

Sterling settles higher post-BoE

It was another volatile day on financial markets yesterday, with monetary policy remaining firmly in focus. The Euro Stoxx 50 and the S&P 500 both finished down by 3-3.5% over growing concerns that aggressive policy tightening may cause a recession. On bond markets, 10yr yields in the Eurozone rose by circa 3-12bps. Crucially though, 10yr Italian BTP yields continued to decline.

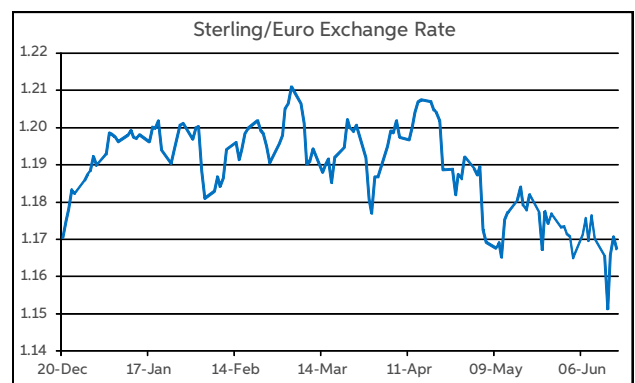
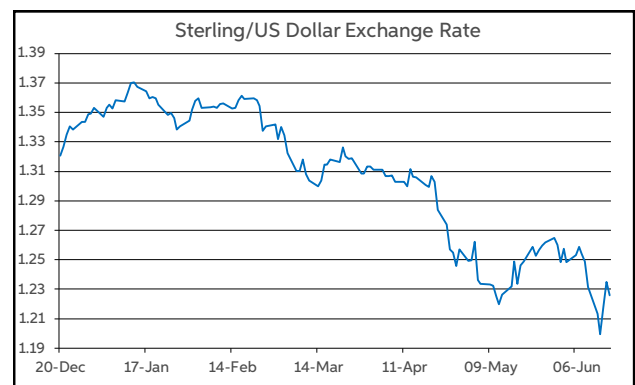
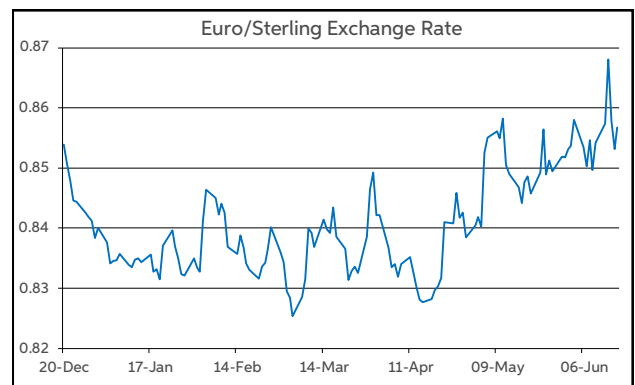
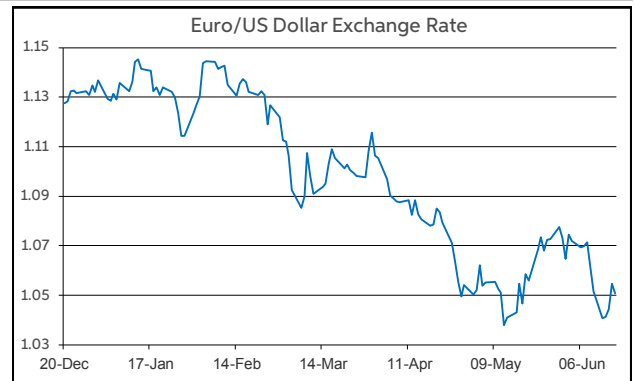
Meanwhile, the Bank of England hiked rates by 25bps as expected, bringing the Bank rate up to 1.25%. In an update to its forward guidance, the BoE appears to have turned more hawkish on the rates outlook. Elsewhere, in a surprise move, the Swiss National Bank, unexpectedly raised rates by 50bps. Overnight, the Bank of Japan announced no immediate changes to policy as anticipated, and remained dovish on the future path of interest rates.

Amid the hawkish shifts in monetary policy, trading conditions remained choppy on currency markets. Sterling initially moved lower following the BoE's decision, but finished the day on the front-foot. Meantime, the Swiss franc surged by circa 2%. Elsewhere, the dollar was under some slight downward pressure.

In level terms, the firmer tone to sterling sees EUR/GBP open down below the 86p mark. GBP/USD is operating above the midpoint of \$1.22-1.23. The softer tone to the dollar is evidenced by EUR/USD changing hands up at the \$1.05 handle.

Turning to the day ahead, the main releases of note are the final reading of Eurozone HICP inflation for May, and US industrial production (also for May). However, neither release is likely to impact on currency markets. Instead, any directional moves for the FX majors may be driven by general market sentiment.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0505	0.66	-7.59
EUR/GBP	0.857	-0.26	2.02
GBP/USD	1.2259	0.93	-9.39
GBP/EUR	1.1665	0.26	-1.98
USD/JPY	134.31	-0.07	16.71
EUR/JPY	141.11	0.58	7.82

* 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	1.625	1.52	2.03	3.38	3.59	3.40
EUR	0.00	-0.49	-0.18	1.11	1.86	2.31
GBP	1.25	1.28	1.59	2.86	3.16	3.03

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

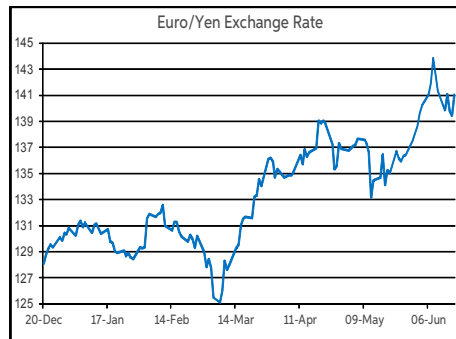
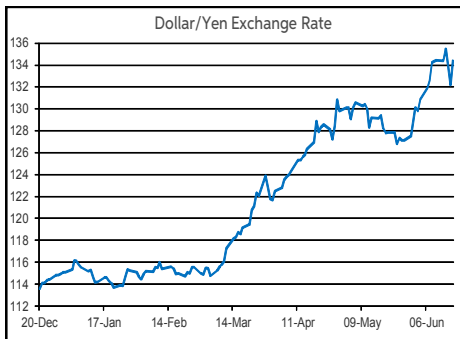
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Opening Levels

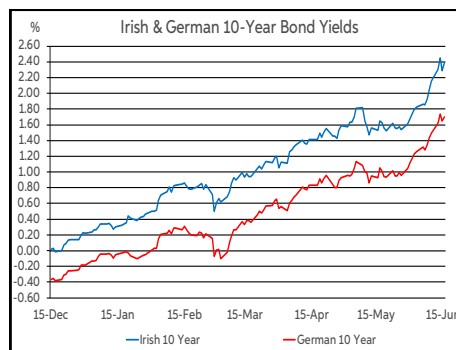
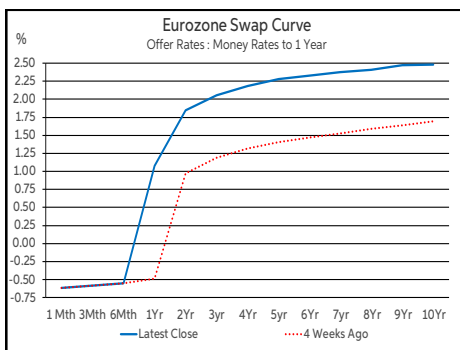
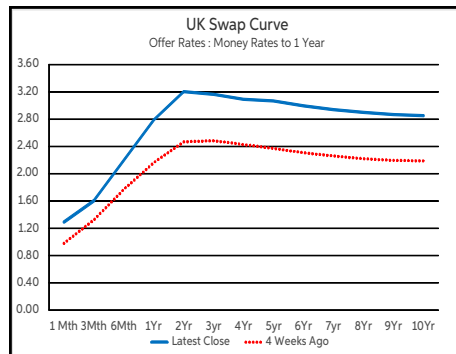
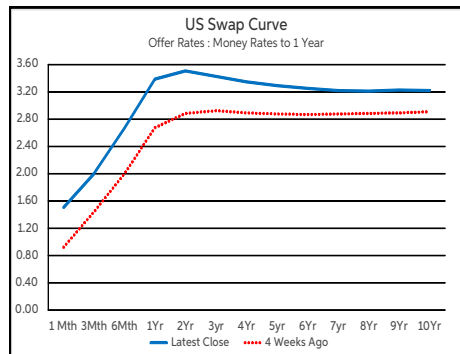
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Euro		Sterling		Dollar	
EUR/GBP	0.8569	GBP/EUR	1.1663	USD/JPY	134.29
EUR/USD	1.0505	GBP/USD	1.2259	USD/CAD	1.2974
EUR/JPY	141.12	GBP/CAD	1.5907	USD/CHF	0.9691
EUR/SEK	10.7004	GBP/NZD	1.9391	USD/CNY	6.6984
EUR/DKK	7.4385	GBP/JPY	164.61	USD/BRL	5.0535
EUR/NOK	10.5011	GBP/SEK	12.4847	USD/RUB	56.5
EUR/CHF	1.018	GBP/DKK	8.6787	USD/INR	78.085
EUR/AUD	1.5038	GBP/NOK	12.2455	AUD/USD	0.6984
EUR/HKD	8.2472	GBP/CHF	1.1879	NZD/USD	0.632
EUR/CAD	1.3632	GBP/AUD	1.7547		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.20	-10	+36	+168
Germany	1.70	+5	+76	+188
UK	2.52	+5	+65	+155
Ireland	2.43	+12	+84	+218
Belgium	2.35	+4	+81	+217
France	2.26	+3	+79	+206
Italy	3.85	-7	+95	+267
Spain	2.88	-0	+83	+228
Portugal	2.85	-2	+75	+236
Greece	4.30	+7	+76	+299
5 Year Swap %				
US	3.29	-8	+46	+196
Eurozone	2.28	+19	+88	+227
UK	3.07	+5	+70	+179
2 Year Swap %				
US	3.50	-6	+66	+256
Eurozone	1.84	+17	+88	+214
UK	3.20	+8	+74	+201
10 Year Government Bond Spreads to Benchmark bps				
Ireland	73	+7	+7	+30
Belgium	64	-1	+5	+29
France	56	-2	+3	+18
Italy	215	-12	+18	+78
Spain	118	-5	+6	+40
Portugal	114	-7	-2	+48
Greece	260	+2	-0	+111



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	119.81	+1.10	+6.94	+54.04
West Texas Oil	117.56	+1.94	+4.77	+56.06
Gold \$	1856.7	+1.27	+0.81	+1.55

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