

Euro remains under pressure

There was a more positive tone to investor sentiment yesterday. Cautious optimism regarding a deal to avert a US debt default and some positive US regional bank newsflow supported risk appetite, with the S&P 500 rising by 1.2%.

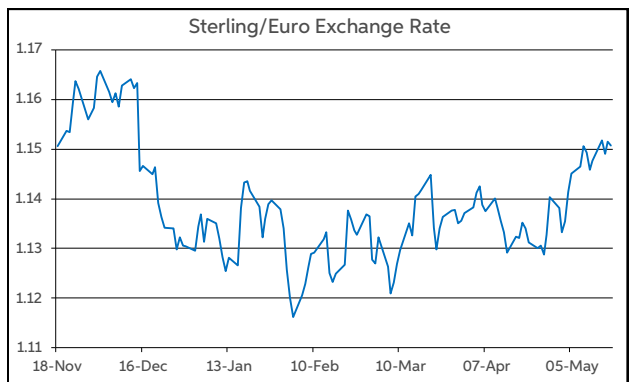
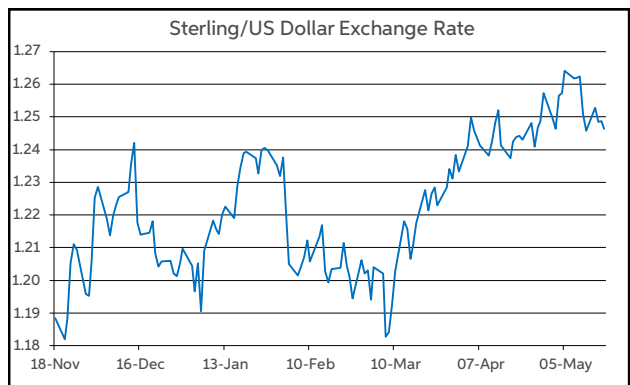
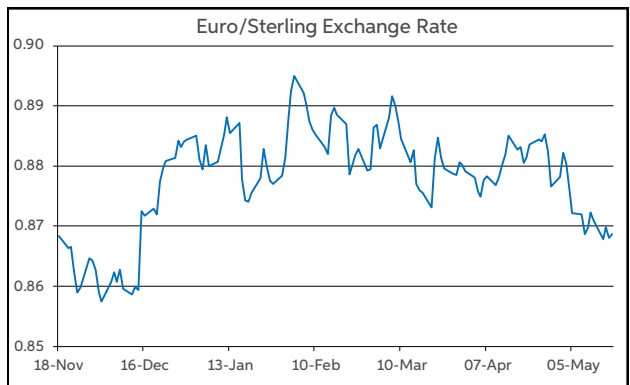
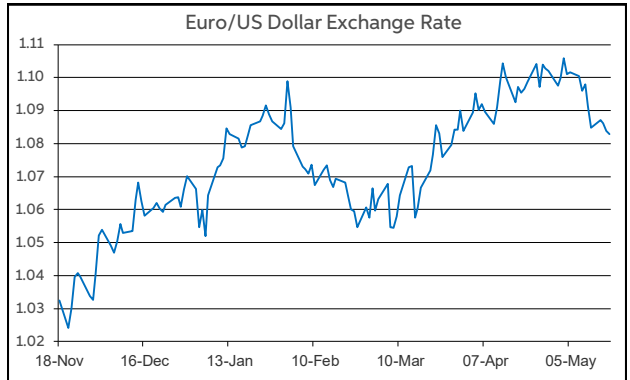
On bond markets, short-dated yields rose across the board, as US and Eurozone rate hike expectations firmed. Some hawkish remarks from BoE Governor Bailey also pushed UK yields higher. He stated that, "If there were to be evidence of more persistent (inflationary) pressures, further tightening in monetary policy would be required". Two-year yields rose by 4-10bps in the US, Eurozone and UK.

The market now thinks the Fed will implement around 50bps of rate cuts by year end, compared to circa 75bps at the start of the week. Meantime, 55bps of further rate hikes are now priced in for the Eurozone, 10bps more than on Monday. Current pricing remains consistent with 40bps of tightening in the UK.

On the currency front, the euro was under some downward pressure. There was no obvious catalyst for the move. However, the most recent positioning data showed that the market had become stretched long the euro. A reversal of this positioning may be behind some of the recent weakness in the single currency. As trading gets underway this morning, EUR/USD opens in the bottom half of \$1.08-1.09. EUR/GBP is operating back below the 87p threshold. GBP/USD remains in the top half of \$1.24-1.25.

Today, there is a quiet data schedule on both sides of the Atlantic once again. However, prepared remarks from a number of ECB, Fed and BoE officials will garner attention.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0828	-0.32	1.18
EUR/GBP	0.8687	-0.22	-1.78
GBP/USD	1.2461	-0.12	3.01
GBP/EUR	1.1506	0.22	1.81
USD/JPY	137.52	0.70	4.89
EUR/JPY	148.93	0.36	6.15

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates						
		Money Market		Swap Rates		
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	5.13	5.13	5.37	5.06	4.32	3.64
EUR	3.75	3.16	3.38	3.81	3.53	3.10
GBP	4.50	4.41	4.59	4.81	4.74	4.29

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

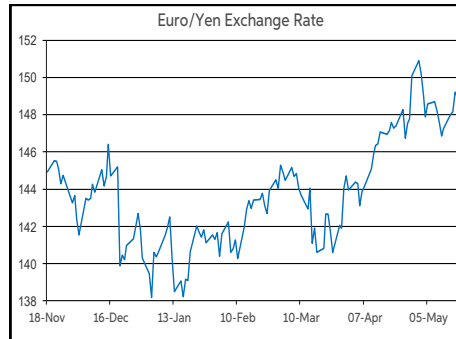
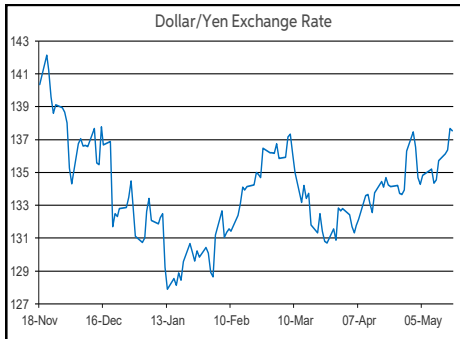
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

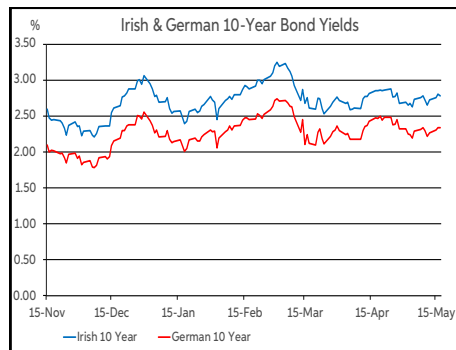
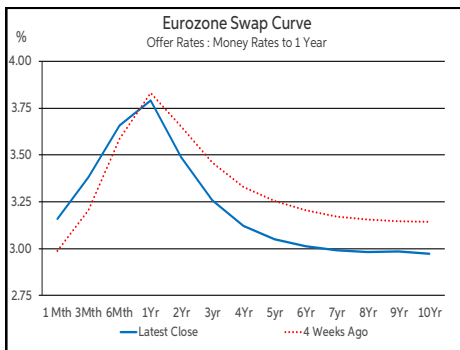
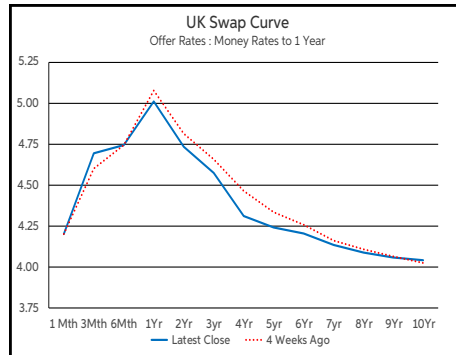
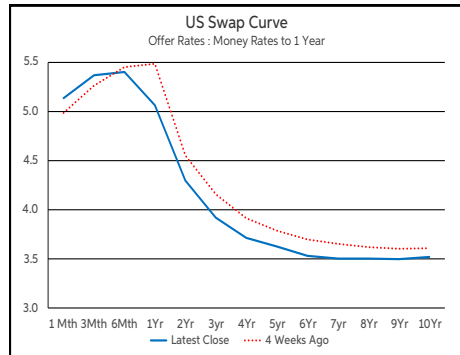
Thursday 18 May 2023
07:41 am



Euro		Sterling		Dollar	
EUR/GBP	0.8687	GBP/EUR	1.1506	USD/JPY	137.52
EUR/USD	1.0828	GBP/USD	1.2461	USD/CAD	1.3464
EUR/JPY	148.93	GBP/CAD	1.678	USD/CHF	0.8984
EUR/SEK	11.3259	GBP/NZD	1.9901	USD/CNY	7.015
EUR/DKK	7.4477	GBP/JPY	171.36	USD/BRL	4.9386
EUR/NOK	11.6874	GBP/SEK	13.0335	USD/RUB	80.275
EUR/CHF	0.9728	GBP/DKK	8.5705	USD/INR	82.451
EUR/AUD	1.6288	GBP/NOK	13.445	AUD/USD	0.6647
EUR/HKD	8.4765	GBP/CHF	1.1196	NZD/USD	0.6259
EUR/CAD	1.4582	GBP/AUD	1.8745		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.57	+3	-2	-31
Germany	2.34	+0	-17	-22
UK	3.84	+2	-2	+17
5 Year Swap %				
US	3.63	+6	-12	-37
Eurozone	3.05	+3	-19	-18
UK	4.24	-2	-8	-6
2 Year Swap %				
US	4.30	+6	-22	-38
Eurozone	3.49	+5	-16	+10
UK	4.73	+3	-8	+5
10 Year Government Bond Spreads to Benchmark bps				
Ireland	48	-2	+5	-10
Belgium	71	-2	+2	+7
France	58	-2	+7	+3
Italy	185	-4	-1	-29
Spain	106	-2	+2	-3
Portugal	81	-1	-5	-22
Greece	164	-6	-18	-39



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	76.96	+2.74	-7.41	-10.42
West Texas Oil	72.78	+2.72	-8.08	-9.21
Gold \$	1981.7	-0.35	-0.58	+8.62

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