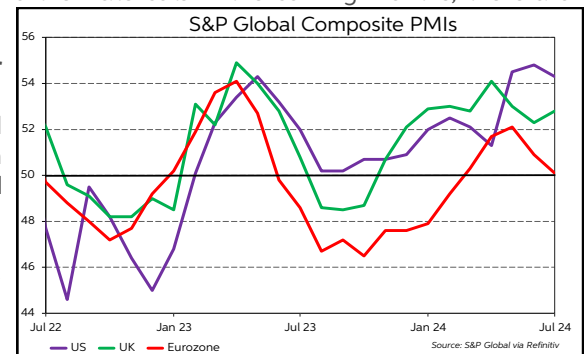


Currency markets becalmed so far in 2024

- So far this year, trading conditions on currency markets have been relatively steady, with the euro, dollar and sterling all operating in quite narrow ranges.** This is in marked contrast to periods of heightened volatility seen across other asset classes. The sharp (albeit short-lived) equity market rout of early August, the spike in sovereign bond yields amid the French elections, and the rapid hardening of rate expectations in Q1, followed by the more recent softening over the past month, all serve as examples of volatility seen elsewhere on markets. Furthermore, given the fraught geo-political backdrop, and the vast number of elections taking place globally this year, it is somewhat surprising that currency markets have not been more volatile. This may not persist, however, as central banks plot a path for further rate cuts in the coming months.
- EUR/USD has operated between \$1.06-1.105 year-to-date, while EUR/GBP has traded between 83.8-86.8p.** However, it should be noted that the euro registered its highs against both the dollar and sterling at the start of January. Thus, overall, the single currency has lost some ground in 2024. This is not surprising, as the ECB was the first out the blocks to cut interest rates back in June. Meanwhile, from a sterling perspective, the pound has been supported by stronger than anticipated UK economic growth and expectations of a more stable political backdrop following Labour's landslide election win. However, sterling has come off its peak recently, in the aftermath of the Bank of England's decision to lower rates by 25bps at the start of August. Likewise, the dollar has also been boosted by stronger than forecast US GDP growth in Q2. As mentioned though, the overall gains for both have been limited.
- The one source of volatility on currency markets has been the yen.** The currency has seen sharp fluctuations throughout 2024 as investors digested incoming economic data and the Bank of Japan has clumsily navigated its way out of its negative rate policy. A sharp depreciation of the currency in the first half of the year spurred an intervention by the authorities at the end of April, but the currency reached 38-year lows against the dollar by July at ¥162. A hike by the Bank of Japan at the end of July, accompanied by a hawkish outlook, reversed almost all of the year-to-date fall in the currency, but in the process, created ructions on financial markets as yen carry trades were quickly unwound. The currency has since fallen back somewhat as Bank of Japan officials have backed away from a further near-term hike.
- This highlights the importance of central bank policy and rhetoric to currency markets at present.** With the major central banks likely to move at varying speeds as they embark on further rate cuts in the coming months, the era of becalmed currency markets may be nearing an end.
- In this regard, the Jackson Hole Economic Symposium will garner significant attention this week.** Despite leaving policy on hold in July, Chair Powell noted that Fed officials discussed rate cuts, and he also indicated that the Fed may lower rates at its next meeting in September. Furthermore, since then there has been a marked softening in market rate expectations. **Thus, investors will be paying close attention to Powell's speech on Friday for any guidance on the future path of rates.** Meantime, the minutes from the latest ECB and Fed monetary policy meetings will also be of interest.
- Data-wise, the main release will be flash PMI readings for August.** In the US the manufacturing and services PMIs diverged somewhat in July. The former dipped below the key 50 mark to 49.6, while the latter printed at 55.0. The manufacturing PMI is forecast to stay below 50 in August, while the services PMI is set to be little changed. Meantime in the UK, the two PMIs have been in expansion mode for a number of months. The manufacturing PMI averaged 50.4 in Q2, while the services PMI averaged 53.3. Furthermore, both readings moved higher in July compared to June, consistent with a faster pace of expansion in activity. The UK PMIs are expected to remain firmly in expansion in August. In-line with the US and the UK, the Eurozone services sector has been outperforming manufacturing also. Indeed, services has been above 50 since February, while the latter has printed in contraction territory for more than two years. A modest improvement is pencilled in for manufacturing, albeit it is set to stay well below the 50 threshold.
- Elsewhere in the Eurozone, a number of other survey data will feature.** Having edged higher throughout Q2 and in July, consumer confidence is projected to rise to -12.5 in August, up from -13.0. Similarly, in the UK, consumer confidence is forecast to improve for fifth consecutive month in August. Meanwhile, in the US, there will be an update on the housing market in the form of both existing and new home sales for July.



	Interest Rate Forecasts			
	Current	End Q3	End Q4	End Q1
		2024	2024	2025
Fed Funds	5.375	5.125	4.875	4.625
ECB Deposit	3.75	3.50	3.25	3.00
BoE Repo	5.00	5.00	4.75	4.50
BoJ OCR	0.25	0.25	0.25	0.25

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q3	End Q4	End Q1
		2024	2024	2025
EUR/USD	1.0987	1.10	1.11	1.12
EUR/GBP	0.8527	0.87	0.87	0.88
EUR/JPY	162.85	160	159	158
GBP/USD	1.2882	1.26	1.28	1.28
USD/JPY	148.21	145	143	141

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
This Week:	ECB Speakers:	Lane (Sat)		
	BoE Speakers:	Bailey (Fri)		
	Fed Speakers:	Waller (Mon); Bostic (Tue); Powell (Fri)		
		Jackson Hole Economic Symposium (Thurs - Sat)		
Mon 19th	JPN:	00:50 Machinery Orders (June)	-3.2% (+10.8%)	+1.1% (+1.8%)
Tue 20th	GER:	07:00 Producer Prices (July)	+0.2% (-1.6%)	+0.2% (-0.8%)
	EU-20:	10:00 Final HICP Inflation (July)	+0.2% (+2.6%)	+0.2% (+2.6%)
		- Ex-Food & Energy	+0.4% (+2.8%)	+0.4% (+2.8%)
		- Ex-Food, Energy, Alcohol & Tobacco	-0.2% (+2.9%)	-0.2% (+2.9%)
Wed 21st	JPN:	00:50 Trade Balance (July)	+¥224.0bn	-¥330.7bn
		- Exports	(+5.4%)	(+11.4%)
	US:	19:00 Fed FOMC Meeting Minutes (30-31st July)		
Thu 22nd	JPN:	01:30 Flash Jibun Composite PMI (August)	52.5	
	FRA:	08:15 Flash HCOB Composite PMI (August)	49.1	49.8
	GER:	08:30 Flash HCOB Composite PMI (August)	49.1	49.5
	EU-20:	09:00 Flash Composite PMI (August)	50.2	50.3
		- Manufacturing / Services	45.8 / 51.9	46.0 / 51.9
	UK:	09:30 Flash Composite PMI (August)	52.8	52.8
		- Manufacturing / Services	52.1 / 52.5	52.1 / 52.8
	EU-20:	10:00 ECB Monetary Policy Meeting Account (18th July)		
	IRL:	11:00 Labour Force Survey (Q2 2024)		
	UK:	11:00 CBI Trends - Orders (August)	-32.0	
	US:	13:30 Initial Jobless Claims (w/e 12th August)	+227,000	
	US:	14:45 Flash S&P Global Composite PMI (August)	54.3	53.5
		- Manufacturing / Services	49.6 / 55.0	49.3 / 54.3
	EU-20:	15:00 Flash Consumer Confidence (August)	-13.0	-12.5
	US:	15:00 Existing Home Sales (July)	+3.89m / -5.4%	+3.91m / +0.5%
Fri 23rd	UK:	00:01 Gfk Consumer Confidence (August)	-13.0	-11.0
	JPN:	00:30 CPI Inflation (July)	+0.1% (+2.8%)	
		- Core CPI	(+2.6%)	(+2.7%)
	FRA:	07:45 INSEE Business Climate (August)	94.0	96.0
	SPA:	08:00 Overnight Stays (July)	38.2m	
	US:	15:00 New Home Sales (July)	+0.617m / -0.6%	+0.630m / +2.1%

◆ Month-on-month changes (year-on-year shown in brackets)

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