

Dollar firms as risk appetite deteriorates

The risk averse tone to investor sentiment intensified yesterday, with stock markets on both sides of the Atlantic suffering heavy losses. The Euro Stoxx 50 shed 1.8%, while on Wall Street, the S&P 500 fell by 0.9%. The mood was set early on, with UK inflation data printing well above the consensus. Elsewhere, negotiations to avoid a US debt default continued, but a deal has yet to emerge, which also weighed on sentiment.

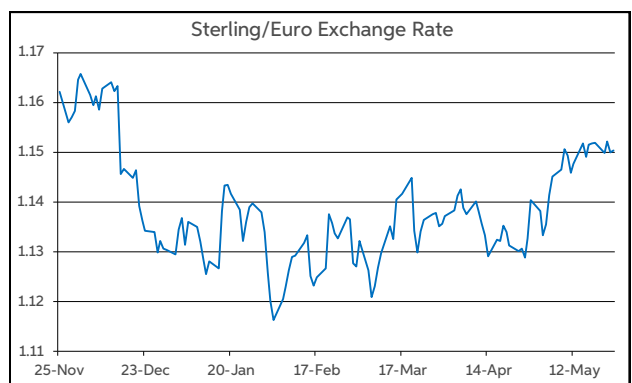
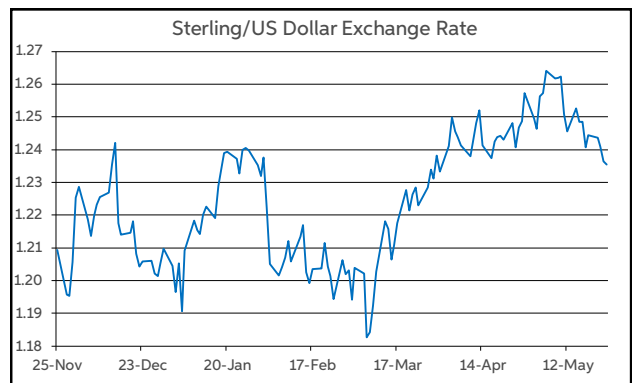
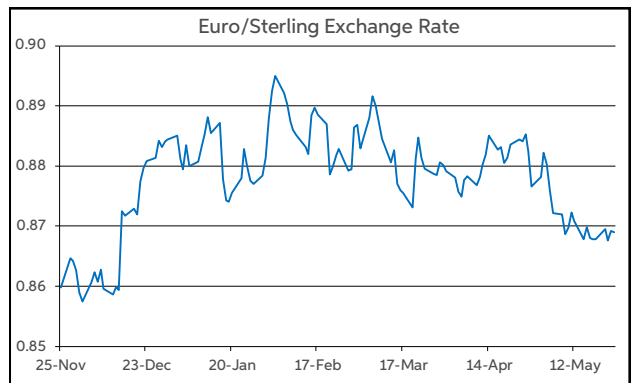
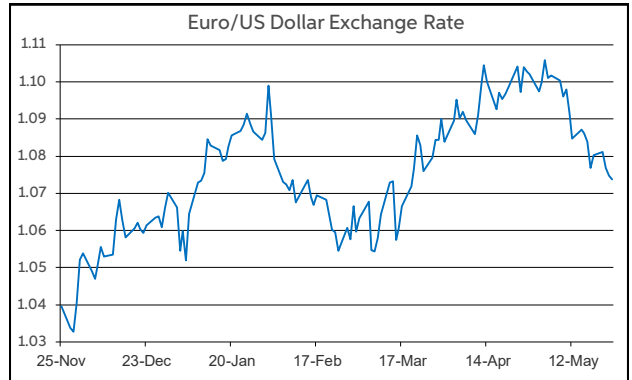
Meanwhile, the German Ifo survey ended a run of six straight improvements, deteriorating by more than anticipated in May. Overnight, the latest Fed meeting minutes struck a slightly hawkish chord. Thus, neither release provided any respite for markets.

Currency-wise, sterling was on the front foot in early trading, supported by a marked hardening in UK rate expectations, following the release of the inflation data. EUR/GBP traded to a fresh YTD low of 86.5p, while GBP/USD hit a session high of \$1.247. However, as risk appetite waned sterling came under some downward pressure, and the dollar regained the ascendancy.

As trading gets underway this morning, the firmer dollar tone sees EUR/USD open down in the lower half of the \$1.07-1.08 range. GBP/USD is changing hands near the midpoint of \$1.23-1.24. Elsewhere, EUR/GBP is operating in and around the 87p handle.

Already today, the final reading of German GDP has revised growth down to -0.3% in Q1 (from +0.0%), meaning the economy entered a technical recession, as GDP contracted by 0.5% in Q4'22. Later today, the second reading of US GDP for Q1 is expected to confirm the economy grew by 1.1% annualised. The focus, though, is likely to remain on the debt ceiling negotiations.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0737	-0.38	0.33
EUR/GBP	0.8688	0.24	-1.76
GBP/USD	1.2355	-0.63	2.13
GBP/EUR	1.1506	-0.24	1.80
USD/JPY	139.52	0.80	6.41
EUR/JPY	149.82	0.42	6.79

* 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	5.40	5.28	4.59	3.85
EUR	3.75	3.14	3.42	3.89	3.65	3.23
GBP	4.50	4.46	4.74	5.26	5.27	4.75

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

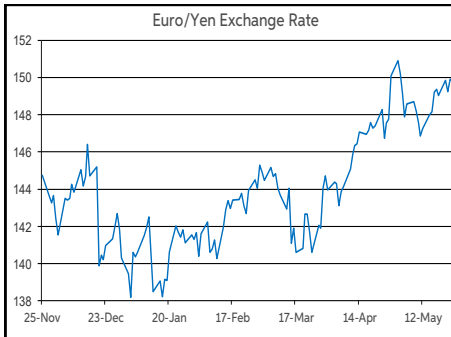
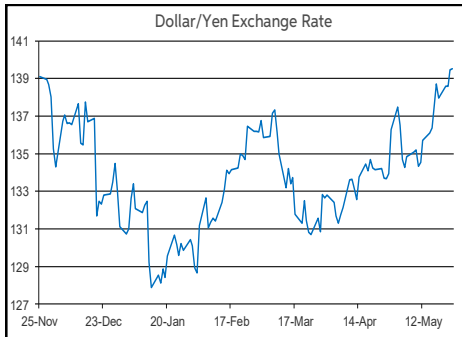
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

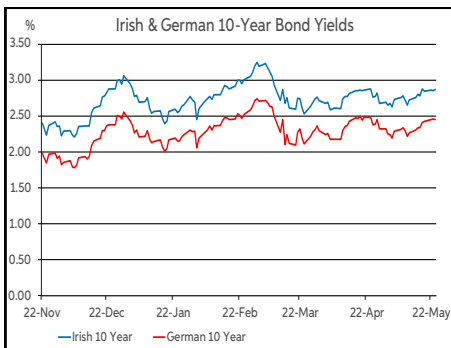
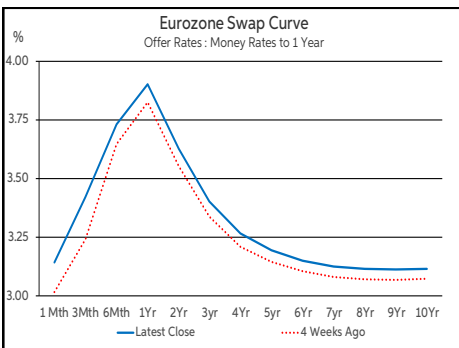
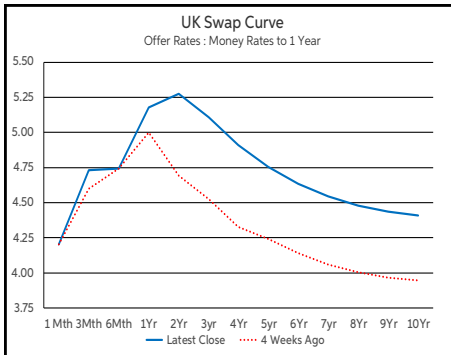
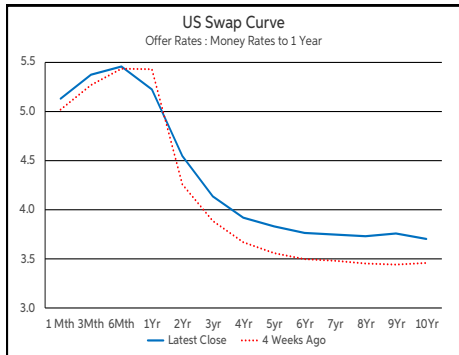
Thursday 25 May 2023
07:37 am



Euro		Sterling		Dollar	
EUR/GBP	0.8688	GBP/EUR	1.1506	USD/JPY	139.52
EUR/USD	1.0737	GBP/USD	1.2355	USD/CAD	1.3595
EUR/JPY	149.82	GBP/CAD	1.6798	USD/CHF	0.906
EUR/SEK	11.5143	GBP/NZD	2.0269	USD/CNY	7.0682
EUR/DKK	7.449	GBP/JPY	172.38	USD/BRL	4.9599
EUR/NOK	11.7784	GBP/SEK	13.256	USD/RUB	80.05
EUR/CHF	0.9727	GBP/DKK	8.571	USD/INR	82.75
EUR/AUD	1.6416	GBP/NOK	13.553	AUD/USD	0.6538
EUR/HKD	8.4116	GBP/CHF	1.1197	NZD/USD	0.6094
EUR/CAD	1.4596	GBP/AUD	1.8897		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.74	+5	+30	-13
Germany	2.45	-1	+7	-11
UK	4.21	+5	+48	+54
5 Year Swap %				
US	3.83	+7	+31	-16
Eurozone	3.19	+2	+6	-4
UK	4.75	+23	+52	+45
2 Year Swap %				
US	4.55	+8	+33	-13
Eurozone	3.63	+3	+8	+24
UK	5.27	+29	+59	+59
10 Year Government Bond Spreads to Benchmark bps				
Ireland	44	+2	+0	-14
Belgium	72	+1	+4	+8
France	59	+1	+1	+4
Italy	188	+1	+1	-27
Spain	108	+2	+2	-2
Portugal	77	-0	-8	-26
Greece	144	+0	-39	-59



Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	78.36	+1.98	+0.86	-8.79
West Texas Oil	74.37	+2.06	+0.05	-7.22
Gold \$	1957.0	-0.90	-1.63	+7.27

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