD opens at the midpoint of \$0.99-1.00. EUR/GBP is changing hands back in the lower half of the 86-87p range. Elsewhere, GBP/USD is operating below the halfway mark of the \$1.15-1.16 corridor.

Today, the US labour market report for August will be the main data highlight. Another robust increase in payrolls, of 300k is projected in the month. A slew of strong labour market data will likely add to market expectations of a third 75bps rate hike from the Fed later this month which could benefit the dollar.

Daniel Noonan, Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2021 |
| EUR/USD | 0.9967 | -0.45 | -12.32 |
| EUR/GBP | 0.8635 | -0.15 | 2.80 |
| GBP/USD | 1.1538 | -0.33 | -14.72 |
| GBP/EUR | 1.1575 | 0.15 | -2.72 |
| USD/JPY | 140.35 | 0.61 | 21.96 |
| EUR/JPY | 139.89 | 0.14 | 6.89 |

* 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 | 2.55 | 3.10 | 3.91 | 3.86 | 3.46 |
| EUR | 0.50 | 0.23 | 0.65 | 1.80 | 2.15 | 2.24 |
| GBP | 1.75 | 2.03 | 2.53 | 3.93 | 4.17 | 3.70 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

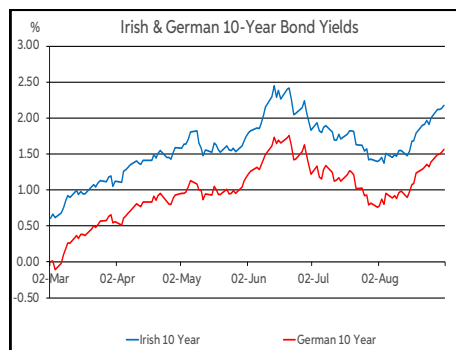
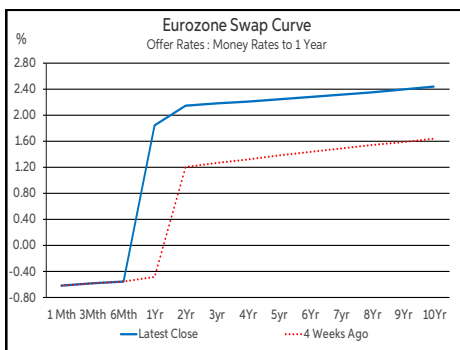
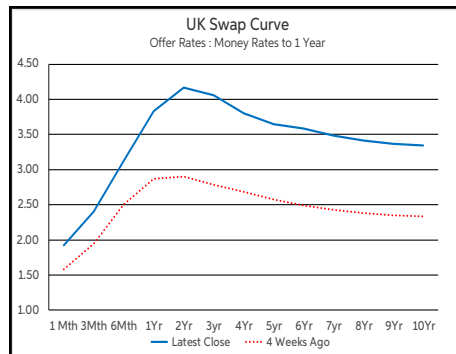
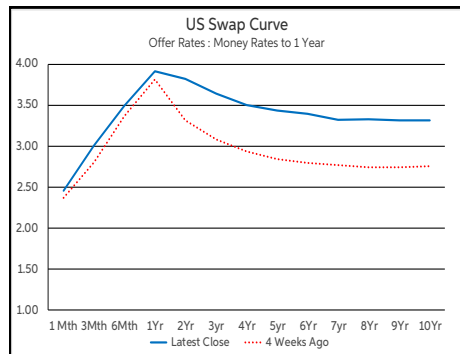
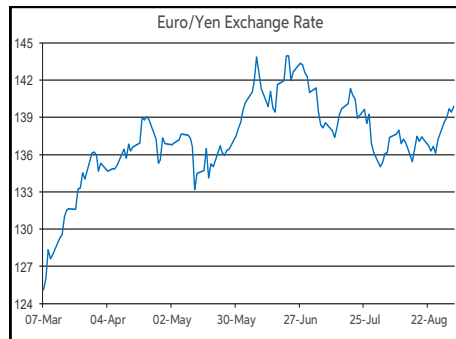
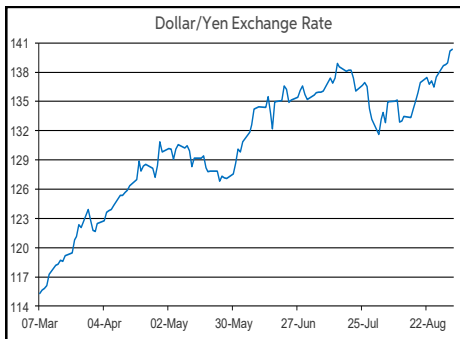
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| FX Spot | Karl Cooke Shane Gargan Ian Burke | FX Options | Mark Tuite | Reuters Phone | AIBG.I 00353-1-7724018 | Morning Comment | John Fahey john.j.fahey@aib.ie |
|---------|---|------------|------------|------------------|---------------------------|-----------------|-----------------------------------|

Opening Levels

Friday 02 September 2022
07:37 am



| Euro | | Sterling | | Dollar | |
|---------|---------|----------|--------|---------|--------|
| EUR/GBP | 0.8634 | GBP/EUR | 1.1576 | USD/JPY | 140.35 |
| EUR/USD | 0.9967 | GBP/USD | 1.1539 | USD/CAD | 1.3153 |
| EUR/JPY | 139.9 | GBP/CAD | 1.5181 | USD/CHF | 0.9805 |
| EUR/SEK | 10.7404 | GBP/NZD | 1.9022 | USD/CNY | 6.9038 |
| EUR/DKK | 7.4371 | GBP/JPY | 161.95 | USD/BRL | 5.2416 |
| EUR/NOK | 10.0051 | GBP/SEK | 12.44 | USD/RUB | 60.1 |
| EUR/CHF | 0.9772 | GBP/DKK | 8.609 | USD/INR | 79.79 |
| EUR/AUD | 1.4681 | GBP/NOK | 11.587 | AUD/USD | 0.6788 |
| EUR/HKD | 7.8212 | GBP/CHF | 1.1314 | NZD/USD | 0.6064 |
| EUR/CAD | 1.3111 | GBP/AUD | 1.6997 | | |



| Debt Markets | | | | |
|---|-------|------------|---------|--------|
| | Close | Change bps | | |
| | | Day | 4 Weeks | End 21 |
| 10 Year Yield % | | | | |
| US | 3.26 | +6 | +57 | +175 |
| Germany | 1.57 | +3 | +76 | +175 |
| UK | 2.88 | +8 | +99 | +191 |
| Ireland | 2.22 | +2 | +82 | +197 |
| Belgium | 2.21 | +3 | +82 | +204 |
| France | 2.19 | +4 | +82 | +199 |
| Italy | 3.95 | +6 | +100 | +276 |
| Spain | 2.78 | +4 | +87 | +219 |
| Portugal | 2.69 | +4 | +85 | +220 |
| Greece | 4.23 | +13 | +125 | +292 |
| 5 Year Swap % | | | | |
| US | 3.43 | +3 | +62 | +210 |
| Eurozone | 2.24 | -2 | +87 | +223 |
| UK | 3.65 | +1 | +108 | +237 |
| 2 Year Swap % | | | | |
| US | 3.82 | +1 | +54 | +288 |
| Eurozone | 2.15 | -3 | +95 | +245 |
| UK | 4.17 | +6 | +127 | +297 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 65 | -2 | +6 | +22 |
| Belgium | 64 | -0 | +6 | +29 |
| France | 61 | +0 | +6 | +24 |
| Italy | 238 | +2 | +24 | +101 |
| Spain | 121 | +1 | +11 | +44 |
| Portugal | 111 | +1 | +8 | +45 |
| Greece | 266 | +9 | +49 | +117 |

| Commodities | | | | |
|----------------|----------|-------|---------|--------|
| | % Change | | | |
| | Close | Day | 4 Weeks | End 21 |
| Brent Oil | 92.36 | -4.28 | -1.87 | +18.75 |
| West Texas Oil | 87.09 | -3.33 | -4.60 | +15.61 |
| Gold \$ | 1696.1 | -0.85 | -5.30 | -7.24 |

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