

Banking sector concerns to the fore

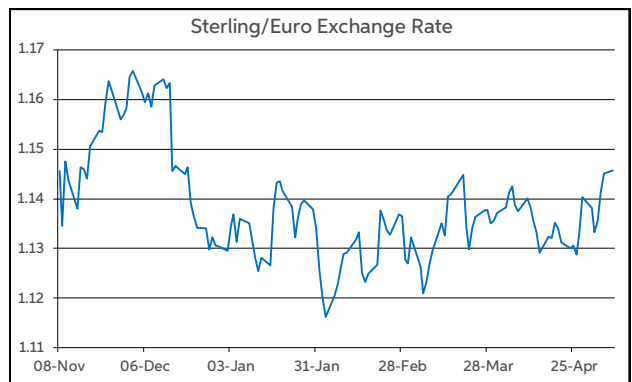
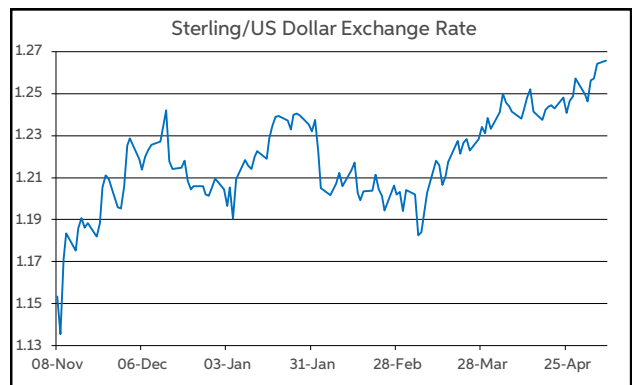
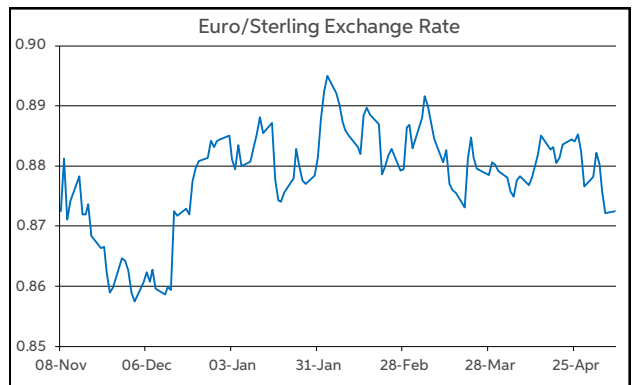
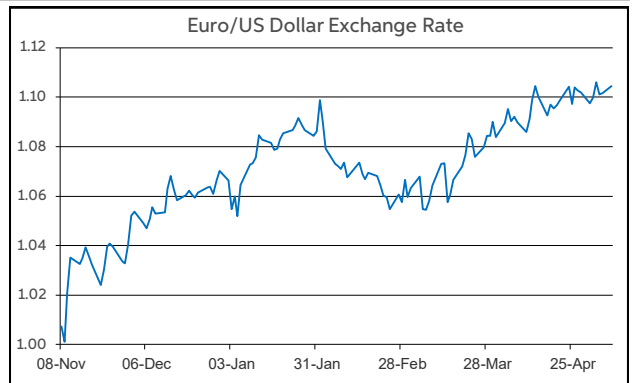
Last week saw two key central bank events take place. The US Fed hiked rates as expected by 25bps to a 5.00-5.25% range. The Fed also opened the door to 'pausing' its tightening cycle. Meanwhile, the ECB also hiked rates by 25bps, raising the Depo rate to 3.25%. In contrast to the Fed though, the ECB did not signal it was going into pause mode. Instead, it communicated to the market to expect more rate tightening in the coming months, though market rate expectations actually softened.

From a currency perspective, with euro rates softening, the euro did not gain any momentum following the ECB meeting/press conference. Instead, the EUR/USD struggled to hold onto the \$1.10 level, while EUR/GBP fell below the 88p mark. Meanwhile, a firmer sterling tone saw GBP/USD move above \$1.26.

It appears the market is more focused on the stresses in the global banking sector, that have originated in the US. This is reflected in futures contracts now factoring in a lower peak for Eurozone rates, while also expecting around 75bps of rate cuts from the Fed by end year. The increased nervousness was also evident on equity markets, with the S&P 500 finishing the week down around 1%. At the same time, the yen benefitted from the risk averse backdrop, with safe haven demand helping the currency regain some ground against the euro and the dollar last week.

This week, it's the turn of the BoE to hold its policy meeting. It is expected to hike rates by 25bps to 4.50%. The Monetary Policy Report and press conference will be assessed for guidance on the BoE's rate outlook. Data-wise, Q1 UK GDP and US CPI inflation are some of the key highlights. However, banking sector newsflow may continue to be an important driver of market sentiment.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.1044	0.04	3.20
EUR/GBP	0.8725	-0.37	-1.35
GBP/USD	1.2655	0.39	4.61
GBP/EUR	1.1455	0.37	1.36
USD/JPY	134.66	0.52	2.71
EUR/JPY	148.76	0.57	6.03

* 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	5.10	5.34	4.93	4.18	3.51
EUR	3.75	3.10	3.28	3.71	3.36	2.96
GBP	4.25	4.35	4.50	4.76	4.72	4.26

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

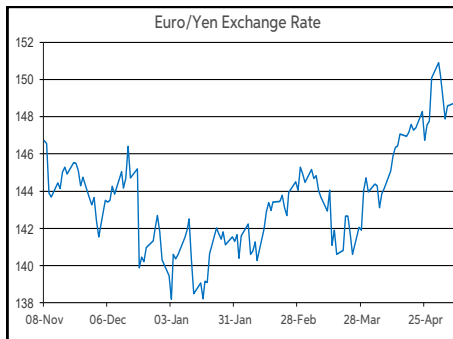
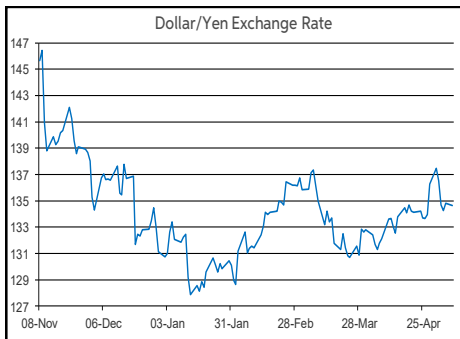
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

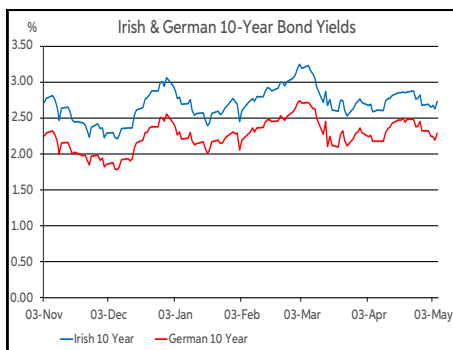
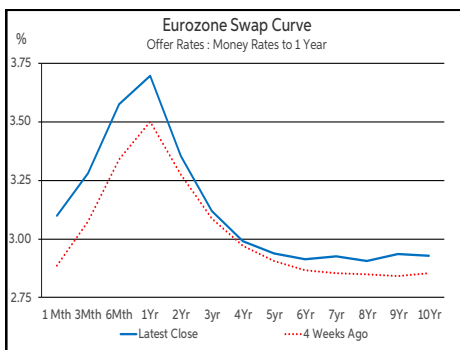
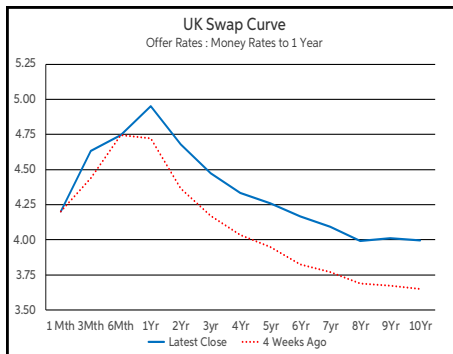
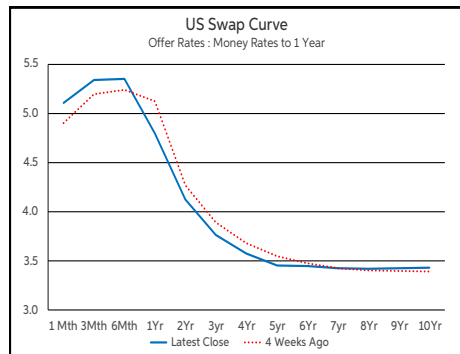
Monday 08 May 2023
07:16 am



Euro		Sterling		Dollar	
EUR/GBP	0.8726	GBP/EUR	1.1457	USD/JPY	134.66
EUR/USD	1.1044	GBP/USD	1.2655	USD/CAD	1.3361
EUR/JPY	148.74	GBP/CAD	1.6911	USD/CHF	0.8884
EUR/SEK	11.2111	GBP/NZD	2.0031	USD/CNY	6.9143
EUR/DKK	7.45	GBP/JPY	170.41	USD/BRL	4.9528
EUR/NOK	11.6478	GBP/SEK	12.845	USD/RUB	76.833
EUR/CHF	0.9813	GBP/DKK	8.535	USD/INR	81.743
EUR/AUD	1.6282	GBP/NOK	13.3469	AUD/USD	0.6782
EUR/HKD	8.6679	GBP/CHF	1.1244	NZD/USD	0.6319
EUR/CAD	1.4759	GBP/AUD	1.8656		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.44	+6	+2	-44
Germany	2.30	+10	+11	-27
UK	3.78	+13	+35	+11
5 Year Swap %				
US	3.46	+5	-7	-54
Eurozone	2.94	+5	+5	-29
UK	4.26	+10	+31	-4
2 Year Swap %				
US	4.13	+13	-10	-55
Eurozone	3.35	+1	+10	-3
UK	4.68	+10	+32	-0
10 Year Government Bond Spreads to Benchmark bps				
Ireland	46	-3	+0	-13
Belgium	69	-2	-1	+5
France	59	-2	+6	+4
Italy	190	-2	+5	-24
Spain	108	-2	+3	-1
Portugal	86	-2	-2	-18
Greece	177	-16	-15	-26



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	75.3	+3.86	-11.54	-12.35
West Texas Oil	71.32	+4.09	-11.62	-11.03
Gold \$	2016.5	-1.69	+0.42	+10.53

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