

## Sterling boosted by firmer UK rates

There continued to be a subdued tone to investor sentiment yesterday, as talks to raise the US debt ceiling recommenced and some mixed data releases weighed on the mood. The Euro Stoxx 50 fell by 1%, while the S&P 500 registered a 1.1% decline.

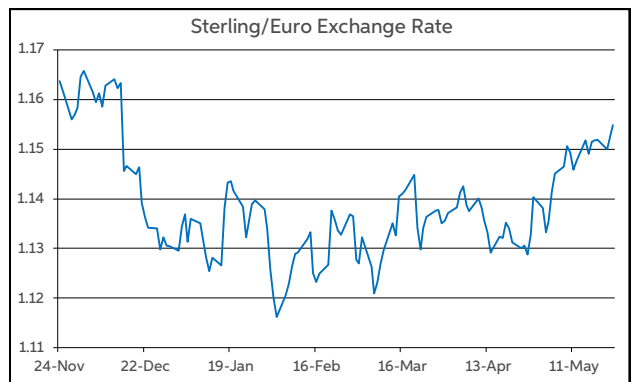
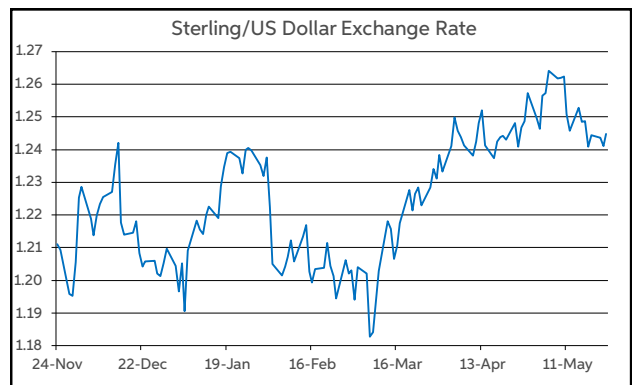
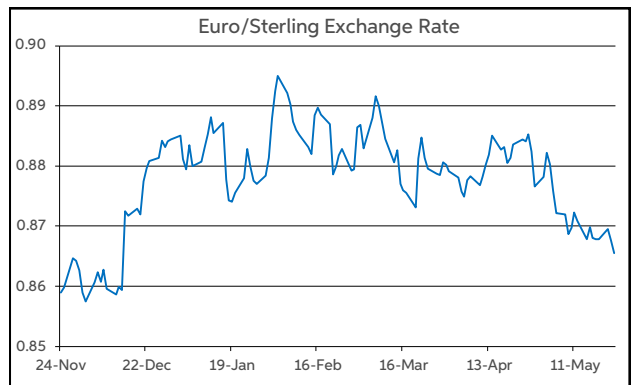
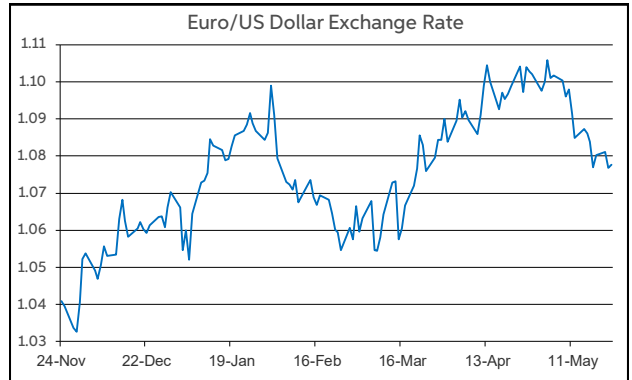
The flash PMIs for May in the US, Eurozone and UK indicated that activity in the services sector remains robust. In contrast, manufacturing continues to struggle, with the headline readings for the sector remaining in contraction mode, and deteriorating by more than anticipated across the board. Meantime, a historically sharp rise in the output price component of the UK services PMI led to a marked hardening in UK rate hike expectations.

This morning, UK CPI inflation data have printed well above the consensus. Headline CPI fell to 8.7% in April, from 10.1%, but above the 8.2% rate forecast. Core-CPI jumped unexpectedly to 6.8% from 6.2%. Following the release, UK rate expectations hardened further, and sterling made some gains. Overall, there is an additional 40bps of rate hikes priced in from the BoE. Rates are now seen as peaking at 5.4%, up from 5% yesterday morning.

US rate hike expectations also firmed slightly yesterday, by circa 10bps. Against this backdrop, the euro has been under some downward pressure, edging lower against both the dollar and sterling over the past 24 hours.

In level terms, EUR/USD opens this morning back below the \$1.08 handle. EUR/GBP is operating down near the midpoint of 86-87p. Elsewhere, GBP/USD remains at the halfway mark of \$1.24-1.25. Later today, the Fed FOMC meeting minutes are due. US debt ceiling negotiations will also remain in focus.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0776	-0.31	0.69
EUR/GBP	0.8655	-0.41	-2.14
GBP/USD	1.2446	0.09	2.89
GBP/EUR	1.1545	0.42	2.18
USD/JPY	138.65	0.18	5.75
EUR/JPY	149.45	-0.11	6.52

\* 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	5.18	4.52	3.84
EUR	3.75	3.14	3.41	3.89	3.64	3.21
GBP	4.50	4.46	4.73	5.24	5.27	4.74

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
---------	---	------------	------------	---------------	---------------------------	-----------------	-----------------------------------

# Opening Levels

Wednesday 24 May 2023  
07:52 am



## Euro

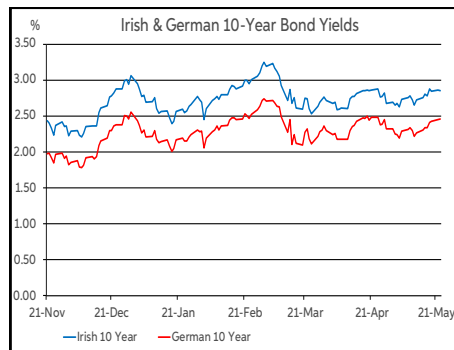
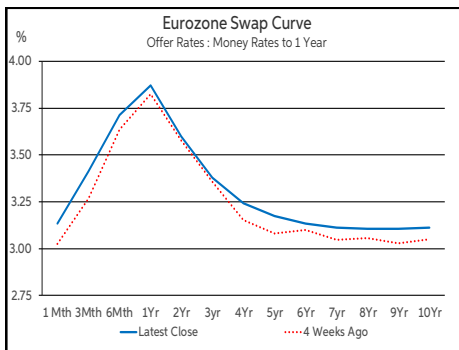
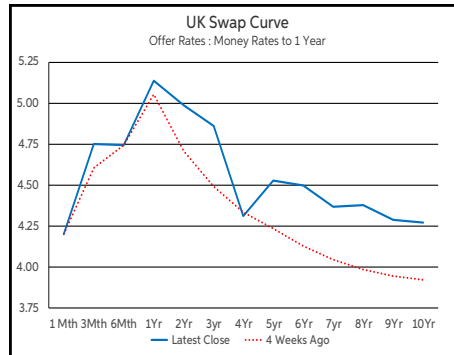
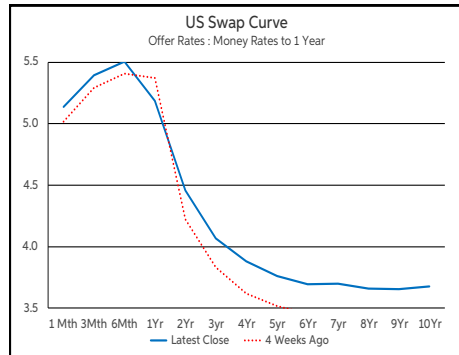
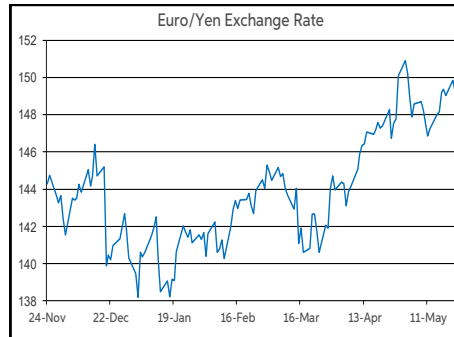
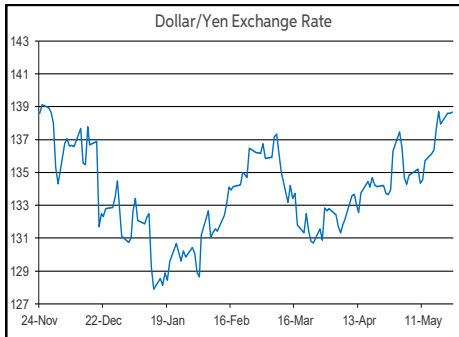
EUR/GBP	0.8655
EUR/USD	1.0776
EUR/JPY	149.45
EUR/SEK	11.438
EUR/DKK	7.4466
EUR/NOK	11.821
EUR/CHF	0.9716
EUR/AUD	1.637
EUR/HKD	8.4453
EUR/CAD	1.4573

## Sterling

GBP/EUR	1.1545
GBP/USD	1.2446
GBP/CAD	1.6834
GBP/NZD	2.0255
GBP/JPY	172.58
GBP/SEK	13.2095
GBP/DKK	8.6007
GBP/NOK	13.6533
GBP/CHF	1.1223
GBP/AUD	1.8913

## Dollar

USD/JPY	138.65
USD/CAD	1.3524
USD/CHF	0.9015
USD/CNY	7.0541
USD/BRL	4.9724
USD/RUB	80.1
USD/INR	82.74
AUD/USD	0.6581
NZD/USD	0.6145



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 22
<b>10 Year Yield %</b>				
US	3.70	-2	+30	-18
Germany	2.47	+1	+9	-10
UK	4.16	+10	+46	+49
<b>5 Year Swap %</b>				
US	3.76	-2	+28	-24
Eurozone	3.17	+2	+10	-6
UK	4.53	+9	+30	+23
<b>2 Year Swap %</b>				
US	4.46	-1	+27	-22
Eurozone	3.60	+2	+3	+21
UK	4.99	+8	+28	+31
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	43	-3	-1	-16
Belgium	71	+0	+3	+7
France	58	-0	+2	+3
Italy	186	+0	-2	-28
Spain	106	+0	+1	-4
Portugal	78	-2	-8	-26
Greece	144	-1	-42	-59

Commodities				
	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	76.84	+1.12	-4.87	-10.56
West Texas Oil	72.87	+1.48	-5.43	-9.09
Gold \$	1974.7	+0.27	-1.16	+8.24

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, p.l.c. and Allied Irish Bank (GB). In Northern Ireland it is distributed by Allied Irish Bank (NI). In the United States of America it is distributed by Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and AIB (NI) are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.