Morning Comment

AIB Treasury Economic Research Unit

Monday 01 October 2018
07:29 am

Euro on the back foot

The euro adopted a softer tone on currency markets last week. The currency was not helped by concerns over populist fiscal measures agreed by the new Italian government. Indeed, Italian 10-year sovereign bond yields rose by around 40bps during last week, reaching their highest levels since early 2014 (above 3.2%).

Elsewhere, the dollar saw some support over the course of last week. The continued hawkish stance of the US Fed helped to create a supportive backdrop for the currency in this regard. The dollar also benefitted from some end-Q3 flows.

In level terms, the weaker euro means that EUR/GBP opens this morning below the 89p level, having started last week up near 90p. The EUR/USD pair has moved down from $1.175 to below $1.16. Meanwhile, cable (GBP/USD) is slightly down on the week, trading in the lower half of the $1.30-1.31 band.

In the week ahead, the focus from a data perspective will be the US employment report for September. Non-farm payrolls look set to record another strong increase, while the unemployment rate is forecast to edge back down to 3.8%. Although, earnings growth is predicted to slow slightly after improving in August. Overall, the employment report should help to reinforce the view that growth continues at a strong pace. Thus, it may help to support the dollar.

For sterling, the UK PMIs for September are the main release. While they are anticipated to edge down slightly, they should still point to a healthy pace of economic growth. Meantime, the Tory Party conference poses some headline risk for sterling, with deep divisions in the party on Brexit. Elsewhere, there is a light data/ events calendar in the Eurozone. Thus, it is unlikely to provide much direction to the euro this week.

Dara Turnbull, Economist, AIB

Today's Opening Rates

		% Change	
		Day *	End 2017
EUR/USD	1.1591	-0.46	-3.38
EUR/GBP	0.8892	-0.08	0.10
GBP/USD	1.3033	-0.38	-3.54
GBP/EUR	1.124	0.08	-0.10
USD/JPY	113.94	0.38	1.13
EUR/JPY	132.08	-0.09	-2.29

* v Previous Day's European Open

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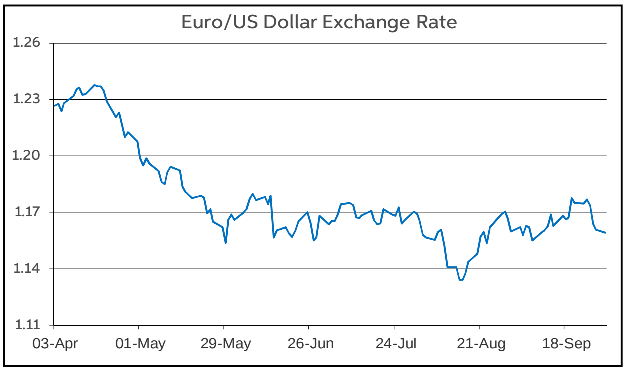
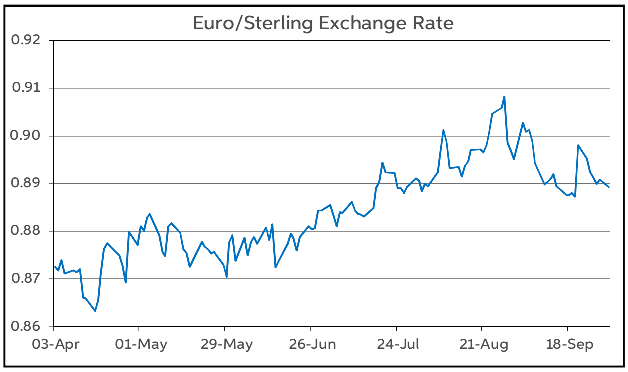
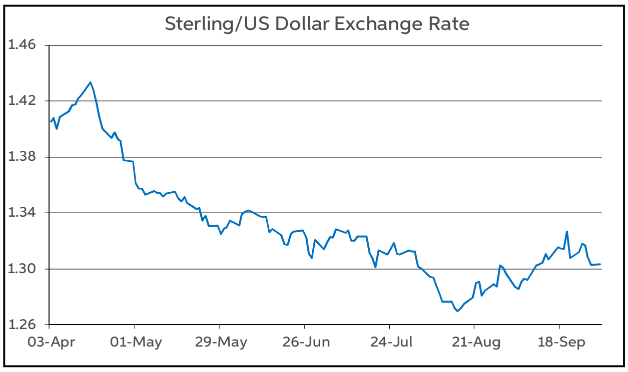


Euro/US Dollar Exchange Rate



Euro/Sterling Exchange Rate



Sterling/US Dollar Exchange Rate

Opening Interest Rates

		Short Term			Long Term	
	Base Rate	1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	2.125	2.26	2.40	2.92	3.00	3.06
EUR	0.00	-0.37	-0.32	-0.16	-0.08	0.40
GBP	0.75	0.72	0.80	1.06	1.16	1.45

Equity Indices

		% Changes	
	Latest Close	on Day	End 2017 to Date
Dow Jones	26458.31	+0.07	+7.04
S&P 500	2913.98	-0.00	+8.99
FTSE 100	7510.2	-0.47	-2.31
DJ Stoxx 50	3399.2	-1.47	-2.99
ISEQ	6522.36	-0.98	-7.33
Nikkei	24245.76	+0.52	+6.50

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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All Data Sourced from Thomson Reuters

Opening Levels

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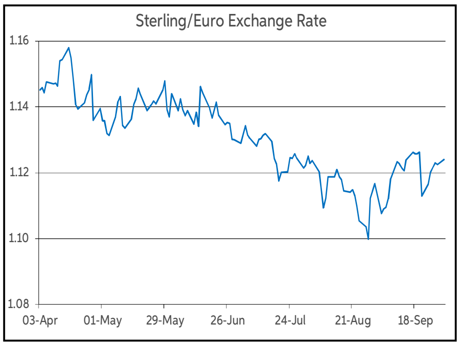
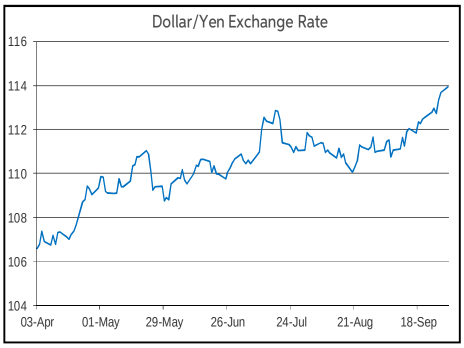
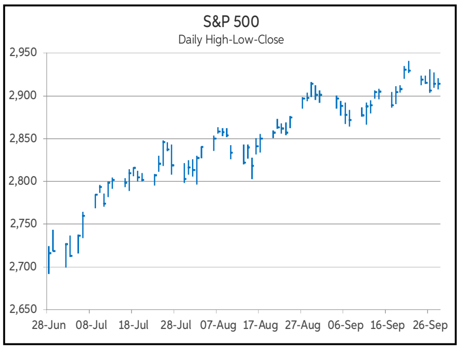
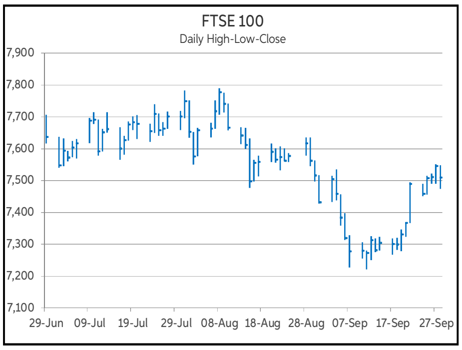
AIB

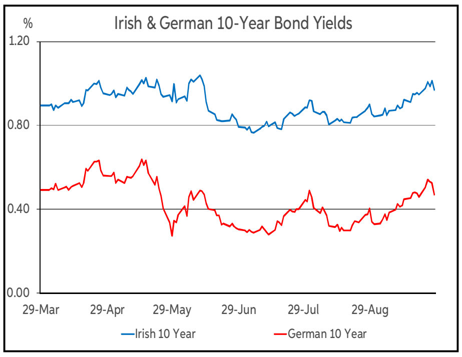
Euro		Sterling		Dollar	
EUR/GBP	0.8892	GBP/EUR	1.124	USD/JPY	113.94
EUR/USD	1.1591	GBP/USD	1.3033	USD/CAD	1.2833
EUR/JPY	132.09	GBP/CAD	1.6729	USD/CHF	0.9815
EUR/SEK	10.3183	GBP/NZD	1.9713	USD/CNY	6.868
EUR/DKK	7.4571	GBP/JPY	148.5	USD/BRL	4.0478
EUR/NOK	9.4508	GBP/SEK	11.6016	USD/RUB	65.445
EUR/CHF	1.1376	GBP/DKK	8.3835	USD/INR	72.795
EUR/AUD	1.6071	GBP/NOK	10.626		
EUR/HKD	9.0737	GBP/CHF	1.2789	AUD/USD	0.7212
EUR/CAD	1.4877	GBP/AUD	1.8072	NZD/USD	0.661

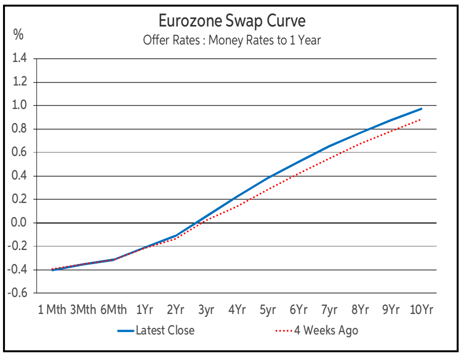












Debt Markets

	Close	Change bps Day	4 Weeks	End 17
10 Year Yield %				
US	3.06	+1	+20	+66
Germany	0.47	-6	+14	+5
UK	1.57	-2	+14	+39
Ireland	0.97	-4	+13	N/A
Belgium	0.82	-4	+13	+21
France	0.80	-4	+12	+3
Italy	3.13	+29	-9	+114
Spain	1.48	-1	+4	-6
Portugal	1.87	+1	-4	-2
Greece	4.11	+10	-24	+6
5 Year Swap %				
US	3.05	-2	+18	+81
Eurozone	0.38	-5	+10	+6
UK	1.44	-2	+8	+41
2 Year Swap %				
US	2.95	-4	+14	+86
Eurozone	-0.11	-3	+3	+3
UK	1.15	-2	+4	+35
10 Year Government Bond Spreads to Benchmark bps				
Ireland	50	+1	-1	N/A
Belgium	35	+1	-1	+16
France	33	+2	-2	-2
Italy	266	+34	-23	+109
Spain	101	+4	-10	-11
Portugal	140	+6	-18	-8
Greece	364	+16	-38	+1

Commodities

	Close	% Change Day	4 Weeks	End 17
Brent Oil	82.72	+1.22	+6.85	+23.70
West Texas Oil	73.16	+1.36	+4.75	+21.01
CRB - All Commodity	195.16	+0.51	+1.14	+0.67
CRB - Food	334.64	-2.80	+5.15	-0.42
Gold $	1192.5	+0.79	-0.75	-8.46

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