

## Dovish market reaction to 25bp ECB rate hike

Market jitters in relation to the health of the US regional banking system continued yesterday, with the KBW regional bank index falling by over 3%. Concerns regarding the sector weighed on sentiment, with the Euro Stoxx 50 ending the day down 0.5%, while on Wall Street, the S&P 500 declined by 0.7%.

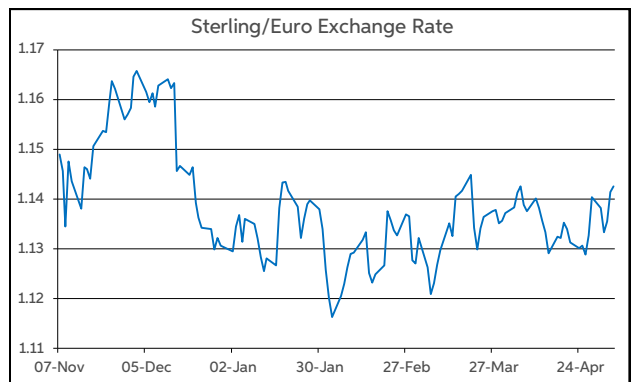
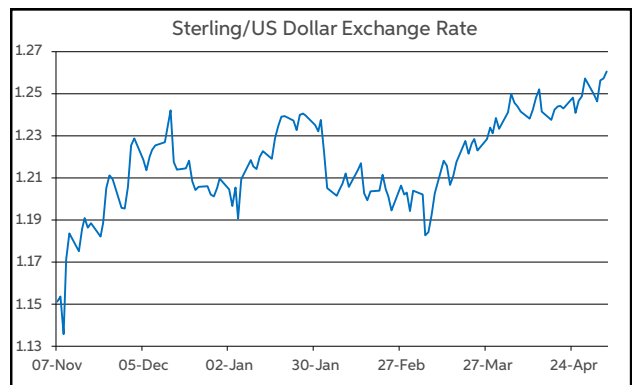
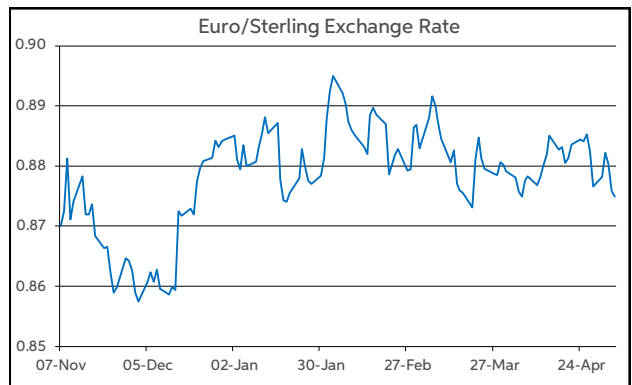
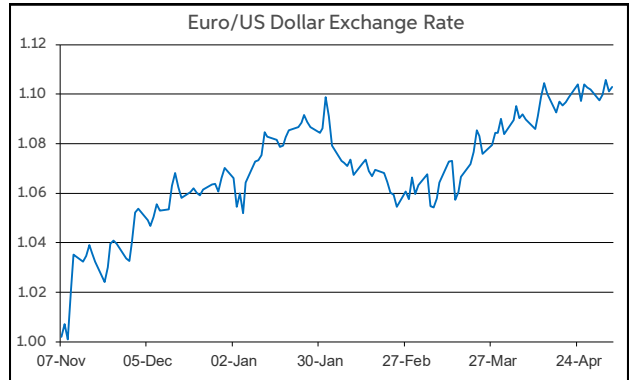
Elsewhere, as expected, the ECB hiked interest rates by 25bps. The central bank has now raised rates by 375bps in total since last July. Despite the slowdown in the pace of increase (previously the ECB had raised rates in 50 or 75bps steps), President Lagarde noted that the ECB has, "more ground to cover" in tightening policy, and that the slower pace was not an immediate precursor to a pause.

Nevertheless, the market reaction to the ECB policy decision was somewhat dovish. Rate hike expectations softened by around 10bps, with current pricing consistent with the deposit rate peaking at close to 3.6%, compared to 3.7% previously. Against this backdrop, the euro was under pressure, falling by 0.5-0.8% versus the dollar, sterling and yen over the past 24 hours.

In level terms, the softer tone to the euro sees EUR/USD open this morning back in the lower half of \$1.10-1.11. EUR/GBP is operating down at the midpoint of 87-88p. Meanwhile, GBP/USD is changing hands just above the \$1.26 handle.

Later today, the US labour market report for April is due. The jobs market remains tight, but there have been some signs of a softening in conditions recently. This trend is expected to continue, with the unemployment rate edging higher to 3.6% from 3.5%, while payrolls are projected to expand by 180k, down from 236k. Average earnings growth is forecast to remain at +4.2% y/y.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.1031	-0.45	3.07
EUR/GBP	0.8749	-0.65	-1.07
GBP/USD	1.2608	0.21	4.22
GBP/EUR	1.1428	0.65	1.09
USD/JPY	134.11	-0.33	2.29
EUR/JPY	147.95	-0.78	5.45

\* 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	5.08	5.33	4.85	4.06	3.44
EUR	3.75	3.09	3.28	3.68	3.37	2.97
GBP	4.25	4.34	4.47	4.69	4.58	4.16

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

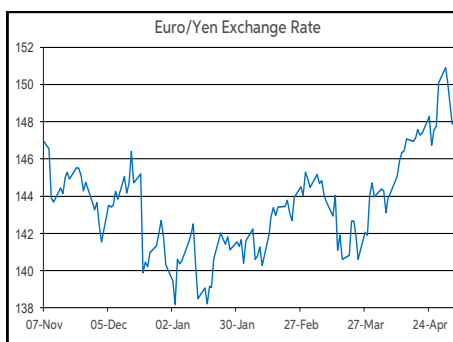
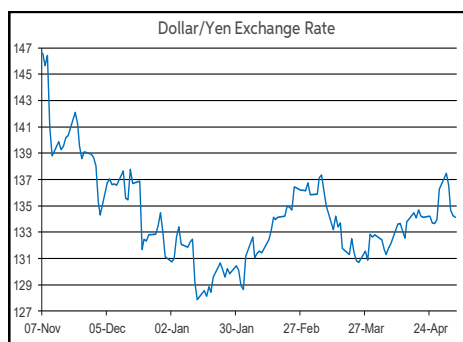
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

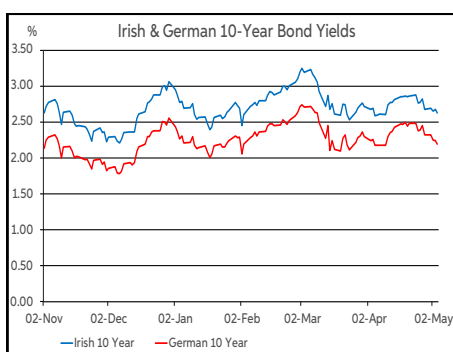
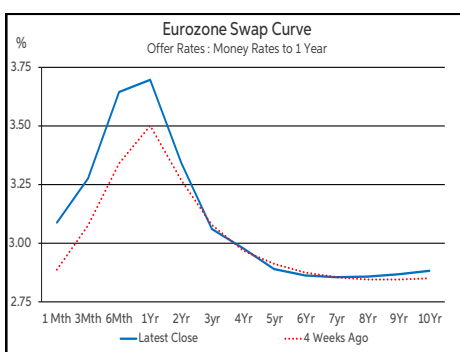
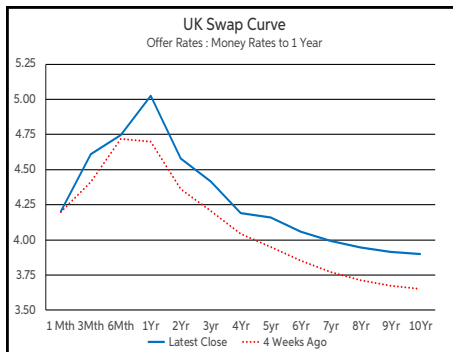
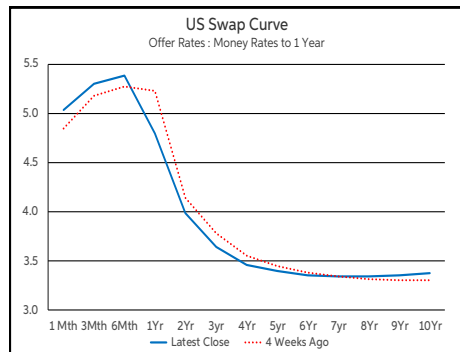
Friday 05 May 2023  
07:25 am



Euro		Sterling		Dollar	
EUR/GBP	0.8749	GBP/EUR	1.1428	USD/JPY	134.11
EUR/USD	1.1031	GBP/USD	1.2608	USD/CAD	1.3507
EUR/JPY	147.95	GBP/CAD	1.7028	USD/CHF	0.885
EUR/SEK	11.2573	GBP/NZD	1.9991	USD/CNY	6.9129
EUR/DKK	7.4484	GBP/JPY	169.09	USD/BRL	4.9842
EUR/NOK	11.7405	GBP/SEK	12.8727	USD/RUB	77.75
EUR/CHF	0.9763	GBP/DKK	8.5127	USD/INR	81.729
EUR/AUD	1.6369	GBP/NOK	13.423	AUD/USD	0.6736
EUR/HKD	8.6579	GBP/CHF	1.1156	NZD/USD	0.6306
EUR/CAD	1.4899	GBP/AUD	1.8709		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
<b>10 Year Yield %</b>				
US	3.38	+1	+7	-50
Germany	2.19	-5	+1	-37
UK	3.65	-4	+22	-2
<b>5 Year Swap %</b>				
US	3.40	+2	-2	-60
Eurozone	2.89	-10	-1	-34
UK	4.16	-3	+21	-15
<b>2 Year Swap %</b>				
US	3.99	-7	-11	-69
Eurozone	3.34	-10	+9	-4
UK	4.58	-12	+22	-10
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	49	+3	+2	-10
Belgium	70	+1	+1	+7
France	60	+2	+8	+5
Italy	192	+4	+7	-22
Spain	110	+3	+5	+1
Portugal	88	+1	-1	-16
Greece	193	+8	+1	-10



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	72.5	+0.24	-14.83	-15.61
West Texas Oil	68.52	-0.15	-15.09	-14.52
Gold \$	2051.1	+0.59	+2.15	+12.43

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