

## Market rate hike expectations continue to firm

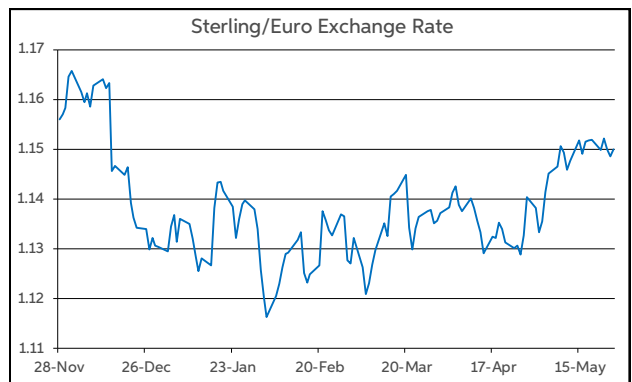
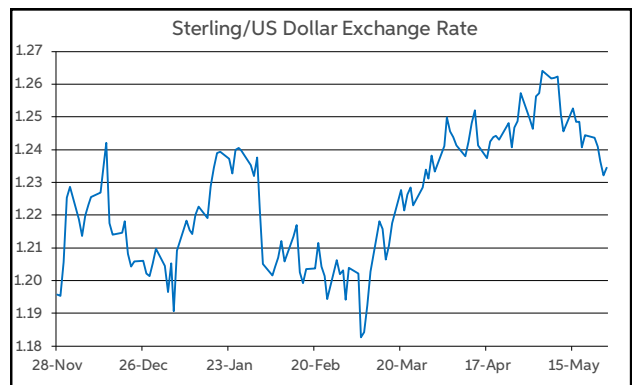
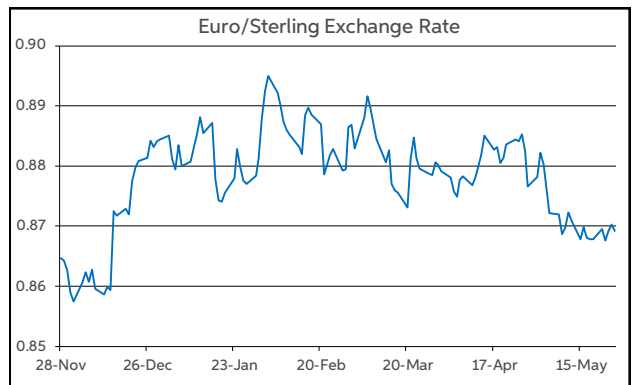
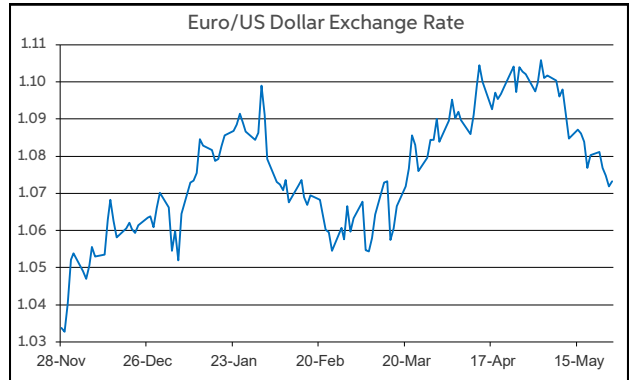
Having suffered heavy losses earlier in the week, equity markets on both sides of the Atlantic stabilised yesterday. The Euro Stoxx 50 finished flat for the day, while the S&P 500 rose by 0.9%, led by a rally in tech stocks. Some positive newsflow regarding the US debt ceiling talks also supported investor sentiment. On bond markets, yields rose by 5-9bps in the Eurozone and the US, and by 10-20bps in the UK, as market rate expectations continued to firm.

The market is now pricing in a further 100bps at least, of rate hikes from the BoE this year, with Bank rate seen as topping out at 5.5%. Meantime, in the US, following a hawkish tone to the latest FOMC meeting minutes, and upward revisions to Q1 GDP and inflation data, the market is now leaning towards a 25bps hike by July, and is not ruling out that it could be delivered as early as June. The recent hardening of UK and US rates has spilled over to the Eurozone, where 60-65bps of rate hikes are now priced in.

Despite the volatility on interest rate markets, the action on forex markets was confined to tight trading ranges yesterday. This is reflected by the main pairs opening at identical levels to 24 hours ago. EUR/USD remains in the lower half of the \$1.07-1.08 range. GBP/USD is changing hands near the midpoint of the \$1.23-1.24 corridor. Elsewhere, EUR/GBP is just below the 87p handle.

Already this morning, UK retail sales have printed slightly above the consensus, rebounding by 0.5% in April (vs. +0.3% f'cast). Later today, the focus will shift to the US, where core-PCE inflation is forecast to remain at +4.6% y/y in April. Consumption/income data are also due. The data pose some event risk for the dollar. Meantime, investors will be paying close attention for a potential debt ceiling deal, ahead of a long weekend in the US.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0735	0.01	0.31
EUR/GBP	0.8694	-0.02	-1.70
GBP/USD	1.2346	0.05	2.06
GBP/EUR	1.15	0.02	1.73
USD/JPY	139.65	0.06	6.51
EUR/JPY	149.91	0.06	6.85

\* 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	5.14	5.42	5.35	4.70	4.00
EUR	3.75	3.14	3.42	3.93	3.72	3.27
GBP	4.50	4.47	4.78	5.37	5.44	4.91

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

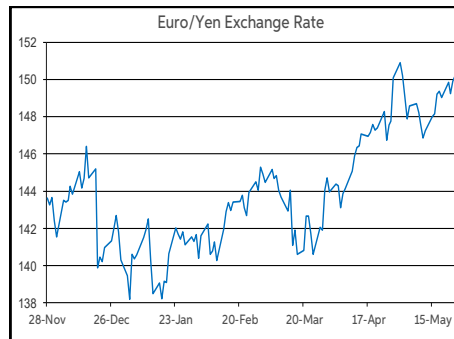
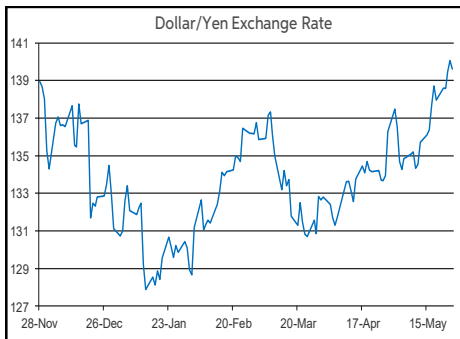
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

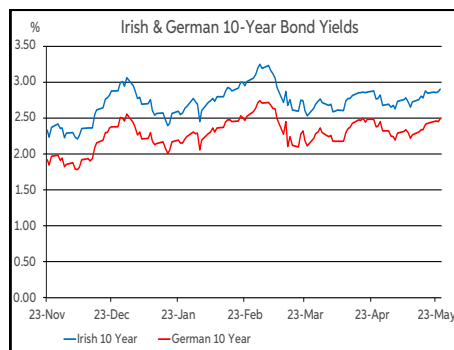
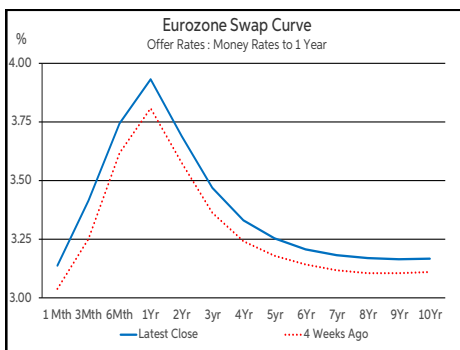
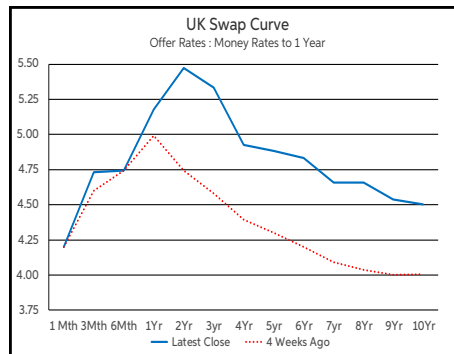
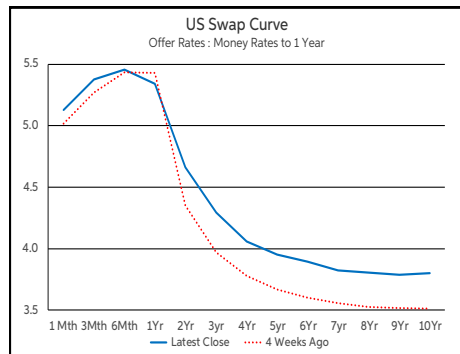
Friday 26 May 2023  
07:43 am



Euro		Sterling		Dollar	
EUR/GBP	0.8692	GBP/EUR	1.1498	USD/JPY	139.63
EUR/USD	1.0734	GBP/USD	1.2347	USD/CAD	1.362
EUR/JPY	149.9	GBP/CAD	1.682	USD/CHF	0.9045
EUR/SEK	11.5642	GBP/NZD	2.0302	USD/CNY	7.0501
EUR/DKK	7.4505	GBP/JPY	172.4	USD/BRL	5.0362
EUR/NOK	11.8224	GBP/SEK	13.3062	USD/RUB	79.9425
EUR/CHF	0.9709	GBP/DKK	8.5681	USD/INR	82.7075
EUR/AUD	1.6448	GBP/NOK	13.595		
EUR/HKD	8.4101	GBP/CHF	1.1168	AUD/USD	0.6526
EUR/CAD	1.4622	GBP/AUD	1.8919	NZD/USD	0.608



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
<b>10 Year Yield %</b>				
US	3.82	+8	+30	-6
Germany	2.49	+4	+4	-8
UK	4.38	+16	+58	+71
<b>5 Year Swap %</b>				
US	3.95	+11	+33	-4
Eurozone	3.25	+6	+8	+2
UK	4.88	+13	+59	+58
<b>2 Year Swap %</b>				
US	4.66	+11	+35	-1
Eurozone	3.69	+6	+12	+30
UK	5.47	+20	+73	+79
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	46	+2	+4	-12
Belgium	74	+2	+5	+10
France	61	+2	+4	+6
Italy	190	+2	-0	-24
Spain	109	+1	+4	-0
Portugal	76	-1	-10	-28
Greece	140	-4	-43	-63



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	76.26	-2.68	-2.69	-11.23
West Texas Oil	71.68	-3.62	-4.13	-10.58
Gold \$	1940.3	-0.85	-2.39	+6.35

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