Morning Comment

AIB Treasury Economic Research Unit

Monday 17 August 2026
07:21 am

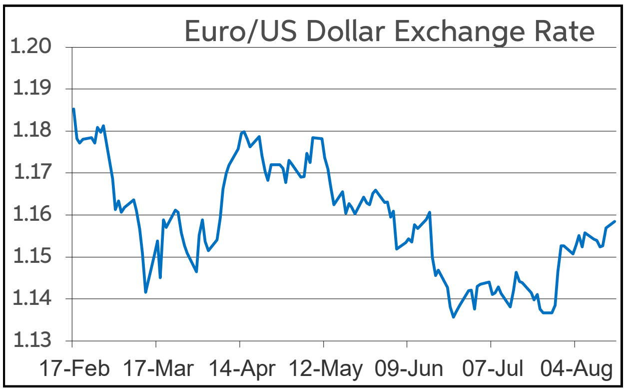
Softer Fed hike expectations unhelpful to the dollar

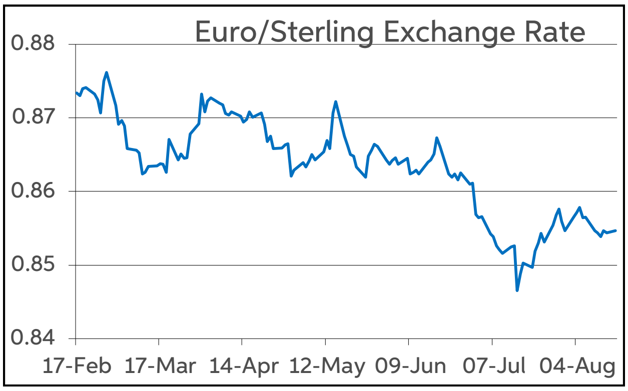
There was a generally cautious tone to risk appetite last week. Investors remained concerned about the Middle East, with no concrete signs of progress in resolving the conflict. Oil prices remained volatile. Brent Crude traded up to a high of $90 per barrel, before moving back nearer to $88. The main equity indices were in sideways mode for much of the week. At the close on Wall Street on Friday night, the S&P 500 index was 0.4% higher on the week.

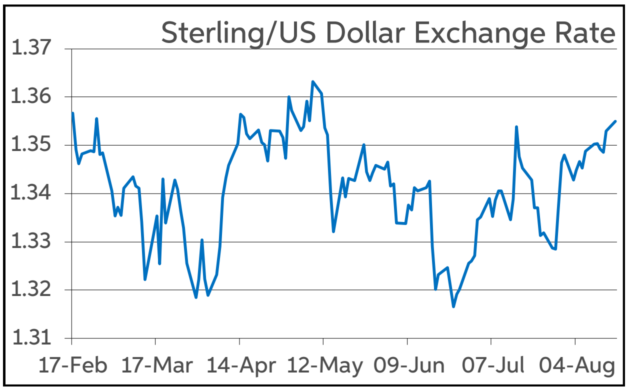
Another feature of the action last week was the softening in US rate expectations. The market reduced its assessment of the probability of a Fed hike in September to around 30% (from nearer 50% at the start of the week) as well as no longer fully pricing in a 25bps hike by year end. This reassessment was driven by incoming US macro data. Initially, it was underpinned by a benign CPI inflation report for July. It was further reinforced by lower than forecast PPI inflation data for July which indicated no pending factory gate price pressures. It got further validation on Friday after retail sales and consumer confidence numbers indicated a weaker backdrop for the all-important consumer spending side of the US economy.

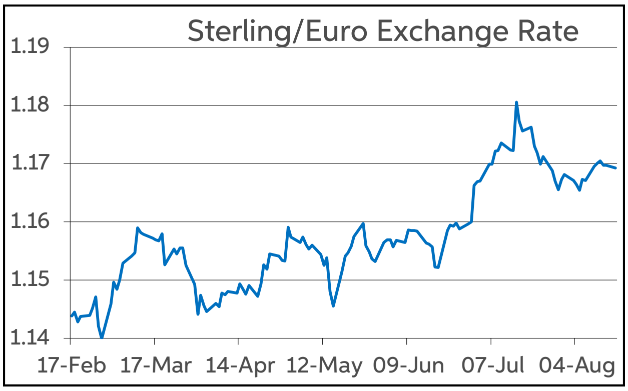
The main FX pairs operated within relatively narrow ranges last week. The softening in US rate expectations did provide some challenges to the dollar, although any weakness in the greenback was relatively confined. EUR/USD edged higher within the $1.15-1.16 band, while GBP/USD gained some ground in $1.35 territory. Meanwhile, EUR/GBP operated in a very tight 85.3-85.6p corridor. Elsewhere, the yen saw some levelling off, for now, with USD/JPY tending towards the ¥159-160 band as the week progressed.

Ahead this week, the Middle East conflict will remain a potential directional driver. Data-wise, flash PMIs (Aug) from the US, Eurozone and UK as well as UK CPI and labour market data are due.
John Fahey, Senior Economist, AIB









Today's Opening FX Rates

		% Change	
		Day *	End 2025
EUR/USD	1.1585	0.40	-1.36
EUR/GBP	0.8548	0.01	-1.92
GBP/USD	1.355	0.41	0.57
GBP/EUR	1.1694	-0.01	1.95
USD/JPY	159.08	-0.16	1.55
EUR/JPY	184.32	0.24	0.18

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates

		Money Market		Swap Rates		
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	3.63	3.63	3.72	3.96	4.28	4.34
EUR	2.25	2.21	2.51	2.87	3.01	3.07
GBP	3.75	3.72	3.77	4.09	4.47	4.58

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

All Data Sourced from Refinitiv

Opening Levels

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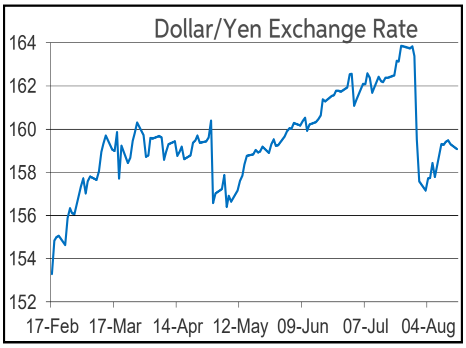
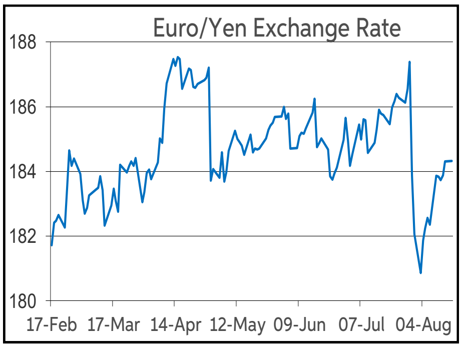
AIB

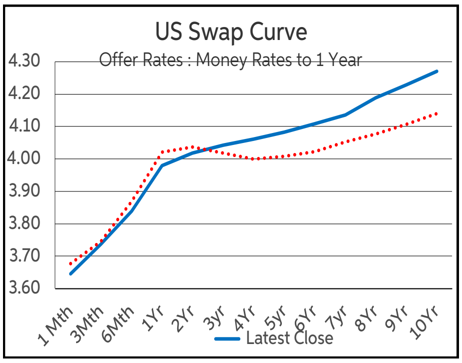
Euro		Sterling		Dollar	
EUR/GBP	0.8548	GBP/EUR	1.1694	USD/JPY	159.08
EUR/USD	1.1585	GBP/USD	1.355	USD/CAD	1.3862
EUR/JPY	184.32	GBP/CAD	1.8782	USD/CHF	0.8113
EUR/SEK	11.0093	GBP/NZD	2.291	USD/CNY	6.7392
EUR/DKK	7.4753	GBP/JPY	215.55	USD/BRL	5.2135
EUR/NOK	10.9221	GBP/SEK	12.875	USD/RUB	84.4
EUR/CHF	0.94	GBP/DKK	8.7421	USD/INR	95.5975
EUR/AUD	1.6288	GBP/NOK	12.773		
EUR/HKD	9.0914	GBP/CHF	1.0992	AUD/USD	0.7111
EUR/CAD	1.6061	GBP/AUD	1.905	NZD/USD	0.5911

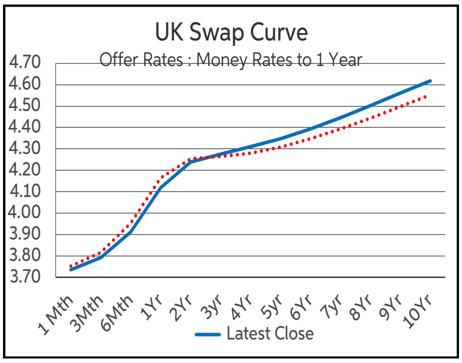




Debt Markets

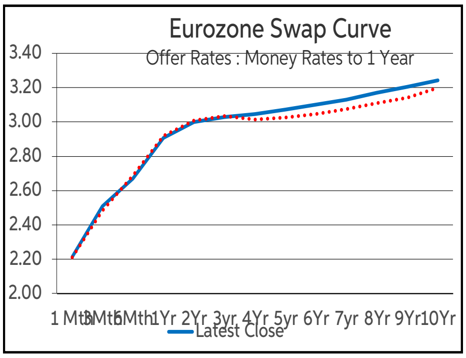
	Close	Change bps Day	4 Weeks	End 25
10 Year Yield %				
US	4.70	+5	+15	+54
Germany	3.20	+6	+8	+34
UK	5.04	+8	+8	+57
Ireland	3.36	+8	+5	+33
Belgium	3.75	+8	+8	+41
France	4.04	+10	+11	+48
Italy	4.00	+9	+4	+49
Spain	3.65	+8	+6	+36
Portugal	3.56	+7	+7	+40
Greece	3.83	+4	-2	+35
5 Year Swap %				
US	4.35	+5	+9	+63
Eurozone	3.04	+4	+2	+48
UK	4.59	+7	+3	+69
2 Year Swap %				
US	4.28	+3	+1	+70
Eurozone	2.98	+3	-2	+72
UK	4.47	+4	-4	+74
10 Year Government Bond Spreads to Benchmark bps				
Ireland	16	+2	-2	-1
Belgium	56	+2	+1	+7
France	84	+4	+4	+14
Italy	80	+3	-4	+15
Spain	45	+2	-2	+2
Portugal	36	+1	-0	+7
Greece	63	-2	-9	+1

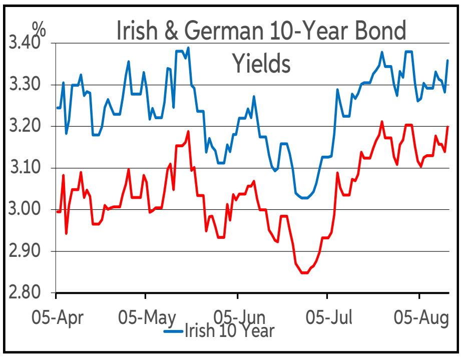




Commodities

	Close	% Change Day	4 Weeks	End 25
Brent Oil	88.52	+1.67	+0.48	+45.47
West Texas Oil	83.99	+1.47	+0.67	+46.68
Gold $	4375.9	+0.59	+8.94	+1.43





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