

## Spotlight shifts to the ECB after Fed hikes by 25bps

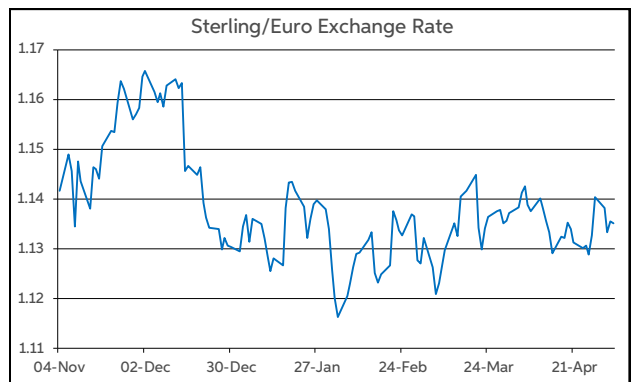
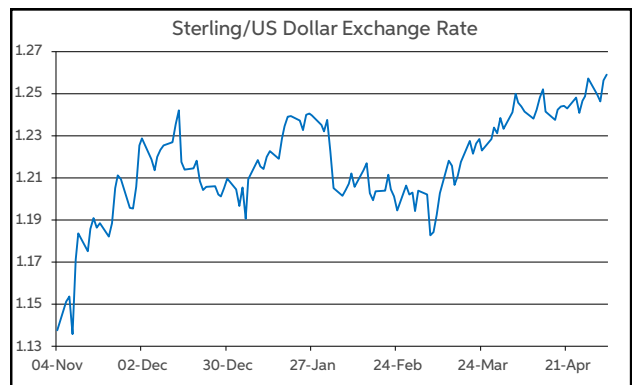
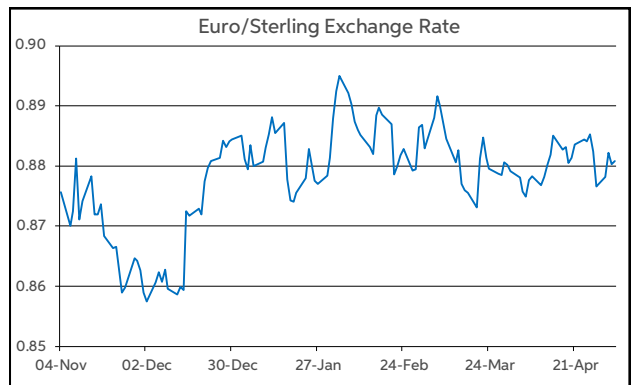
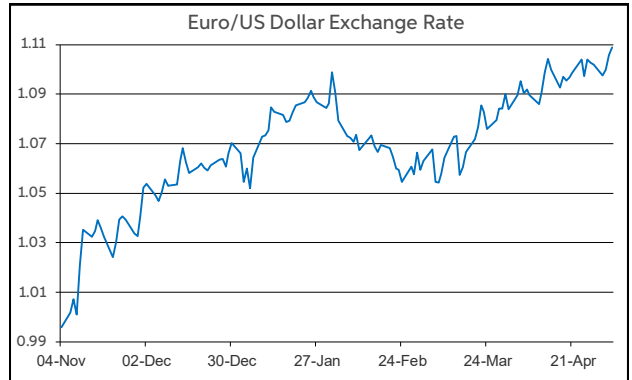
It was a quiet day on markets yesterday, as investors kept their powder dry, ahead of the Fed monetary policy announcement, due after the close in Europe. Of the limited moves to note during the European session, equity markets edged slightly higher. On the currency front, the dollar was under some modest downward pressure.

Overnight, the Fed raised rates by 25bps, as expected, and opened the door to pausing its current tightening cycle. The target range is now at 5-5.25%, in-line with the interest rate dotplot from the March meeting. At the press conference, Chair Powell struck a balanced chord, highlighting that policy is tight, while also indicating that the Fed will not hesitate to raise rates further if required. Meanwhile, signs of further stresses emerged in the US banking sector overnight. Overall, market rate expectations have softened, with US rates now seen as ending the year at 4.3%, compared to 4.4% yesterday.

Against this backdrop, the dollar remained on the defensive. This is evidenced by EUR/USD opening this morning up in the top half of \$1.10-1.11. GBP/USD is changing hands near a new YTD high of \$1.259. Meanwhile, EUR/GBP remains in the 88-89p corridor.

Today, the market spotlight will shift to the ECB monetary policy decision. Like the Fed, the Governing Council is expected to deliver a 25bps rate hike. However, market pricing suggests there is a 20% chance the ECB will opt for a larger 50bps rate increase. Investors will also be paying close attention to the post-meeting press conference for any guidance on the future path of rates. Market pricing is currently leaning towards two more 25bps rate hikes from the ECB, after today.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.1083	0.57	3.56
EUR/GBP	0.8807	-0.19	-0.42
GBP/USD	1.2583	0.78	4.02
GBP/EUR	1.1353	0.19	0.42
USD/JPY	134.45	-1.18	2.55
EUR/JPY	149.05	-0.63	6.24

\* 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	5.125	5.09	5.34	4.89	4.09	3.44
EUR	3.50	3.09	3.27	3.76	3.42	2.99
GBP	4.25	4.36	4.50	4.76	4.66	4.18

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

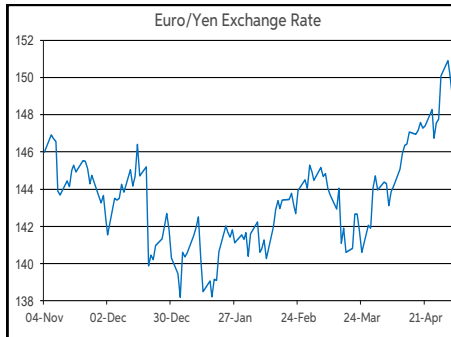
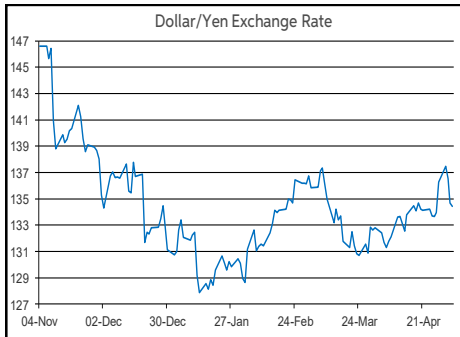
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

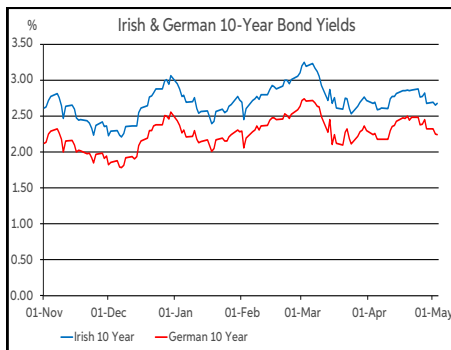
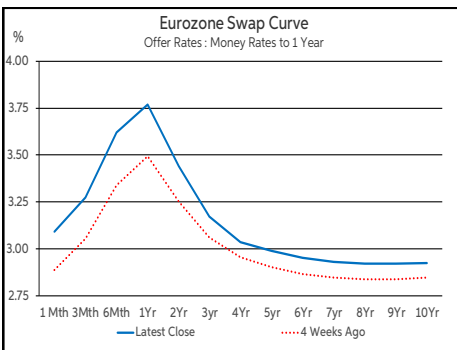
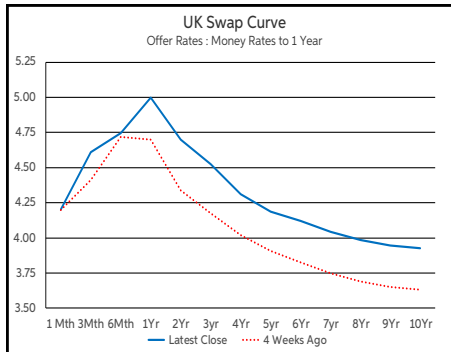
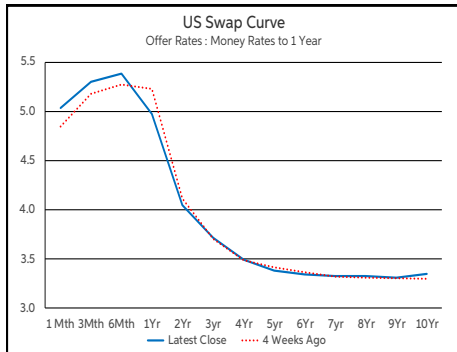
Thursday 04 May 2023  
07:18 am



Euro		Sterling		Dollar	
EUR/GBP	0.8807	GBP/EUR	1.1353	USD/JPY	134.45
EUR/USD	1.1083	GBP/USD	1.2583	USD/CAD	1.3594
EUR/JPY	149.05	GBP/CAD	1.7107	USD/CHF	0.8825
EUR/SEK	11.334	GBP/NZD	2.0164	USD/CNY	6.903
EUR/DKK	7.4516	GBP/JPY	169.21	USD/BRL	4.9954
EUR/NOK	11.8848	GBP/SEK	12.8705	USD/RUB	79.25
EUR/CHF	0.9782	GBP/DKK	8.4572	USD/INR	81.7075
EUR/AUD	1.6593	GBP/NOK	13.4936		
EUR/HKD	8.7003	GBP/CHF	1.1105	AUD/USD	0.668
EUR/CAD	1.5068	GBP/AUD	1.8837	NZD/USD	0.6241



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
<b>10 Year Yield %</b>				
US	3.36	-7	+5	-51
Germany	2.25	-0	+7	-32
UK	3.69	+2	+27	+2
<b>5 Year Swap %</b>				
US	3.38	-13	+1	-62
Eurozone	2.99	-0	+10	-24
UK	4.19	-3	+29	-12
<b>2 Year Swap %</b>				
US	4.05	-17	-3	-63
Eurozone	3.44	+2	+20	+5
UK	4.70	+2	+37	+2
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	45	+0	-1	-13
Belgium	69	-3	+2	+5
France	59	-2	+8	+4
Italy	188	-4	+5	-26
Spain	107	-0	+4	-2
Portugal	86	+0	-1	-17
Greece	185	-14	-10	-18



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	72.33	-3.97	-14.90	-15.81
West Texas Oil	68.62	-4.31	-14.96	-14.40
Gold \$	2039.0	+1.13	+0.92	+11.76

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