

## Dollar retains the upper hand

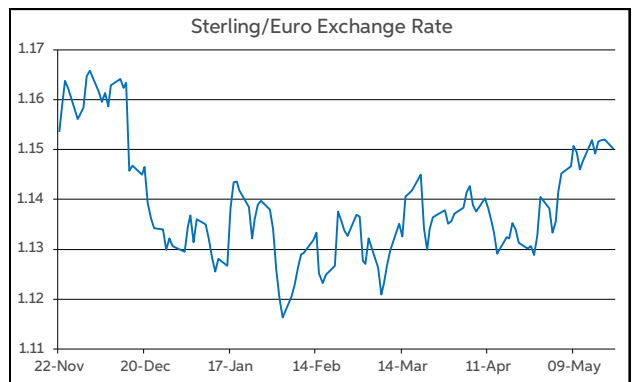
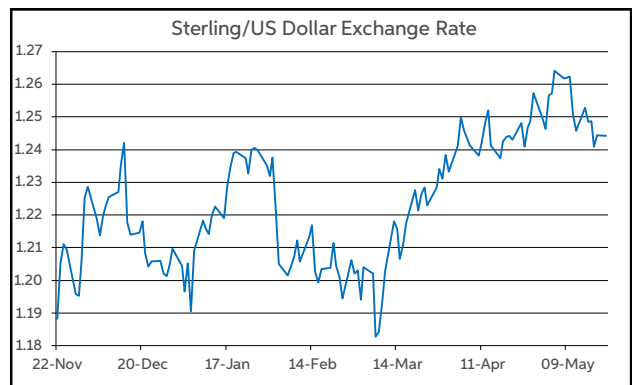
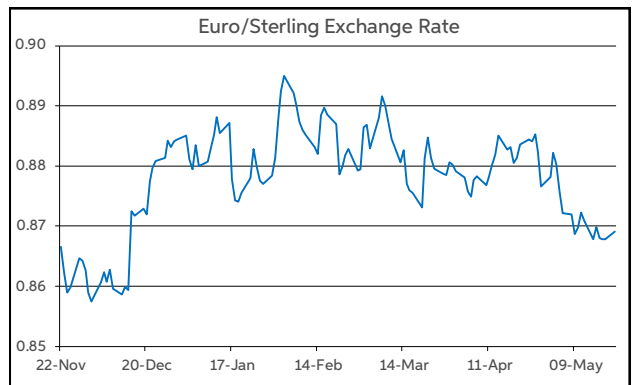
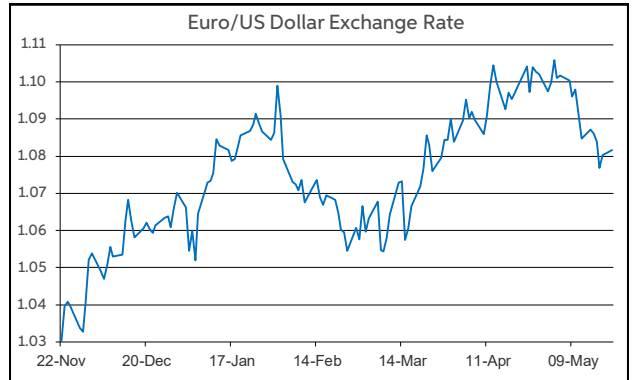
The action last week on currency markets saw the dollar continue to make some gains on the exchanges. A number of developments were supportive to the US currency. Firstly, progress in relation to the debt ceiling discussions was an important positive for the dollar for much of the week, although the talks did end abruptly on Friday. Secondly, the majority of US data last week tended to come in ahead of expectations. Thirdly, there was a batch of hawkish comments on interest rates from some influential FOMC members.

Against this backdrop, there was a firming in US rate expectations. This was also a supportive factor for the dollar. Futures contracts have scaled back the extent of rate cuts expected from the Fed by year end from 75bps to around 50bps, which would see the Fed funds rate fall to a 4.50-4.75% range from its current 5.00-5.25%.

In level terms, the combination of a stronger dollar and some euro weakness saw EUR/USD fall below its 100-day moving average at \$1.08, trading to a low of \$1.076. Meanwhile, GBP/USD moved back from the upper half of \$1.24-1.25, to briefly test below the \$1.24 threshold. Elsewhere, the softer tone to the euro was also evident in EUR/GBP, with the pair falling below the 87p handle.

Looking ahead to this week, there is a busier schedule of macro releases compared to last week. In the US, we get the latest Fed FOMC meeting minutes, as well its preferred measure of inflation, core-PCE for April. Inflation data also features in the UK, with April CPI figures due. More timelier indicators are also on the agenda, with the flash PMIs for May for the US, Eurozone and UK. At the same time, investors will be keeping a close eye on debt ceiling negotiations in Washington. They are due to resume today.

**John Fahey, Senior Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0816	0.51	1.07
EUR/GBP	0.8691	0.13	-1.73
GBP/USD	1.2443	0.38	2.86
GBP/EUR	1.15	-0.13	1.76
USD/JPY	137.88	-0.40	5.16
EUR/JPY	149.18	0.10	6.33

\* 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	5.39	5.10	4.43	3.78
EUR	3.75	3.13	3.42	3.83	3.57	3.15
GBP	4.50	4.41	4.60	4.85	4.87	4.41

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

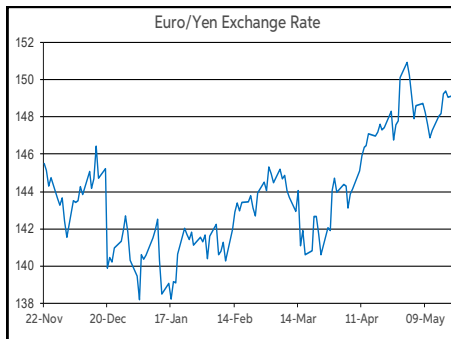
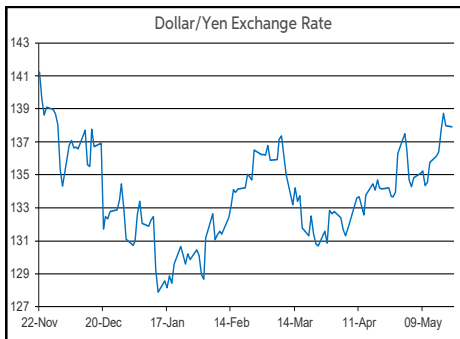
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

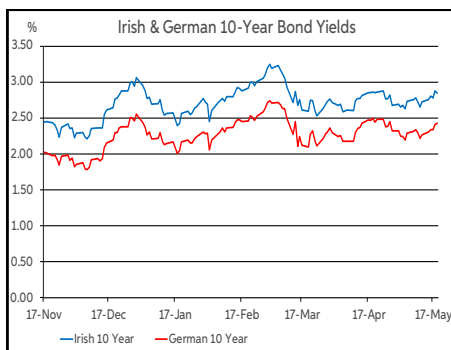
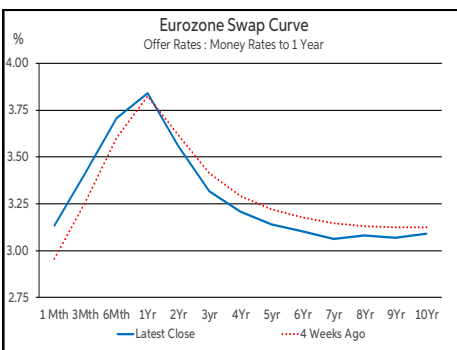
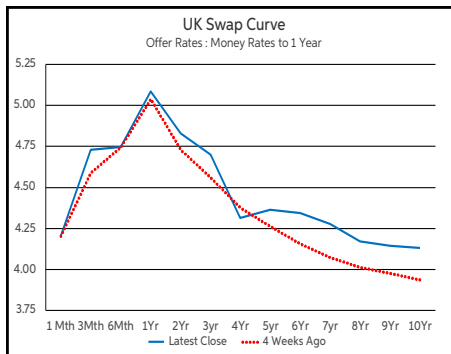
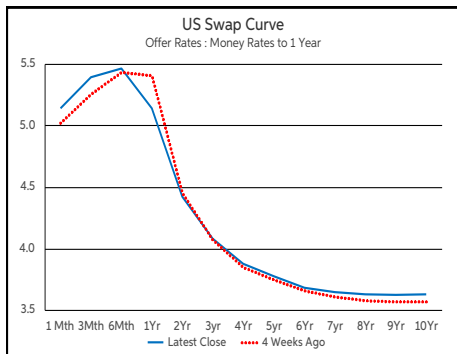
Monday 22 May 2023  
07:24 am



Euro		Sterling		Dollar	
EUR/GBP	0.8691	GBP/EUR	1.15	USD/JPY	137.88
EUR/USD	1.0816	GBP/USD	1.2443	USD/CAD	1.3503
EUR/JPY	149.18	GBP/CAD	1.6806	USD/CHF	0.8976
EUR/SEK	11.3603	GBP/NZD	1.9805	USD/CNY	7.021
EUR/DKK	7.4483	GBP/JPY	171.56	USD/BRL	4.9977
EUR/NOK	11.7715	GBP/SEK	13.0726	USD/RUB	79.84
EUR/CHF	0.9711	GBP/DKK	8.5663	USD/INR	82.78
EUR/AUD	1.6291	GBP/NOK	13.541	AUD/USD	0.6639
EUR/HKD	8.4577	GBP/CHF	1.1171	NZD/USD	0.628
EUR/CAD	1.4609	GBP/AUD	1.8741		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
<b>10 Year Yield %</b>				
US	3.68	+3	+11	-20
Germany	2.43	+2	-6	-14
UK	3.99	+3	+24	+32
<b>5 Year Swap %</b>				
US	3.78	+5	+6	-22
Eurozone	3.14	-1	-7	-9
UK	4.36	+4	+10	+6
<b>2 Year Swap %</b>				
US	4.42	+3	+0	-25
Eurozone	3.56	+2	-5	+17
UK	4.83	+2	+11	+15
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	46	-3	+3	-12
Belgium	70	-5	+2	+6
France	58	-5	+6	+3
Italy	183	-6	-4	-31
Spain	104	-6	-0	-5
Portugal	80	-5	-5	-24
Greece	163	+0	-20	-40



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	75.58	-0.37	-7.45	-12.02
West Texas Oil	71.57	-0.35	-8.08	-10.72
Gold \$	1976.6	+0.94	-0.32	+8.34

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