

Further softening in rate expectations

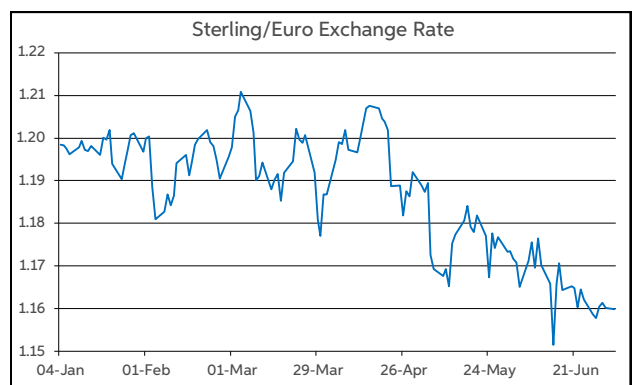
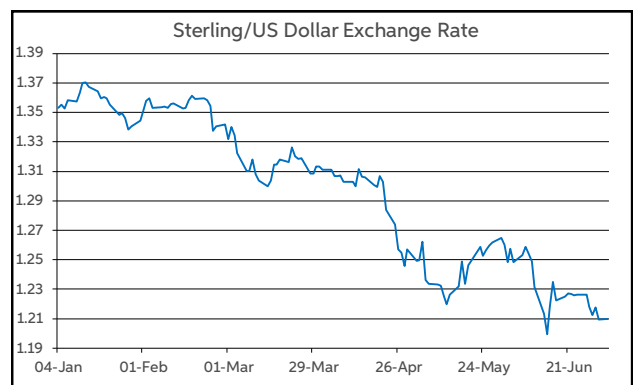
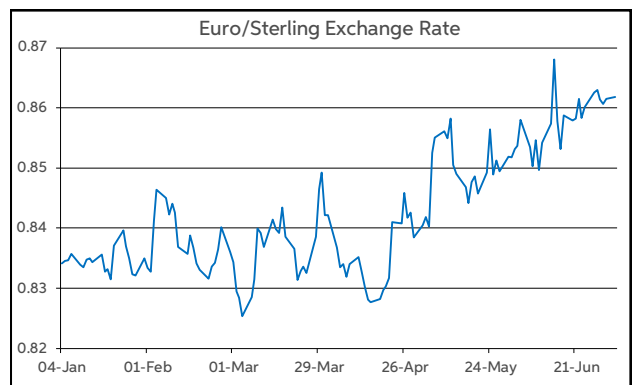
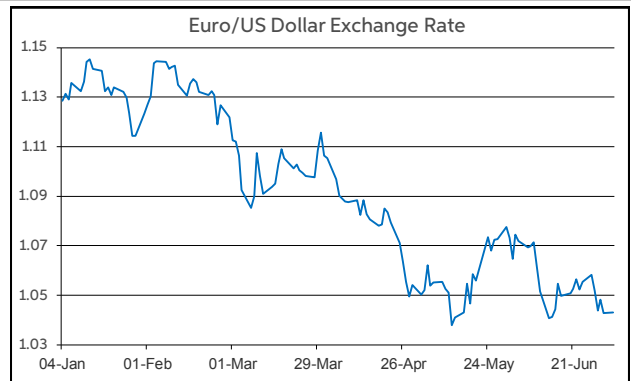
Investor sentiment was back in risk averse mode last week after a brief rally the previous week. Recession concerns were back to the fore of investor's minds. The S&P 500 finished the week down over 2% and registered its worst opening six months in over 50 years, falling by around 20% since the start of the year. Bond markets continued to rally amid the increased concerns about the economic outlook. Yields were down by between 15-30bps. The 10-year US Treasury yield fell back below the 3% level, while the 10-year German bund fell under the 1.3% mark.

Rising recession risks and some downside surprises to inflation resulted in a further softening of interest rate expectations. Eurozone rates are seen getting to 0.75% by year end and peaking at around 1.5% next year. Just a fortnight ago, these readings were at 1.25% and c.2.5% respectively. In the US, rates are now seen topping out at 3.25% by the end of this year with around 50bps of rate cuts priced in for H2'23 (previously, peak was 4% in 2023 with no cuts until 2024). For the BoE, futures contracts are now pricing in the Bank rate getting to a high of 2.75% next year (was 3.5%).

Currency-wise, the risk averse mood was supportive of the dollar. At the same time, sterling was under pressure on weak UK data, although it did recover somewhat on Friday. In level terms, EUR/USD once again tested the key support of \$1.04, trading to a low of \$1.038. Meanwhile, EUR/GBP edged higher within the 86-87p band. Elsewhere, GBP/USD fell back towards the \$1.20 threshold but managed to move back up to \$1.21 heading into the weekend.

Ahead this week, the main data highlight will be US payrolls numbers for June. The Fed and ECB meeting minutes will also be key calendar items.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0433	-0.19	-8.22
EUR/GBP	0.8618	-0.08	2.60
GBP/USD	1.2103	-0.13	-10.54
GBP/EUR	1.16	0.08	-2.53
USD/JPY	135.39	0.22	17.65
EUR/JPY	141.25	0.03	7.93

* 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	1.625	1.80	2.29	3.19	3.13	2.91
EUR	0.00	-0.51	-0.18	0.75	1.25	1.70
GBP	1.25	1.23	1.69	2.68	2.80	2.62

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

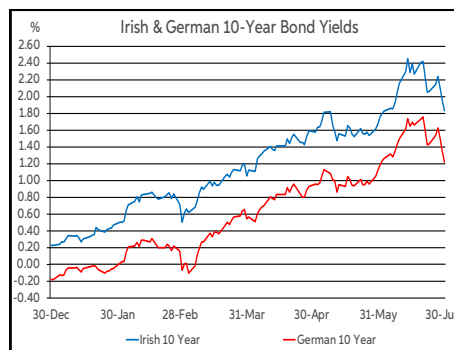
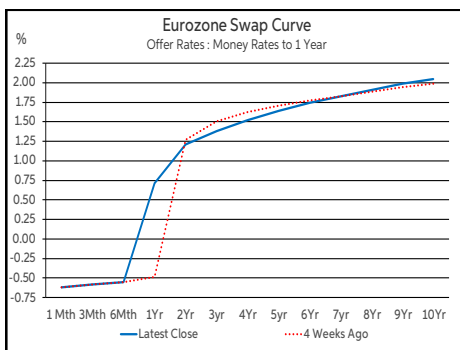
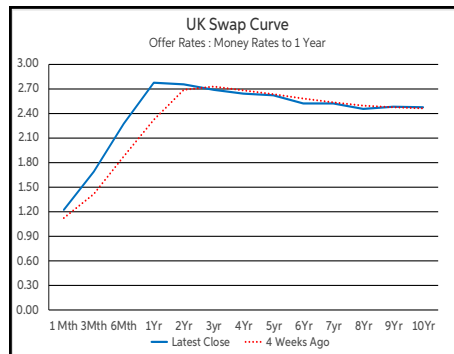
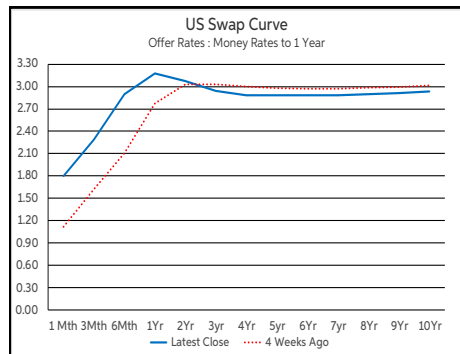
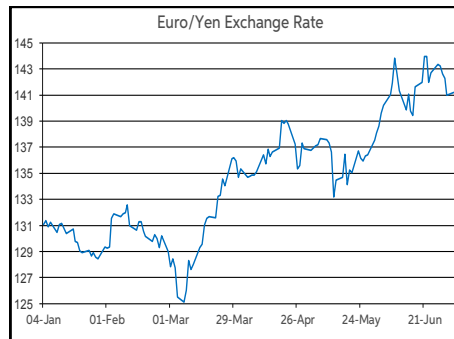
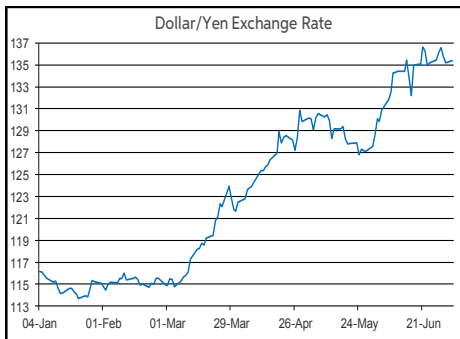
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Opening Levels

Monday 04 July 2022
07:22 am



Euro		Sterling		Dollar	
EUR/GBP	0.8618	GBP/EUR	1.16	USD/JPY	135.39
EUR/USD	1.0433	GBP/USD	1.2103	USD/CAD	1.2868
EUR/JPY	141.25	GBP/CAD	1.5575	USD/CHF	0.9587
EUR/SEK	10.7535	GBP/NZD	1.944	USD/CNY	6.6917
EUR/DKK	7.4394	GBP/JPY	163.86	USD/BRL	5.329
EUR/NOK	10.3483	GBP/SEK	12.4732	USD/RUB	54.2
EUR/CHF	1.0002	GBP/DKK	8.6286	USD/INR	78.97
EUR/AUD	1.5267	GBP/NOK	12.0062	AUD/USD	0.6833
EUR/HKD	8.1863	GBP/CHF	1.1603	NZD/USD	0.6224
EUR/CAD	1.3426	GBP/AUD	1.771		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	2.89	-13	-5	+138
Germany	1.23	-14	-4	+141
UK	2.08	-16	-7	+111
Ireland	1.86	-13	-0	+161
Belgium	1.88	-16	+0	+170
France	1.79	-16	-1	+160
Italy	3.19	-20	-21	+201
Spain	2.27	-19	-16	+168
Portugal	2.29	-17	-19	+180
Greece	3.52	-10	-22	+220
5 Year Swap %				
US	2.88	-15	-6	+155
Eurozone	1.64	-13	-6	+163
UK	2.62	-13	-0	+134
2 Year Swap %				
US	3.07	-17	+8	+213
Eurozone	1.21	-15	-5	+151
UK	2.76	-10	+8	+156
10 Year Government Bond Spreads to Benchmark bps				
Ireland	64	+1	+4	+21
Belgium	65	-2	+5	+30
France	57	-2	+4	+19
Italy	197	-6	-17	+60
Spain	105	-5	-11	+27
Portugal	106	-3	-15	+40
Greece	229	+4	-18	+80

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	111.63	-2.77	-6.76	+43.52
West Texas Oil	110.3	+2.36	-7.29	+46.42
Gold \$	1810.2	+0.18	-2.19	-1.00

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