

Focus turns to ECB as volatility persists

Equity markets resumed their sell-off yesterday after a short-lived reprieve, led lower by financials once again, amid ongoing concerns of contagion. The focus was mainly on European banks, with Credit Suisse in particular coming under substantial pressure. The Euro Stoxx 600 fell by 2.9%, while the S&P 500 shed 0.7%.

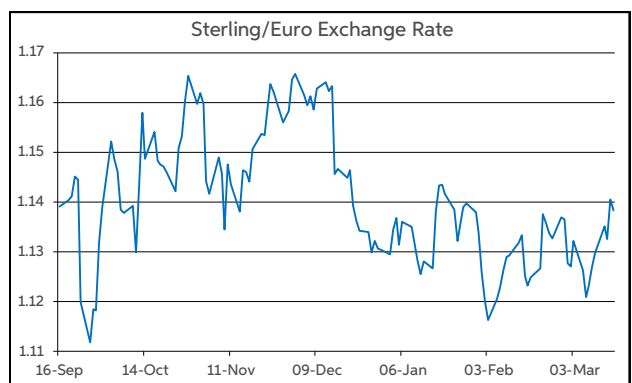
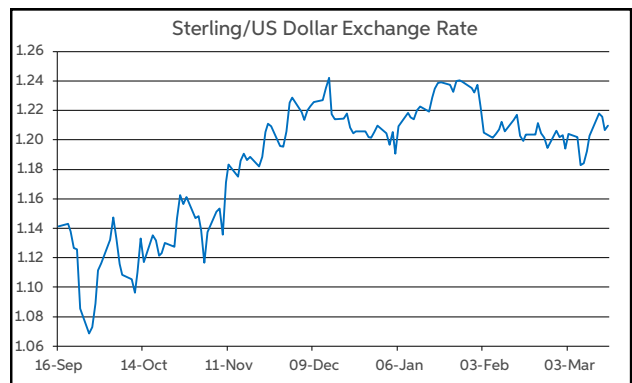
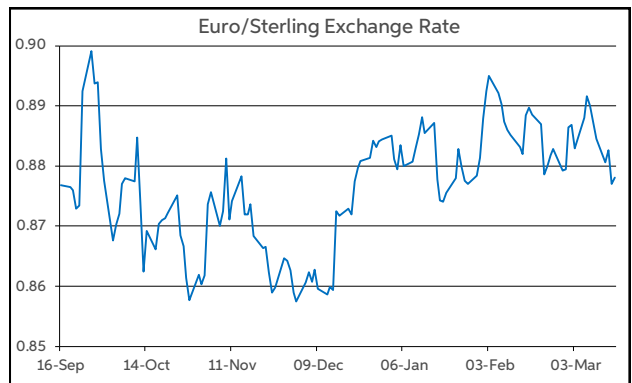
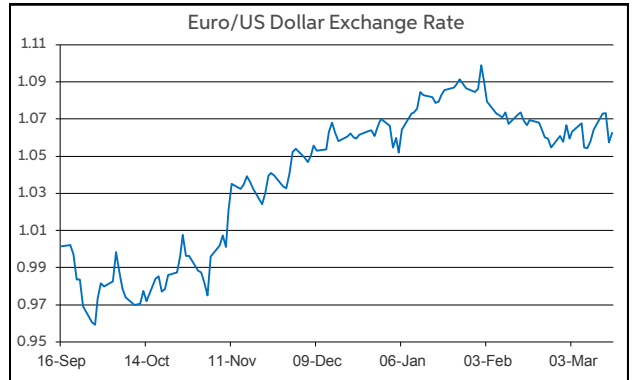
Against this backdrop, volatility remained incredibly elevated. Market rate hike expectations softened significantly, with the market now pricing in just one more rate hikes from the Fed, followed by rate cuts in the second half of the year.

Meantime, in terms of fixed income, the two-year US Treasury and German Schatz yields nose-dived by circa 25-30bps. Longer-dated yields moved 15-20bps lower also. Elsewhere, oil prices fell sharply, with Brent crude moving back below \$74 per barrel. Currency-wise, the dollar and yen were firmly in the ascendancy, as risk appetite deteriorated. The euro and Swiss franc were under considerable downward pressure.

However, overnight some of the moves retraced, as the Swiss authorities announced they are providing very large liquidity support to Credit Suisse. EUR/USD opens today back in the lower half of \$1.06-1.07. GBP/USD is changing hands just below \$1.21. EUR/GBP is in the top half of 87-88p.

Today, all eyes will be on the ECB monetary policy decision. The market is split on whether the ECB will opt for a 25 or 50bps rate hike. Recent data would suggest a 50bps increase is warranted but ongoing concerns of financial stability means a 25bps rate hike cannot be entirely ruled out. The meeting poses event risk for the euro. In any case, high levels of volatility are likely to persist.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0622	-1.07	-0.75
EUR/GBP	0.8782	-0.57	-0.70
GBP/USD	1.2093	-0.51	-0.03
GBP/EUR	1.1381	0.57	0.71
USD/JPY	133.1	-1.14	1.52
EUR/JPY	141.39	-2.20	0.78

* 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	4.625	4.73	4.94	4.61	4.21	3.71
EUR	3.00	2.60	2.75	3.30	3.34	3.10
GBP	4.00	4.08	4.26	4.48	4.33	4.01

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 16 March 2023
07:57 am



Euro

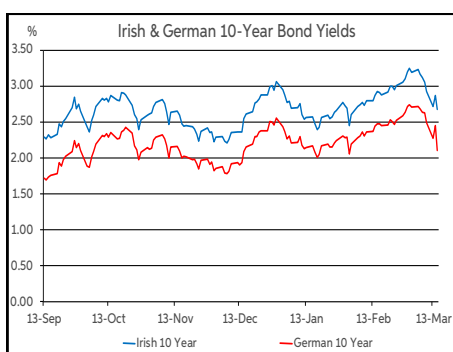
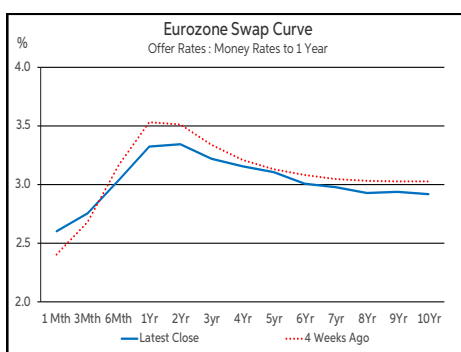
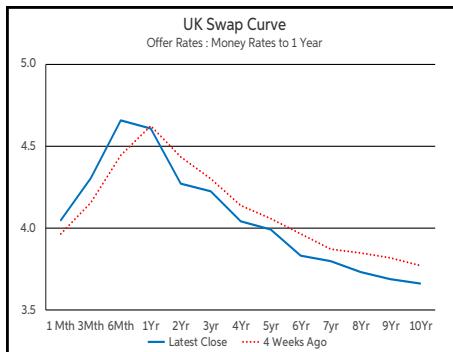
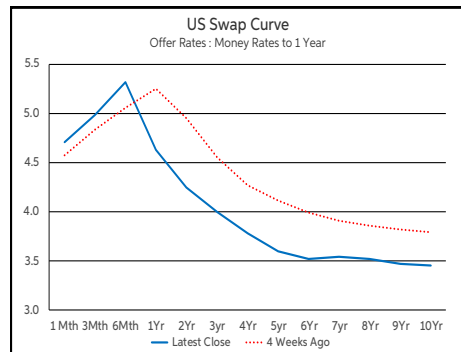
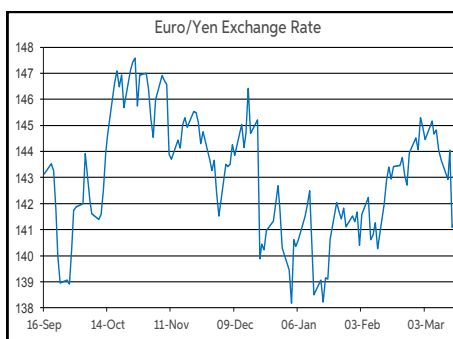
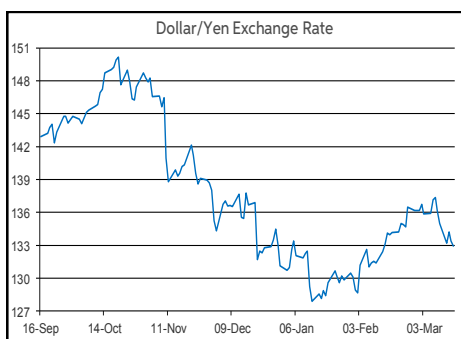
EUR/GBP	0.8782
EUR/USD	1.0622
EUR/JPY	141.39
EUR/SEK	11.2108
EUR/DKK	7.4453
EUR/NOK	11.4234
EUR/CHF	0.9823
EUR/AUD	1.5959
EUR/HKD	8.3377
EUR/CAD	1.4594

Sterling

GBP/EUR	1.1381
GBP/USD	1.2093
GBP/CAD	1.6613
GBP/NZD	1.9577
GBP/JPY	160.96
GBP/SEK	12.7612
GBP/DKK	8.4739
GBP/NOK	12.9938
GBP/CHF	1.1184
GBP/AUD	1.8165

Dollar

USD/JPY	133.1
USD/CAD	1.3737
USD/CHF	0.9247
USD/CNY	6.9011
USD/BRL	5.288
USD/RUB	76.05
USD/INR	82.64
AUD/USD	0.6656
NZD/USD	0.6175



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.46	-22	-34	-42
Germany	2.12	-34	-36	-45
UK	3.32	-15	-17	-35
Ireland				
Ireland	2.70	-19	-24	-45
Belgium	2.87	-27	-23	-33
France	2.69	-28	-25	-43
Italy	4.10	-18	-22	-60
Spain	3.25	-25	-27	-41
Portugal	3.09	-27	-28	-51
Greece	4.26	-9	+2	-33
5 Year Swap %				
US	3.60	-32	-48	-40
Eurozone	3.10	-10	-1	-13
UK	3.99	-8	-6	-31
2 Year Swap %				
US	4.25	-32	-66	-43
Eurozone	3.34	-20	-16	-5
UK	4.27	-21	-16	-41
10 Year Government Bond Spreads to Benchmark bps				
Ireland	58	+15	+12	-0
Belgium	76	+7	+13	+12
France	57	+6	+11	+2
Italy	199	+16	+14	-16
Spain	113	+9	+10	+4
Portugal	98	+7	+8	-6
Greece	214	+25	+38	+11

Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	73.69	-4.85	-13.69	-14.22
West Texas Oil	67.38	-5.34	-14.24	-15.94
Gold \$	1918.1	+0.84	+4.46	+5.14

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