

Hawkish rate outlook spooks markets

It was another eventful few days on markets last week as investors digested monetary policy developments. This included the Fed hiking by 75bps and raising its rate guidance to 3.375% for end year (from 1.875%). Meantime, the BoE raised, as expected, the Bank Rate by 25bps to 1.25%. It also turned more hawkish on its forward guidance. Elsewhere, the Swiss National Bank surprised markets with a 50bps rate rise, its first hike since 2007.

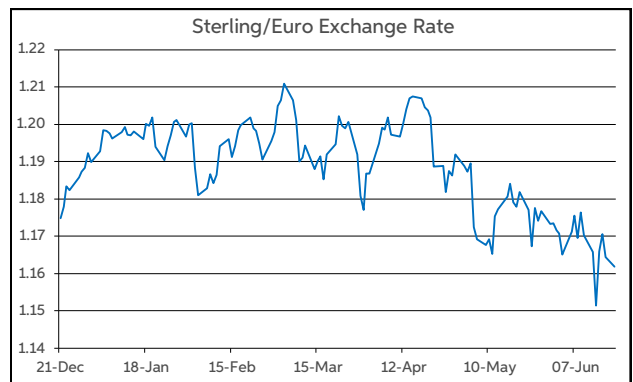
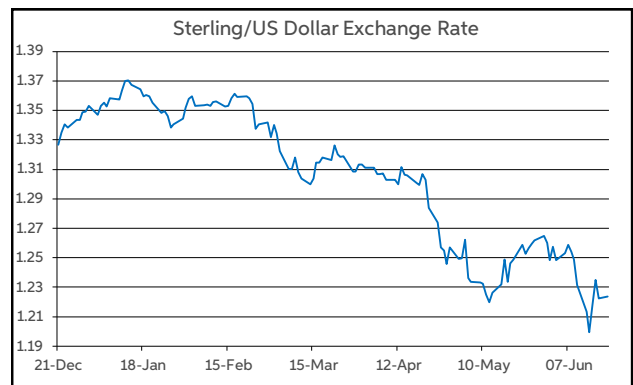
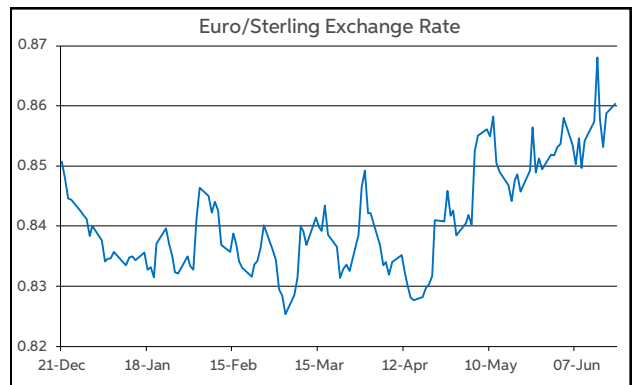
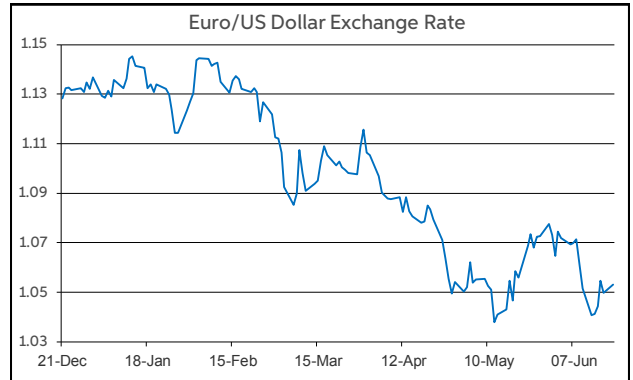
These hawkish changes to interest rate policy increased concerns among investors that an overly aggressive pace of rate hikes could push economies into recession. These concerns were clearly evident on equity markets, with the S&P 500 falling into bear market territory and recording a weekly decline of 5.8%.

There was also volatility on bond markets. Indeed, the ECB convened an emergency meeting to discuss market conditions and issued a statement that included plans to develop an anti-fragmentation instrument, which eased pressure on Italian yields.

Currency markets also experienced volatile trading conditions amid the various central bank updates. EUR/USD fell to a low of \$1.036 following the Fed meeting. It briefly jumped to \$1.06 on general dollar weakness on Thursday. However, it finished the week back down nearer to \$1.05. EUR/GBP also traded higher midweek, getting above 87p before falling back into a 85-86p range. Meanwhile, sterling fell briefly below \$1.20 before recovering to \$1.22.

This week's data calendar highlights include the flash PMIs (June) as well as UK CPI inflation (May). Overall, volatile markets may remain focused on, and reactive to the interest rate outlook.

John Fahey, Senior Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.053	0.04	-7.37
EUR/GBP	0.8602	0.57	2.40
GBP/USD	1.2237	-0.54	-9.55
GBP/EUR	1.1617	-0.57	-2.35
USD/JPY	134.89	0.79	17.21
EUR/JPY	142.07	0.84	8.56

* 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	1.61	2.10	3.39	3.62	3.39
EUR	0.00	-0.49	-0.17	1.05	1.82	2.23
GBP	1.25	1.23	1.60	2.89	3.30	3.08

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

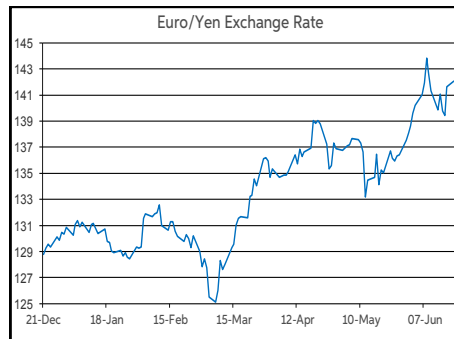
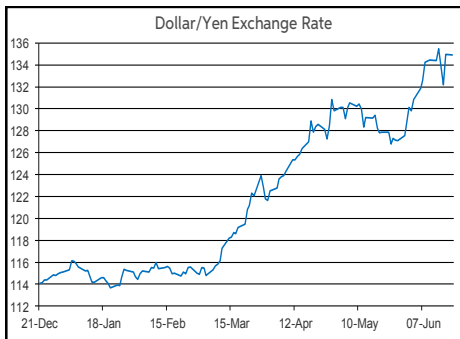
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Opening Levels

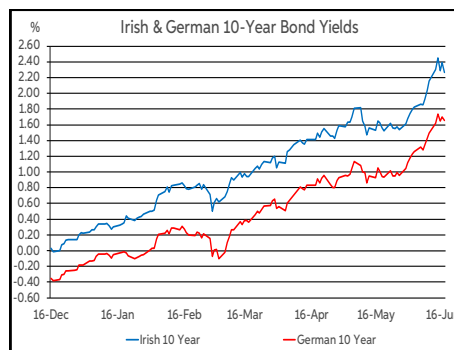
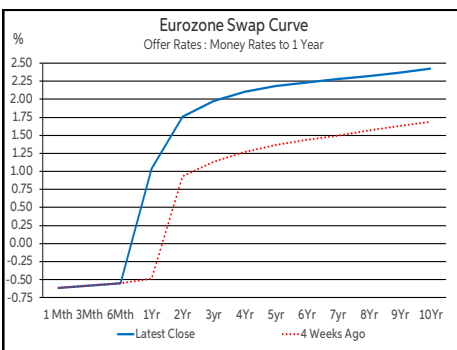
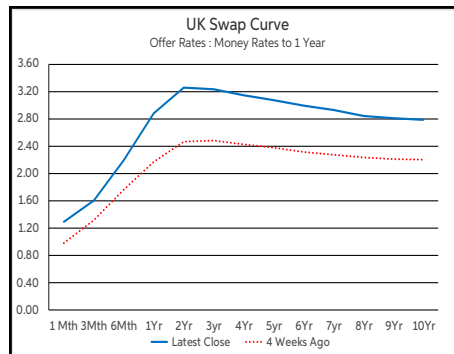
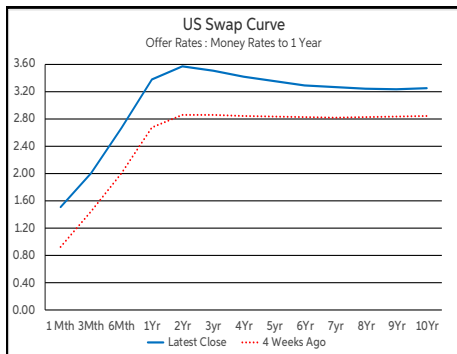
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Euro		Sterling		Dollar	
EUR/GBP	0.8602	GBP/EUR	1.1617	USD/JPY	134.89
EUR/USD	1.053	GBP/USD	1.2237	USD/CAD	1.2996
EUR/JPY	142.07	GBP/CAD	1.5906	USD/CHF	0.9647
EUR/SEK	10.6708	GBP/NZD	1.9313	USD/CNY	6.6788
EUR/DKK	7.4385	GBP/JPY	165.06	USD/BRL	5.153
EUR/NOK	10.4713	GBP/SEK	12.3971	USD/RUB	56.5
EUR/CHF	1.016	GBP/DKK	8.6421	USD/INR	77.97
EUR/AUD	1.5107	GBP/NOK	12.1653	AUD/USD	0.697
EUR/HKD	8.267	GBP/CHF	1.1807	NZD/USD	0.6334
EUR/CAD	1.3686	GBP/AUD	1.7555		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.23	+4	+44	+172
Germany	1.66	-4	+72	+184
UK	2.50	-2	+61	+152
Ireland	2.34	-10	+78	+209
Belgium	2.30	-5	+76	+212
France	2.21	-5	+74	+201
Italy	3.67	-18	+69	+249
Spain	2.75	-13	+67	+216
Portugal	2.72	-13	+58	+223
Greece	4.01	-29	+28	+270
5 Year Swap %				
US	3.36	+7	+56	+202
Eurozone	2.18	-10	+83	+217
UK	3.08	+1	+70	+180
2 Year Swap %				
US	3.57	+5	+75	+263
Eurozone	1.76	-8	+84	+206
UK	3.26	+6	+79	+207
10 Year Government Bond Spreads to Benchmark bps				
Ireland	67	-6	+6	+25
Belgium	64	-0	+4	+28
France	54	-1	+1	+17
Italy	201	-14	-3	+65
Spain	109	-9	-5	+32
Portugal	105	-9	-14	+39
Greece	235	-25	-44	+86



Commodities				
	Close	% Change		
		Day	4 Weeks	End 21
Brent Oil	113.12	-5.58	+0.51	+45.44
West Texas Oil	109.56	-6.81	-2.73	+45.44
Gold \$	1839.4	-0.93	-0.34	+0.60

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