

US labour market report the highlight today

Investor sentiment turned positive yesterday, as Eurozone inflation slowed by more than forecast. In the US, there were also signs of a further easing in price pressures, and expectations of a “Fed skip”, intensified. The Euro Stoxx 50 and the S&P 500 gained circa 1%.

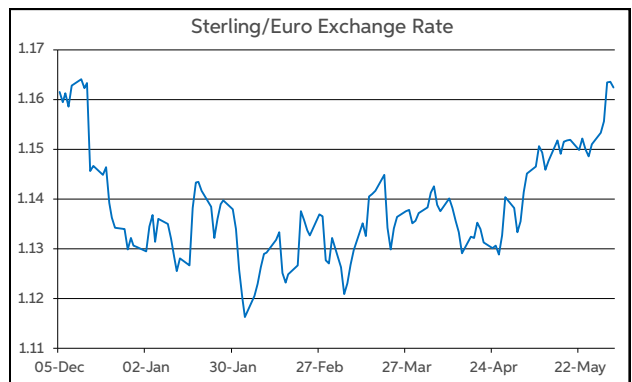
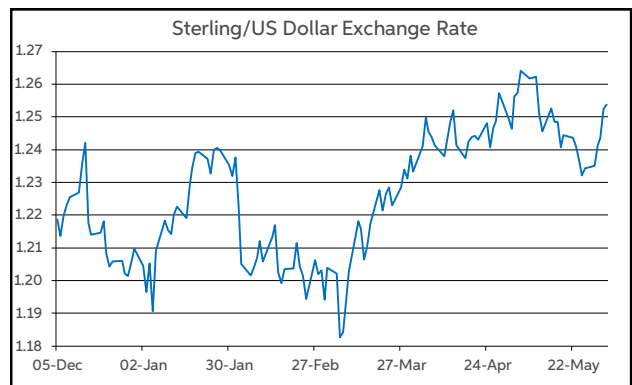
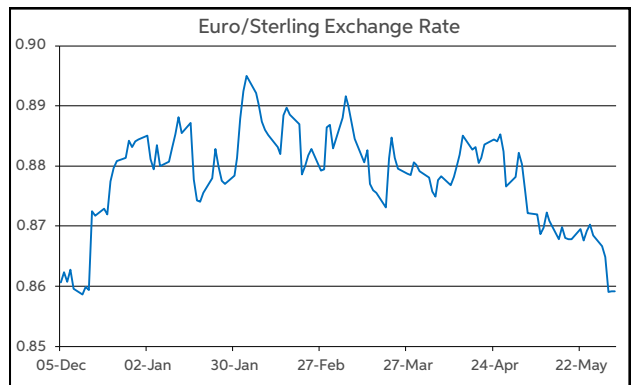
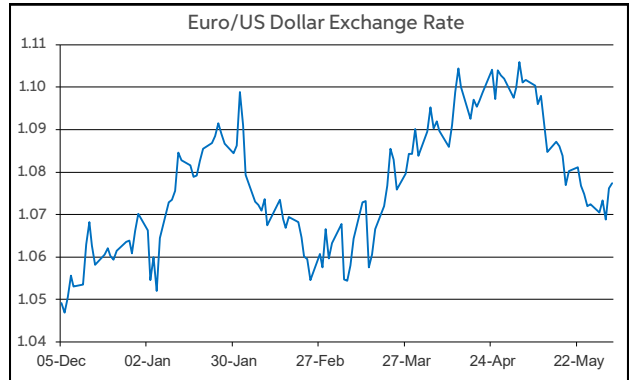
Data-wise, the flash reading of Eurozone headline inflation fell to 6.1% in May, down from 7%, and below the 6.3% consensus. The core rate also slowed by more than expected to 5.3%, from 5.6%. In the US, the “prices paid” component of the manufacturing ISM printed in-line with a contraction in costs, in May. Elsewhere, unit labour costs were revised lower to +4.2% annualised in Q1, down from an initial estimate of +6.3%.

Meanwhile, over the past 48 hours, a number of Fed officials have raised the possibility that the Fed may not hike rates in June. They have left the door open to raising rates later this summer though. US rate expectations have softened on the reports. The market now thinks there is only a 30% chance the Fed will hike rates in June, while expectations of a hike in July have also declined.

Against this backdrop, the dollar was on the back-foot yesterday. This is evidenced by EUR/USD opening this morning above the midpoint of \$1.07-1.08. GBP/USD is changing hands north of the \$1.25 threshold also. Elsewhere, EUR/GBP remains below 86p.

Today, the main highlight will be the US labour market report for May. Overall, the forecast is for a softening in labour market conditions, with payrolls expanding more slowly, earnings growth easing, and the unemployment rate inching slightly higher. A stronger than expected report though, would increase speculation of a June rate hike, and could impact the dollar.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.077	0.83	0.64
EUR/GBP	0.8588	-0.02	-2.89
GBP/USD	1.254	0.87	3.66
GBP/EUR	1.1641	0.02	2.98
USD/JPY	138.86	-0.39	5.91
EUR/JPY	149.59	0.46	6.62

* 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	5.13	5.19	5.52	5.24	4.52	3.78
EUR	3.75	3.21	3.46	3.82	3.50	3.01
GBP	4.50	4.53	4.77	5.26	5.26	4.73

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

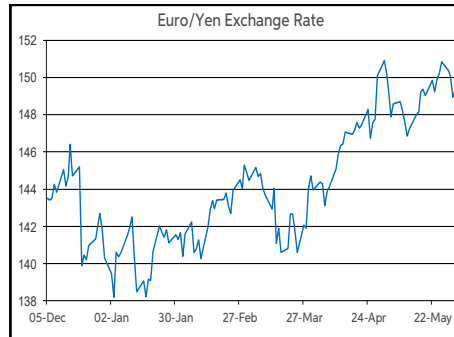
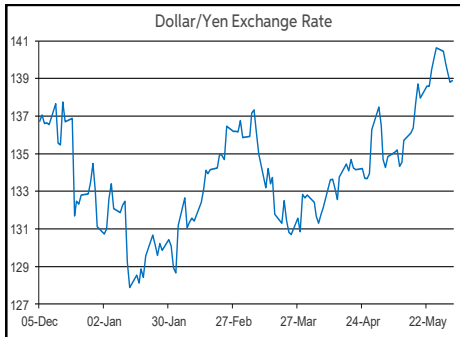
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

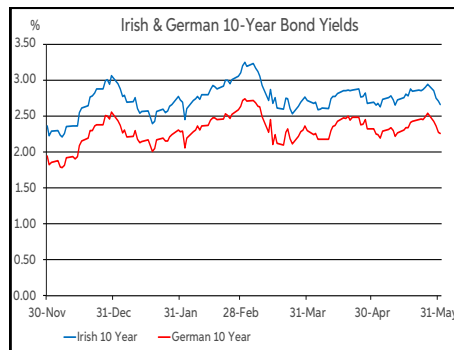
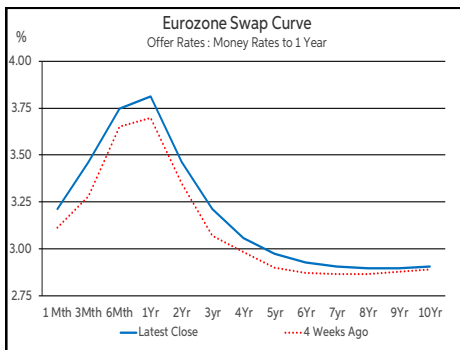
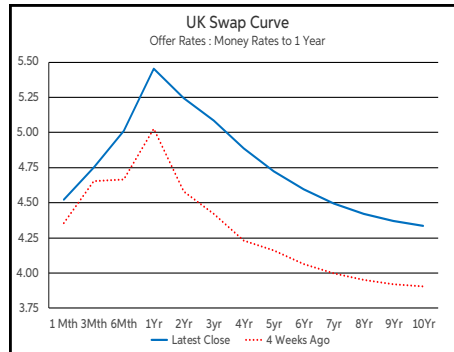
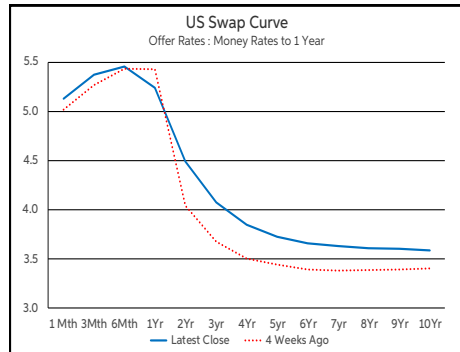
Friday 02 June 2023
07:46 am



Euro		Sterling		Dollar	
EUR/GBP	0.8588	GBP/EUR	1.1641	USD/JPY	138.86
EUR/USD	1.077	GBP/USD	1.254	USD/CAD	1.3417
EUR/JPY	149.59	GBP/CAD	1.6827	USD/CHF	0.9037
EUR/SEK	11.6119	GBP/NZD	2.0571	USD/CNY	7.0772
EUR/DKK	7.4479	GBP/JPY	174.13	USD/BRL	5.014
EUR/NOK	11.8843	GBP/SEK	13.523	USD/RUB	80.75
EUR/CHF	0.9736	GBP/DKK	8.67	USD/INR	82.3125
EUR/AUD	1.6287	GBP/NOK	13.841	AUD/USD	0.6613
EUR/HKD	8.436	GBP/CHF	1.1334	NZD/USD	0.6094
EUR/CAD	1.4452	GBP/AUD	1.8963		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.60	-5	+22	-28
Germany	2.26	-1	+7	-30
UK	4.12	-6	+47	+46
Ireland				
Ireland	2.70	-5	+2	-44
Belgium	2.94	-3	+4	-26
France	2.83	-2	+3	-29
Italy	4.01	-8	-11	-69
Spain	3.30	-4	+1	-36
Portugal	2.98	-4	-9	-62
Greece	3.75	-4	-37	-84
5 Year Swap %				
US	3.73	-7	+33	-27
Eurozone	2.97	-5	+9	-26
UK	4.72	-2	+57	+42
2 Year Swap %				
US	4.49	-6	+49	-19
Eurozone	3.46	-4	+12	+7
UK	5.25	+0	+67	+56
10 Year Government Bond Spreads to Benchmark bps				
Ireland	44	-4	-4	-14
Belgium	68	-2	-2	+4
France	57	-1	-4	+2
Italy	175	-7	-17	-39
Spain	104	-3	-6	-5
Portugal	72	-3	-16	-32
Greece	149	-2	-44	-54



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	74.28	+2.23	+2.46	-13.54
West Texas Oil	70.09	+2.91	+2.29	-12.56
Gold \$	1977.9	+0.79	-3.57	+8.41

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