

10 August 2016

## Contact

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FX Markets

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## Opening Market Rates

EUR/GBP	0.8549
EUR/USD	1.1117
EUR/JPY	113.26
GBP/USD	1.3003
USD/JPY	101.88

## Solid UK retail sales and industrial output undone by disappointing trade data and additional QE fears

British Retail Consortium (BRC) retail sales, announced yesterday morning, came in stronger than expected for July at 1.3% versus -0.54% the previous month which was the strongest growth since January. The BRC cited better weather in July for improving sales. As a result, the pound got a slight lift in the early hours before the trade data confirmed the economy had a record amount of imports in June keeping sterling on the back foot. The U.K.'s deficit in goods trade widened to £12.4 billion in July from £11.5 billion in June which is likely to have acted as a drag on growth for the second quarter. In addition, Ian McCafferty, an external member of the MPC, was quoted as saying that "the bank rate can be cut further, closer to zero, and QE can be stepped up if needed," adding to sterling's woes. Industrial output did rise 0.1% month on month in June though, in line with forecasts, after a 0.6% drop in May, confirming its strongest quarter since 1999 in the three months to June.

## US productivity continues to fall

Nonfarm productivity unexpectedly fell in the second quarter making it three consecutive quarterly declines, the longest stretch since 1979. It dropped 0.5% in the April-June period when it was forecast to rise by 0.4% by many economists. The fear is that continued weak productivity could impact negatively on corporate profits, which in turn could affect hiring. Linked to productivity are Labour costs and they increased at a 2.0% pace in the second quarter.

## Stock markets continue to move higher

The S&P 500 and the Nasdaq in the US hit new intra-day highs yesterday continuing their recent good runs. In Europe, Germany's Dax was up 2.5% (its highest level this year) while the FTSE finished 42.17 points higher. The prospect of low interest rates for longer, further bank stimulus measures, and a little more stability in the oil market are the primary factors underpinning the move higher in the stock markets.

## Today's Main Data/Events

Time	Region	Indicator	Period	Median*	Previous
15:00	US	JOLTS Job Openings	June	5.6	5.5
00:00	US	Monthly Budget	July	-113.0	6.3

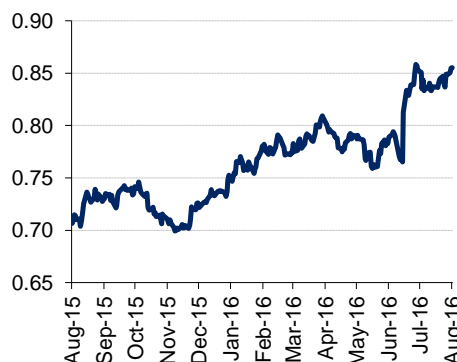
\* refers to Bloomberg/Reuters median of forecasts

## Upcoming Events

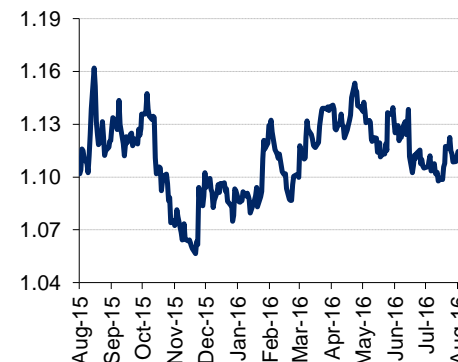
Date	Region	Event
September 15th	United Kingdom	BoE Policy Announcement
September 8th	Eurozone	ECB Policy Announcement
September 21st	United States	FOMC Policy Announcement

You can also find our commentary on our website [here](#) and on our twitter feed 

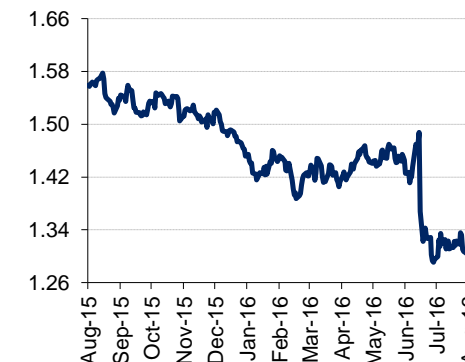
EUR/GBP, £



EUR/USD, \$



GBP/USD, \$



Charts cover past 12 months using Bloomberg data

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### Foreign Exchange Markets

EURGBP	0.8549	GBPEUR	1.1697
EURUSD	1.1117	GBPUSD	1.3003
EURAUD	1.4490	GBPAUD	1.6947
EURCAD	1.4584	GBPCAD	1.7059
EURJPY	113.26	GBPJPY	132.48
EURHKD	8.623	GBPHKD	10.086
EURCHF	1.0908	GBPCHF	1.2761

### Stocks & Commodities

Dow	18533.1
Nasdaq	5225.5
FTSE	6851.3
ISEQ	5960.1
NIKKEI	16735.1
S&P 500	2181.7
OIL (London Brent)	45.0
Gold	1340.7

### Yesterday's EURIBOR / LIBOR Settings

	EUR	GBP	USD
Overnight	-0.34	0.23	0.42
1 Week	-0.38	0.25	0.44
1 Month	-0.37	0.29	0.51
2 Month	-0.33	0.34	0.63
3 Month	-0.30	0.39	0.82
6 Month	-0.19	0.51	1.20
9 Month	-0.12	n/a	n/a
1 Year	-0.05	0.72	1.52

*Ulster Bank Cost of Funds Rate (365 day count) = 0.71%*  
*Euro rates are quoted in 360-day convention.*  
*To convert to 365 day count, divide by 360, & multiply by 365.*

*Note: the rates on this page are indicative only, refer to closing levels from the previous session, and are sourced from Bloomberg*

### Contact

#### Markets Team

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