

Firmer tone to the dollar

The market spotlight yesterday was on the Bank of England, with its policy announcement for May. As expected, it raised rates by 25bps to 4.50%. This marked the twelfth meeting in a row where it has hiked rates. The meeting also saw the release of its latest Monetary Policy Report, which includes its updated macro projections. The BoE is no longer predicting a UK recession, upping its GDP forecasts, as well as its inflation projections.

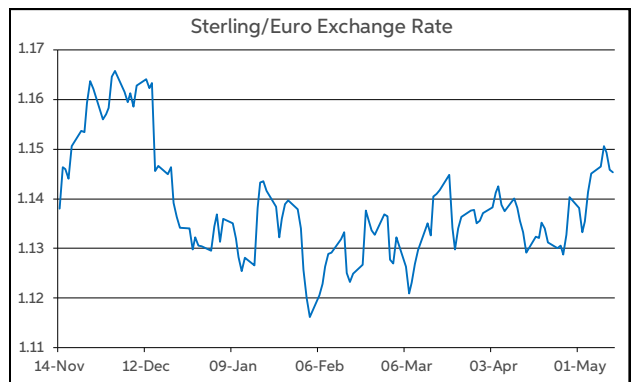
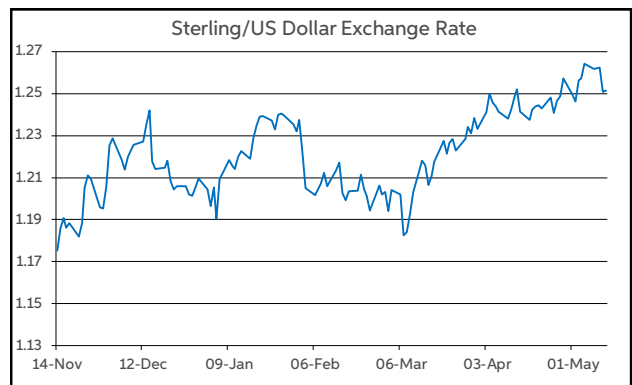
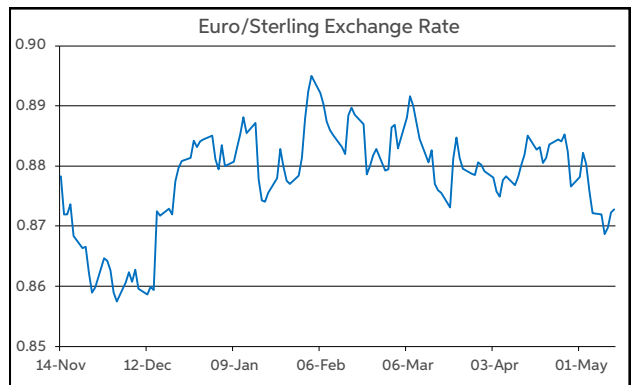
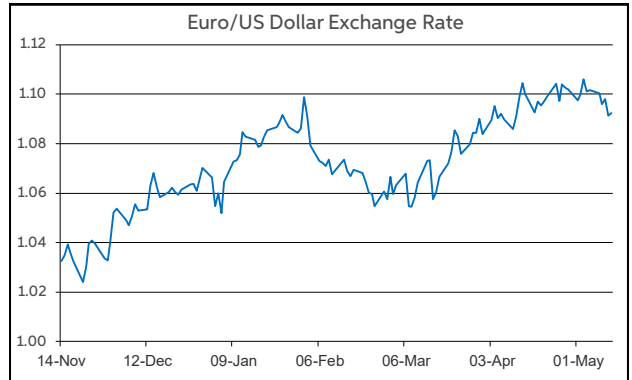
The central bank did not give any direct guidance on the interest outlook. However, it did continue to communicate its willingness to raise rates again, if required. In this context, the BoE did not try to alter market expectations for some further rate tightening. Futures contracts are pricing that the Bank Rate will peak in a 4.75-5.00% range by the autumn. Rates are seen falling back towards 4% during 2024.

From a currency viewpoint, sterling has been holding a softer tone in the aftermath of the BoE meeting. At the same time, the dollar has been in the ascendancy. The greenback benefitted from safe haven demand amid more woes in the US regional banking sector.

In level terms, the firmer tone to the dollar is reflected in EUR/USD opening this morning in the lower half of \$1.09-1.10. Dollar strength and a softer sterling is evident in GBP/USD being unable to hold above \$1.26, with the pair trading nearer to \$1.25. Elsewhere, EUR/GBP has regained some ground above 87p.

Already this morning we have had the release of UK GDP for Q1. Growth printed at 0.1% q/q, in line with expectations. The only other release of note today is the preliminary reading of US consumer sentiment for May.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0924	-0.46	2.07
EUR/GBP	0.8728	0.34	-1.31
GBP/USD	1.2513	-0.82	3.44
GBP/EUR	1.145	-0.34	1.33
USD/JPY	134.75	0.38	2.78
EUR/JPY	147.22	-0.08	4.93

* 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	5.11	5.32	4.89	4.11	3.43
EUR	3.75	3.15	3.30	3.72	3.36	2.94
GBP	4.50	4.40	4.56	4.77	4.65	4.19

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

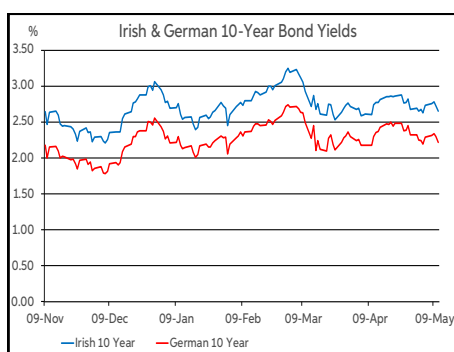
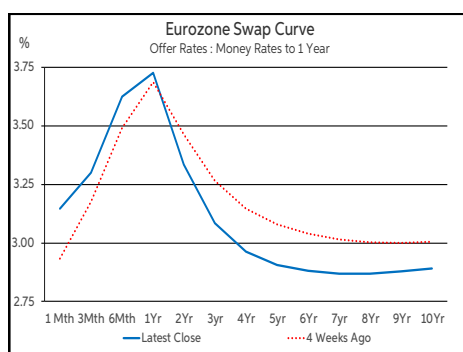
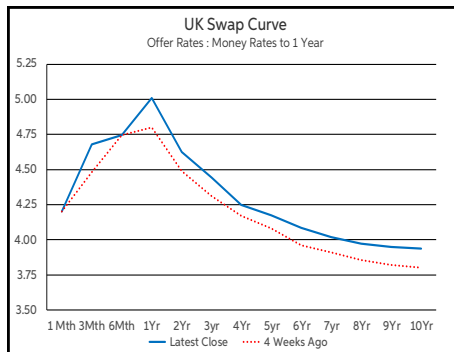
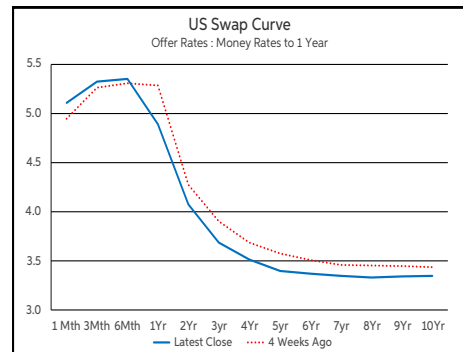
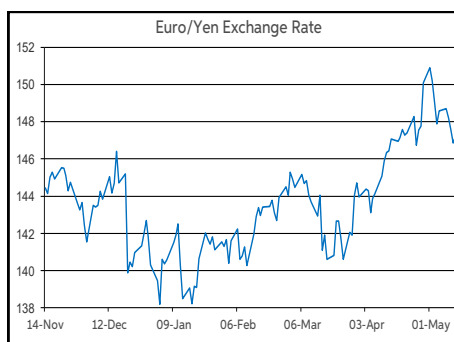
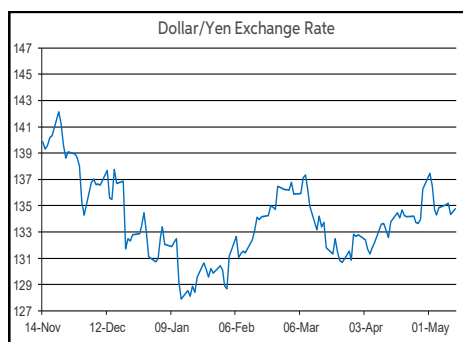
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

Friday 12 May 2023
07:23 am



Euro		Sterling		Dollar	
EUR/GBP	0.8728	GBP/EUR	1.145	USD/JPY	134.75
EUR/USD	1.0924	GBP/USD	1.2513	USD/CAD	1.3488
EUR/JPY	147.22	GBP/CAD	1.688	USD/CHF	0.8925
EUR/SEK	11.2701	GBP/NZD	2.0007	USD/CNY	6.9473
EUR/DKK	7.4466	GBP/JPY	168.63	USD/BRL	4.9303
EUR/NOK	11.6715	GBP/SEK	12.912	USD/RUB	76.6
EUR/CHF	0.975	GBP/DKK	8.5291	USD/INR	82.167
EUR/AUD	1.6321	GBP/NOK	13.3628	AUD/USD	0.6693
EUR/HKD	8.5677	GBP/CHF	1.1169	NZD/USD	0.6253
EUR/CAD	1.4735	GBP/AUD	1.8695		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.39	-5	-6	-49
Germany	2.22	-8	-15	-35
UK	3.71	-9	+13	+4
5 Year Swap %				
US	3.40	-2	-15	-60
Eurozone	2.91	-5	-16	-32
UK	4.17	-5	+10	-13
2 Year Swap %				
US	4.08	+0	-17	-60
Eurozone	3.33	-3	-12	-5
UK	4.62	-8	+14	-6
10 Year Government Bond Spreads to Benchmark bps				
Ireland	48	+1	+5	-11
Belgium	70	+0	+2	+6
France	58	-0	+7	+3
Italy	189	-2	+4	-25
Spain	109	+0	+4	-1
Portugal	84	-1	-3	-20
Greece	181	+1	-9	-22

Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	74.98	-1.87	-12.91	-12.72
West Texas Oil	70.81	-2.37	-13.81	-11.66
Gold \$	2015.5	-0.69	-1.19	+10.48

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