

Dollar weaker on softer inflation data

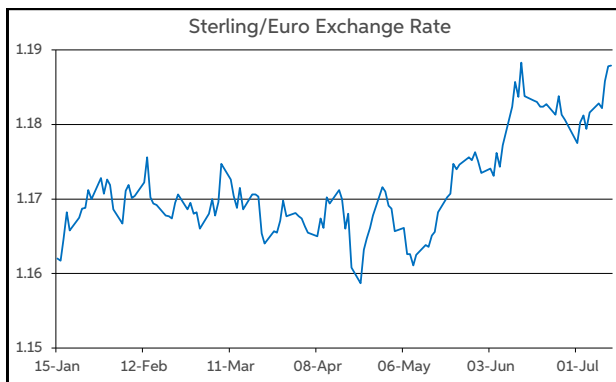
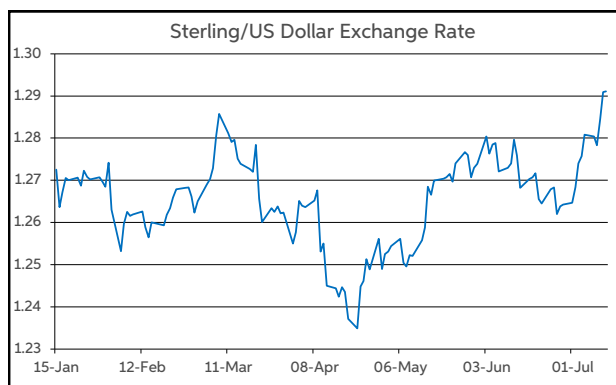
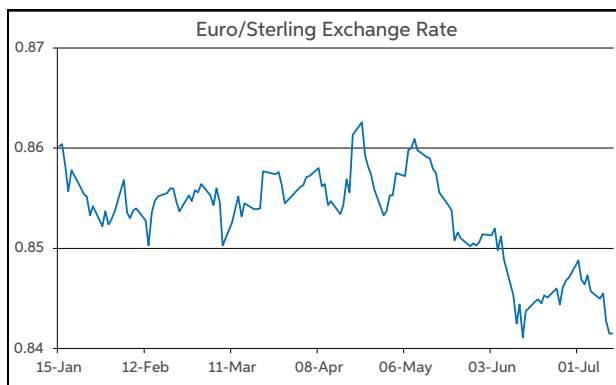
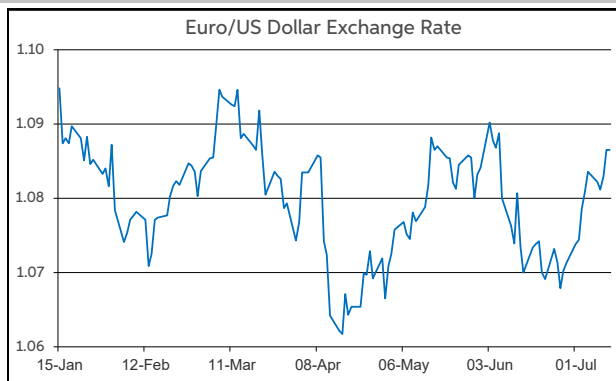
The big focus for markets yesterday was on US CPI inflation data for June. This is in the context of the Fed emphasising that incoming data will determine when it is comfortable to start cutting rates. The inflation numbers printed softer than expected. The headline rate came in at 3%, from 3.3% in May and versus a market forecast for 3.1%. The core rate also registered a below consensus reading of 3.3% (vs. f'cast for an unchanged 3.4%).

The softer than anticipated inflation data had a noticeable market impact. US Treasury yields fell on the view that the data increases the prospects of rate cuts from the Fed sooner rather than later. The policy sensitive 2-year yield fell by over 10bps to near 4.5%. Meanwhile, future contracts pricing suggest that the market is now attaching a 98% probability to a 25bps cut in September. At the start of the week this was nearer to 80%.

Not surprisingly against this dovish yield/rates backdrop, the dollar found itself under downward pressure yesterday. The EUR/USD pair rose to within touching distance of \$1.09 although it was unable to break into \$1.09 territory, and opens this morning at \$1.086. Meanwhile, GBP/USD moved above \$1.29, reaching a year-to-date high of \$1.2947 before settling back nearer to \$1.29. The action in EUR/GBP was much less eventful, with trading confined to the lower end of the 84-85p band. Elsewhere some apparent Japanese FX intervention coinciding with the softer dollar has seen USD/JPY fell from above ¥161 to ¥159.

Today's European macro diary is quiet. In the US, PPI inflation (June) and consumer sentiment (July) are the main highlights. If the data continue the recent trend of softer US indicators, then the dollar may remain on the defensive heading into the weekend.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0865	0.29	-1.55
EUR/GBP	0.8414	-0.14	-2.93
GBP/USD	1.2908	0.41	1.41
GBP/EUR	1.1876	0.14	3.02
USD/JPY	159.03	-1.64	12.74
EUR/JPY	172.82	-1.36	11.05

* 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	5.38	5.44	5.56	5.12	4.61	4.14
EUR	4.25	3.60	3.70	3.47	3.12	2.80
GBP	5.25	5.14	5.08	4.79	4.61	4.11

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

FX Spot	Karl Cooke Shane Gargan	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 12 July 2024
07:25 am



Euro

EUR/GBP	0.8414
EUR/USD	1.0865
EUR/JPY	172.82
EUR/SEK	11.4357
EUR/DKK	7.4604
EUR/NOK	11.6423
EUR/CHF	0.9736
EUR/AUD	1.6056
EUR/HKD	8.4821
EUR/CAD	1.48

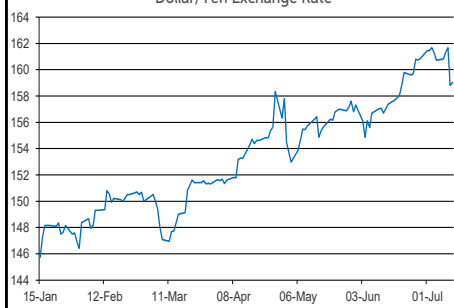
Sterling

GBP/EUR	1.1876
GBP/USD	1.2908
GBP/CAD	1.7585
GBP/NZD	2.1159
GBP/JPY	205.28
GBP/SEK	13.5831
GBP/DKK	8.8623
GBP/NOK	13.826
GBP/CHF	1.1568
GBP/AUD	1.9076

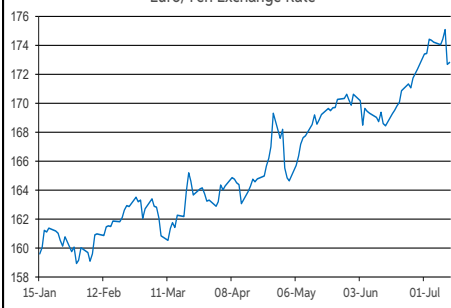
Dollar

USD/JPY	159.03
USD/CAD	1.362
USD/CHF	0.8961
USD/CNY	7.264
USD/BRL	5.4398
USD/RUB	87.3
USD/INR	83.533
AUD/USD	0.6765
NZD/USD	0.6099

Dollar/Yen Exchange Rate

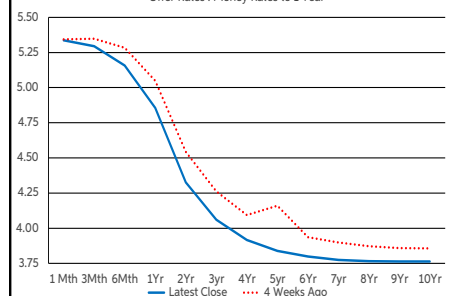


Euro/Yen Exchange Rate



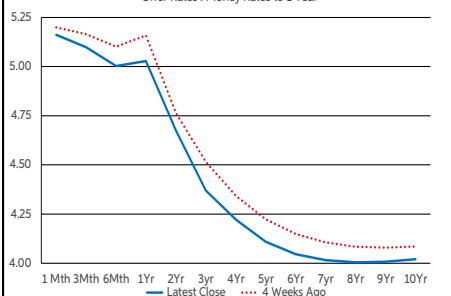
US Swap Curve

Offer Rates : Money Rates to 1 Year



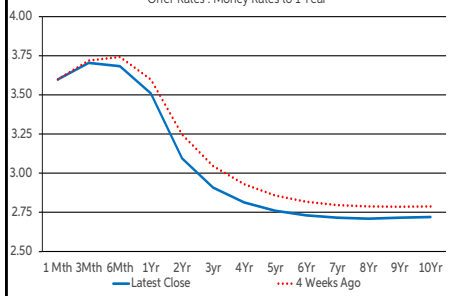
UK Swap Curve

Offer Rates : Money Rates to 1 Year

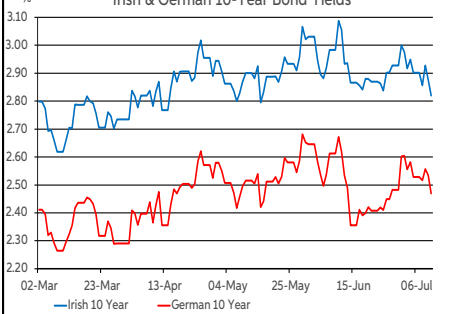


Eurozone Swap Curve

Offer Rates : Money Rates to 1 Year



Irish & German 10-Year Bond Yields



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	4.19	-9	-5	+33
Germany	2.47	-6	-2	+44
UK	4.08	-5	-4	+54
Ireland	2.85	-6	-11	+48
Belgium	3.04	-6	-9	+35
France	3.13	-6	-6	+57
Italy	3.79	-7	-16	+9
Spain	3.24	-7	-14	+25
Portugal	3.08	-5	-12	+29
Greece	3.49	-6	-17	+41
5 Year Swap %				
US	4.11	-10	-13	+31
Eurozone	2.76	-7	-9	+33
UK	4.11	-7	-11	+46
2 Year Swap %				
US	4.58	-13	-22	+25
Eurozone	3.10	-8	-14	+30
UK	4.61	-7	-15	+34
10 Year Government Bond Spreads to Benchmark bps				
Ireland	38	+0	-9	+4
Belgium	57	+0	-7	-9
France	65	+0	-4	+12
Italy	132	-1	-14	-35
Spain	77	-0	-12	-20
Portugal	60	+2	-9	-15
Greece	102	+0	-15	-3

Commodities

	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	85.4	+0.38	+3.20	+10.85
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2414.8	+1.84	+4.85	+17.08

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