

Eurozone inflation in focus today

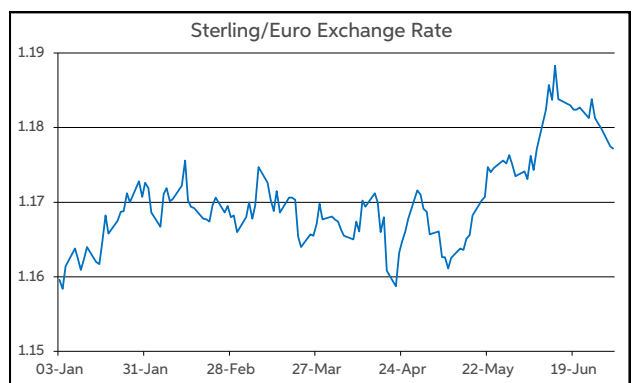
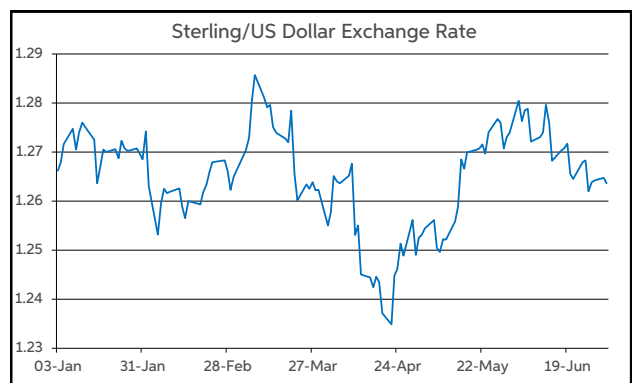
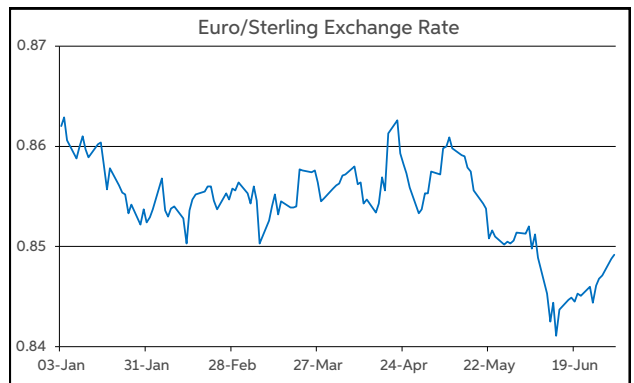
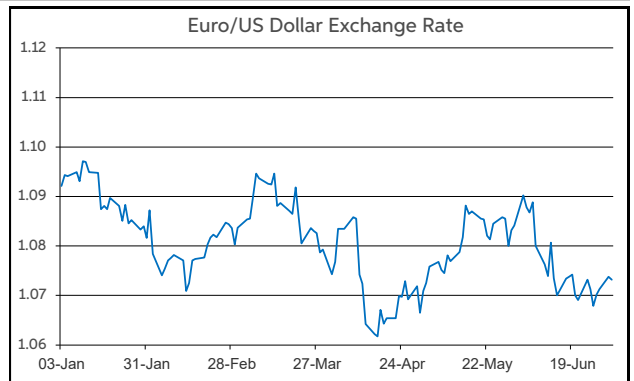
There was a positive tone to European investor sentiment yesterday. Market participants appeared to take comfort from the assessment that the result of the first round of the French elections meant it was unlikely that the Far Right or Far Left would win an absolute majority in round two this Sunday. Therefore, the risk of an overly aggressive programme of fiscal spending has lessened.

Amid the easing of concerns over the sovereign's fiscal outlook, the spread between the 10-year French yield and its German equivalent narrowed. It moved in from its 12-year high on Friday above 80bps to 74bps yesterday. The main European equity indices also experienced somewhat of a 'relief' rally. The Euro Stoxx 50 gained 0.7% on the day. Lower than expected German inflation data for June was also supportive of risk appetite yesterday.

Currency-wise, the euro started yesterday's European session with some upward momentum as the market reacted positively to the election results. EUR/USD, which had ended last week above \$1.07 due to a softer dollar tone, traded initially higher yesterday to a peak at \$1.077. However, this move was not sustained. The dollar gained the upper hand amid higher US yields relative to elsewhere. EUR/USD moved back below the midpoint of \$1.07-1.08, while GBP/USD traded under the halfway mark of \$1.26-1.27. The EUR/GBP pair operated in a tight range just below 85p. Meanwhile, USD/JPY continued its upward trend, reaching a 37-year high of ¥161.7 yesterday.

Today, we get the key Eurozone macro release of the week, with the flash June reading of HICP inflation for the currency bloc. Meanwhile, both ECB President Lagarde and Fed Chair Powell are scheduled to speak at the ECB Forum on Central Banking today.

John Fahey, Senior Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2023 |
| EUR/USD | 1.0732 | -0.20 | -2.75 |
| EUR/GBP | 0.8492 | -0.04 | -2.03 |
| GBP/USD | 1.2636 | -0.15 | -0.73 |
| GBP/EUR | 1.1771 | 0.04 | 2.07 |
| USD/JPY | 161.67 | 0.38 | 14.61 |
| EUR/JPY | 173.52 | 0.18 | 11.50 |

* 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 | 5.45 | 5.58 | 5.29 | 4.89 | 4.43 |
| EUR | 4.25 | 3.63 | 3.71 | 3.54 | 3.25 | 2.94 |
| GBP | 5.25 | 5.19 | 5.11 | 4.90 | 4.78 | 4.30 |

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 |
|---------|----------------------------|------------|------------|------------------|---------------------------|-----------------|-----------------------------------|

Opening Levels

Tuesday 02 July 2024
07:21 am



Euro

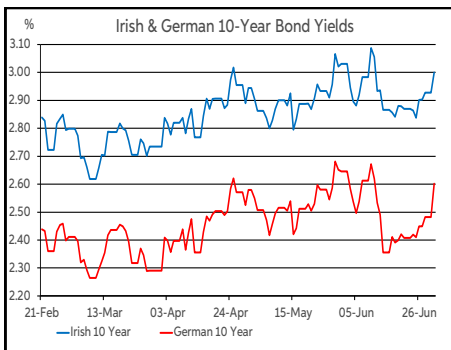
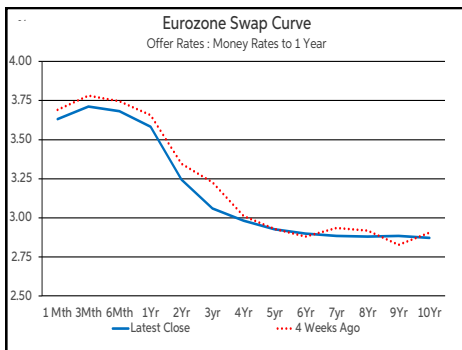
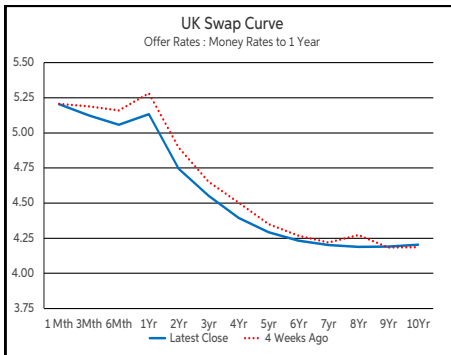
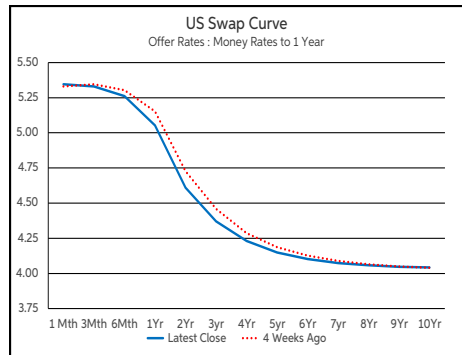
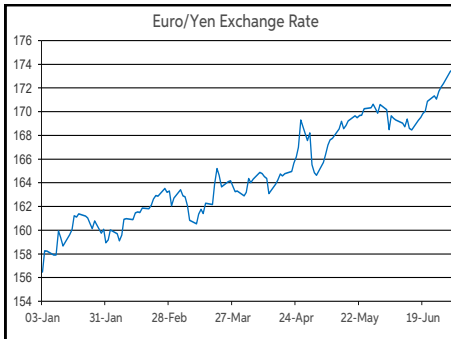
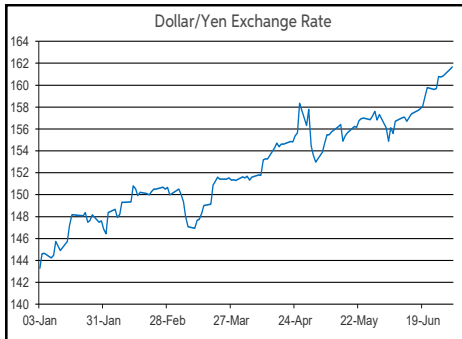
| | |
|---------|---------|
| EUR/GBP | 0.8492 |
| EUR/USD | 1.0732 |
| EUR/JPY | 173.52 |
| EUR/SEK | 11.4066 |
| EUR/DKK | 7.4581 |
| EUR/NOK | 11.4513 |
| EUR/CHF | 0.9701 |
| EUR/AUD | 1.6156 |
| EUR/HKD | 8.3852 |
| EUR/CAD | 1.4751 |

Sterling

| | |
|---------|---------|
| GBP/EUR | 1.1771 |
| GBP/USD | 1.2636 |
| GBP/CAD | 1.7368 |
| GBP/NZD | 2.0872 |
| GBP/JPY | 204.29 |
| GBP/SEK | 13.4281 |
| GBP/DKK | 8.78 |
| GBP/NOK | 13.484 |
| GBP/CHF | 1.1423 |
| GBP/AUD | 1.9022 |

Dollar

| | |
|---------|--------|
| USD/JPY | 161.67 |
| USD/CAD | 1.3742 |
| USD/CHF | 0.9039 |
| USD/CNY | 7.2712 |
| USD/BRL | 5.6563 |
| USD/RUB | 87 |
| USD/INR | 83.514 |
| AUD/USD | 0.6642 |
| NZD/USD | 0.6052 |



| Debt Markets | | | | |
|---|-------|------------|---------|--------|
| | Close | Change bps | | |
| | | Day | 4 Weeks | End 23 |
| 10 Year Yield % | | | | |
| US | 4.48 | +14 | +8 | +62 |
| Germany | 2.61 | +12 | +2 | +58 |
| UK | 4.28 | +11 | +6 | +75 |
| Ireland | 3.04 | +8 | +8 | +67 |
| Belgium | 3.22 | +9 | +9 | +53 |
| France | 3.35 | +6 | +29 | +79 |
| Italy | 4.11 | +4 | +23 | +41 |
| Spain | 3.48 | +7 | +18 | +49 |
| Portugal | 3.29 | +5 | +12 | +51 |
| Greece | 3.76 | +2 | +12 | +68 |
| 5 Year Swap % | | | | |
| US | 4.40 | +4 | -3 | +60 |
| Eurozone | 2.93 | +5 | +1 | +50 |
| UK | 4.29 | +7 | -5 | +64 |
| 2 Year Swap % | | | | |
| US | 4.88 | +1 | -9 | +54 |
| Eurozone | 3.24 | +4 | -9 | +45 |
| UK | 4.78 | +3 | -12 | +51 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 43 | -4 | +6 | +9 |
| Belgium | 62 | -3 | +7 | -5 |
| France | 74 | -6 | +27 | +21 |
| Italy | 151 | -8 | +21 | -16 |
| Spain | 88 | -5 | +16 | -8 |
| Portugal | 69 | -7 | +10 | -7 |
| Greece | 115 | -10 | +10 | +10 |

| Commodities | | | | |
|----------------|--------|----------|---------|--------|
| | Close | % Change | | |
| | | Day | 4 Weeks | End 23 |
| Brent Oil | 86.6 | +0.22 | +10.52 | +12.41 |
| West Texas Oil | 71.65 | -0.17 | -1.90 | -1.27 |
| Gold \$ | 2331.7 | +0.26 | -0.79 | +13.05 |

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