

ECB signals rate hikes on the way but euro weakens

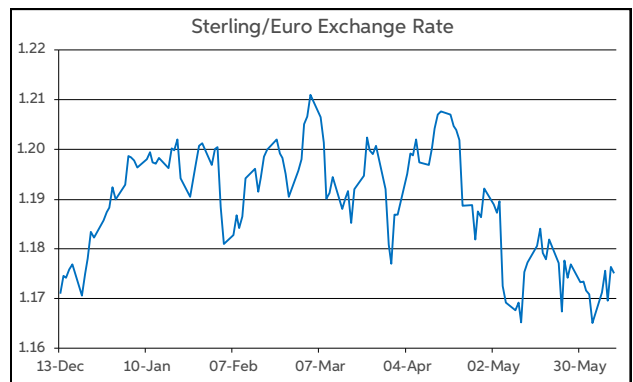
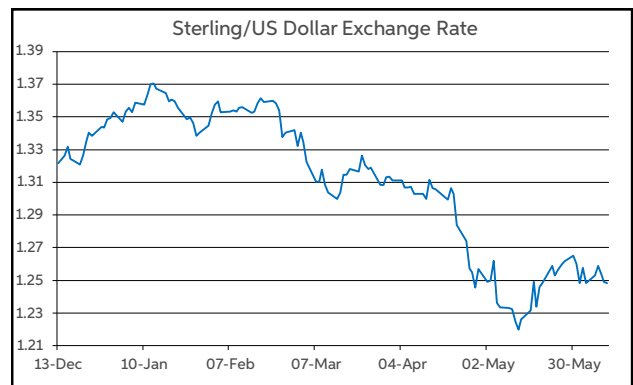
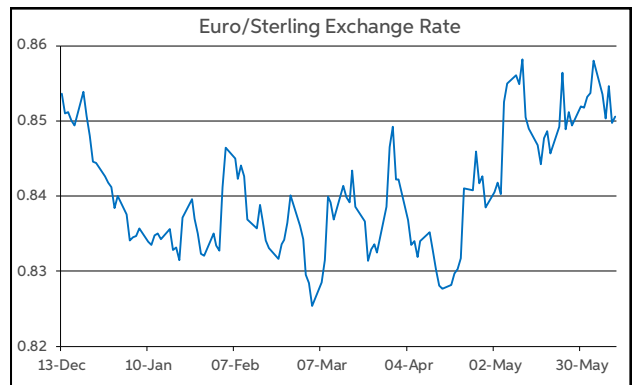
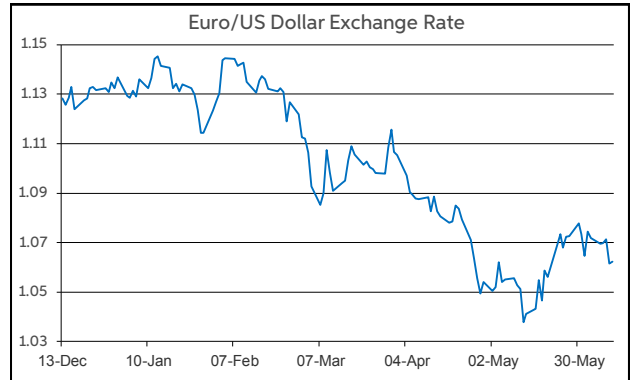
Yesterday's key event, the ECB policy meeting, saw the central bank announce that a 25bps rate hike is on the cards at its next meeting on July 21st. It also provided guidance that it would continue to hike rates in September. In this regard, it did not rule out a 50bps rate increase at this meeting. Futures contracts have 75bps of hikes priced in for Q3, which includes a 50bps rise in September. Meanwhile, there was a hardening of rate hike expectations in Q4, with rates now seen getting to near 1%.

From a currency viewpoint, the euro experienced some volatility during the ECB's post meeting press conference. It initially moved higher. However, despite the hawkish message from the Governing Council, these moves were not sustained. In level terms, the EUR/USD pair briefly rose from the \$1.07 mark, to a high of \$1.077 before falling below \$1.07. Similarly, EUR/GBP rose to a high of 85.9p before declining and settling in and around the 85p threshold.

Overall, the euro is holding a weaker tone over the past 24 hours. EUR/USD opens this morning in the lower half of \$1.06-1.07. Meantime, EUR/GBP is straddling the 85p handle. Elsewhere, the action in GBP/USD has been less eventful, although the pair has edged lower with the dollar supported by the risk averse tone on markets. It starts today below the \$1.25 threshold.

Looking ahead to today, the key data highlight will be US CPI inflation figures for May. There are hopes that US inflation may have or be close to its peak after slowing slightly in April. The consensus is for the headline CPI rate to remain unchanged at 8.3% in May. Meanwhile, US consumer sentiment in June is forecast to weaken further.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0621	-0.98	-6.57
EUR/GBP	0.8505	-0.64	1.25
GBP/USD	1.2486	-0.33	-7.71
GBP/EUR	1.1754	0.65	-1.23
USD/JPY	133.91	-0.19	16.36
EUR/JPY	142.26	-1.15	8.70

* 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	0.875	1.25	1.72	2.82	3.21	3.11
EUR	0.00	-0.54	-0.30	0.76	1.47	1.87
GBP	1.00	1.22	1.50	2.55	2.95	2.86

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

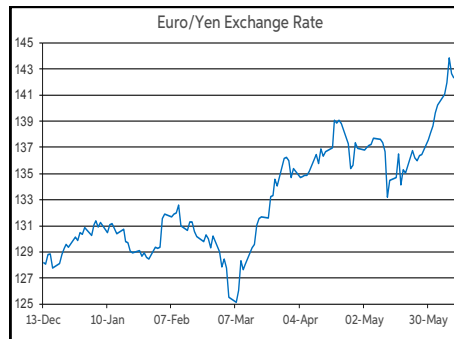
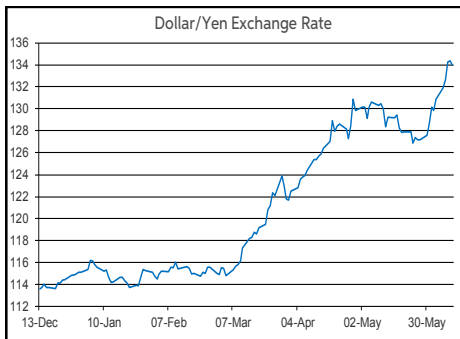
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Opening Levels

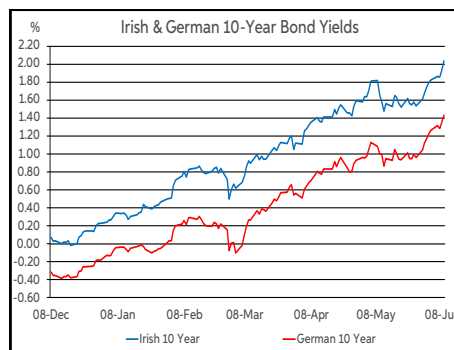
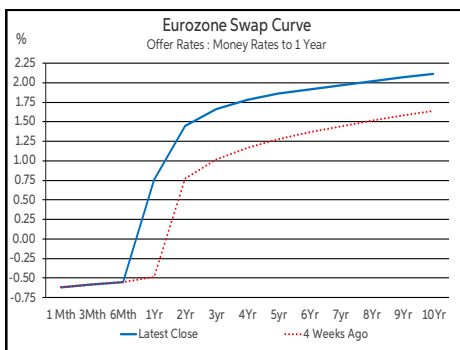
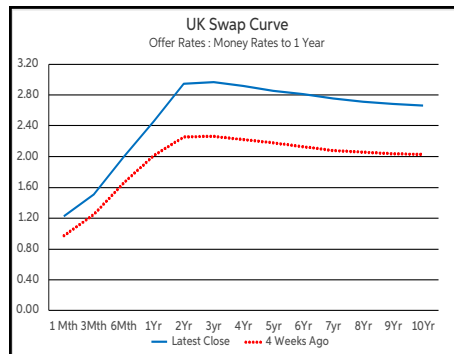
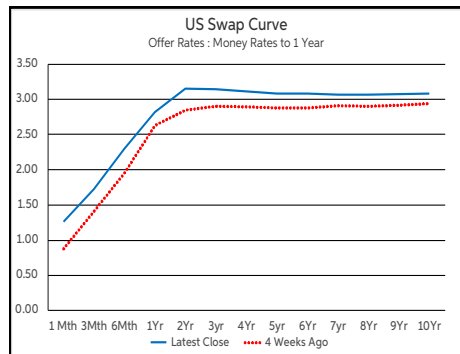
Friday 10 June 2022
07:27 am



Euro		Sterling		Dollar	
EUR/GBP	0.8505	GBP/EUR	1.1754	USD/JPY	133.91
EUR/USD	1.0621	GBP/USD	1.2486	USD/CAD	1.2691
EUR/JPY	142.26	GBP/CAD	1.5847	USD/CHF	0.9781
EUR/SEK	10.5118	GBP/NZD	1.946	USD/CNY	6.6858
EUR/DKK	7.439	GBP/JPY	167.2	USD/BRL	4.9043
EUR/NOK	10.1661	GBP/SEK	12.3533	USD/RUB	59
EUR/CHF	1.0392	GBP/DKK	8.7422	USD/INR	77.811
EUR/AUD	1.4922	GBP/NOK	11.9447		
EUR/HKD	8.3375	GBP/CHF	1.2216	AUD/USD	0.7116
EUR/CAD	1.3481	GBP/AUD	1.754	NZD/USD	0.6415



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.05	+2	+19	+153
Germany	1.44	+8	+57	+161
UK	2.33	+8	+66	+135
Ireland	2.06	+12	+54	+181
Belgium	2.05	+8	+61	+187
France	1.98	+11	+61	+179
Italy	3.69	+22	+97	+250
Spain	2.61	+13	+71	+201
Portugal	2.66	+15	+70	+218
Greece	4.10	+11	+73	+278
5 Year Swap %				
US	3.09	+4	+24	+175
Eurozone	1.86	+11	+59	+185
UK	2.86	+10	+68	+158
2 Year Swap %				
US	3.15	+6	+34	+221
Eurozone	1.45	+14	+69	+175
UK	2.94	+13	+69	+175
10 Year Government Bond Spreads to Benchmark bps				
Ireland	63	+4	-3	+20
Belgium	61	+0	+5	+25
France	55	+3	+4	+18
Italy	225	+14	+40	+89
Spain	117	+5	+14	+40
Portugal	123	+7	+14	+56
Greece	266	+3	+16	+117



Commodities				
	Close	% Change		
		Day	4 Weeks	End 21
Brent Oil	123.07	-0.41	+14.54	+58.23
West Texas Oil	121.52	-0.34	+14.48	+61.32
Gold \$	1847.6	-0.30	+1.42	+1.05

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