

US-China trade tensions escalate

Overnight, the US increased the tariffs it charges on \$200bn worth of Chinese imports from 10% to 25%. The move was prompted by an apparent breakdown in ongoing trade talks. The Chinese, who will likely announce retaliatory measures today, have supposedly reneged on a number of commitments over the past week.

Investor sentiment has remained sensitive to the trade tensions newsflow. The Euro Stoxx 50 closed 2.0% lower, but more positive comments from President Trump in the evening helped the S&P 500 recover somewhat into the close.

In terms of FX market reaction, safe haven currencies, such as the Swiss franc, made modest gains. Elsewhere, the euro experienced some marginal support yesterday. This is reflected in EUR/USD opening this morning above the \$1.12 level, while EUR/GBP has edged up from the 86p mark. Meanwhile, GBP/USD remains near to the \$1.30 threshold.

Today, trade tensions will be to the front and centre, as markets react to the US decision to increase tariffs and await the Chinese response. Risk appetite may remain under pressure, which could in turn result in some support for safe haven currencies.

Data-wise, the highlight is the first reading of Q1 UK GDP. Growth is forecast to have picked up to 0.5%, from 0.3%, reflecting strong consumer spending and a boost from Brexit stockpiling. However, we do not expect a major reaction in sterling.

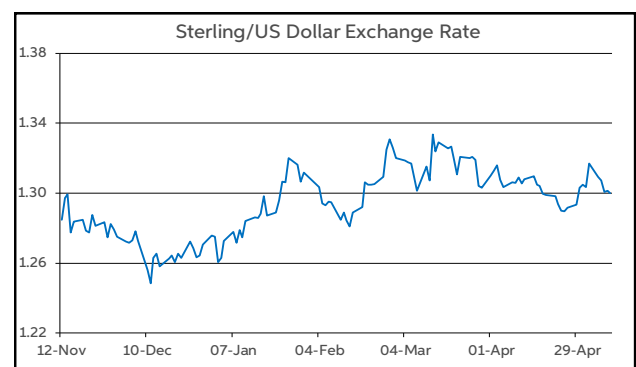
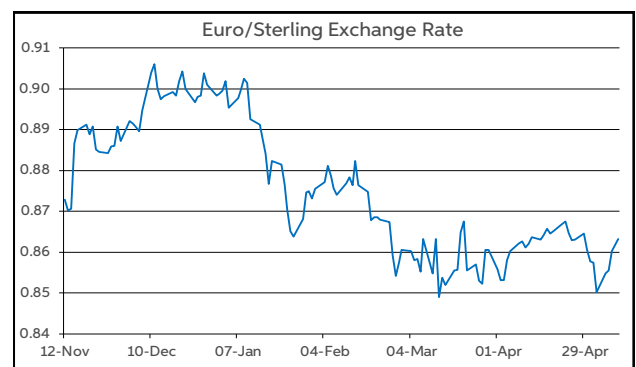
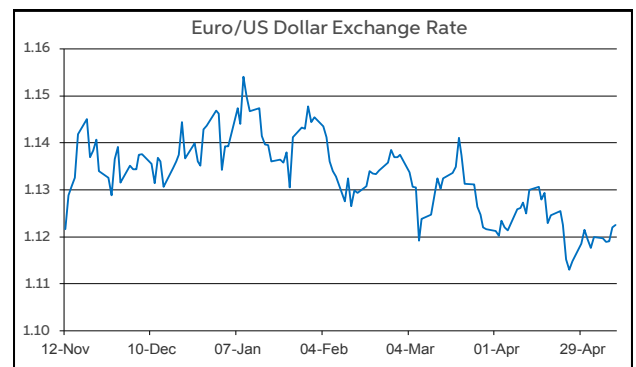
In the US, CPI data for April is due. Higher energy prices are expected to see headline inflation move up to 2.1%, from 1.9%. However, the market's focus on trade tensions could mean that dollar impact may be limited.

Conor Beakey, Economist, AIB

Today's Opening Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1224	0.28	-2.14
EUR/GBP	0.8632	0.36	-3.92
GBP/USD	1.3001	-0.08	1.91
GBP/EUR	1.1581	-0.36	4.08
USD/JPY	109.69	-0.20	0.12
EUR/JPY	123.14	0.07	-2.04

* v Previous Day's European Open

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Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	2.375	2.45	2.54	2.70	2.36	2.26
EUR	0.00	-0.37	-0.31	-0.12	-0.20	0.02
GBP	0.75	0.73	0.81	1.06	1.00	1.16

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2018 to Date	
Dow Jones	25828.36	-0.54	+10.72	
S&P 500	2870.72	-0.30	+14.52	
FTSE 100	7207.41	-0.87	+7.12	
DJ Stoxx 50	3350.71	-1.95	+11.64	
ISEQ	6243.82	-1.87	+13.94	
Nikkei	21338.53	-0.30	+6.61	

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

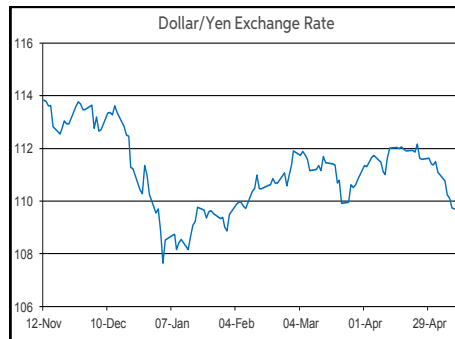
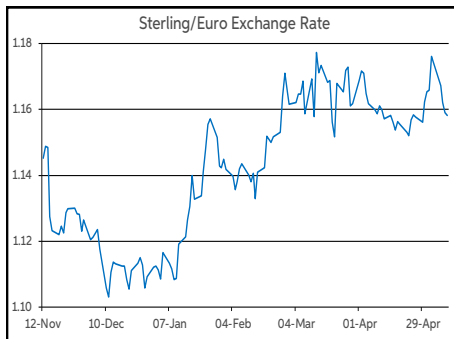
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite Lenny Hogan	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

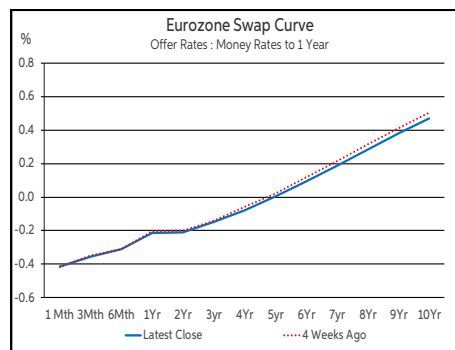
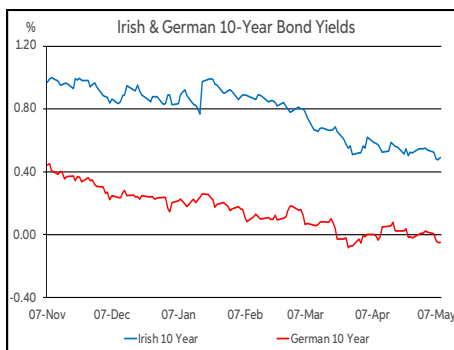
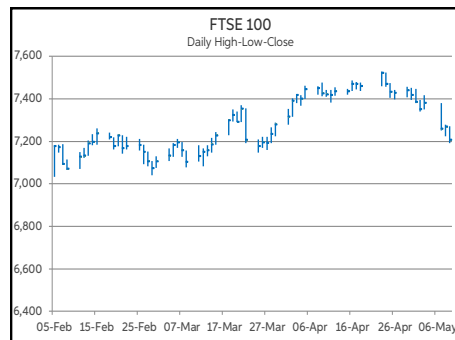
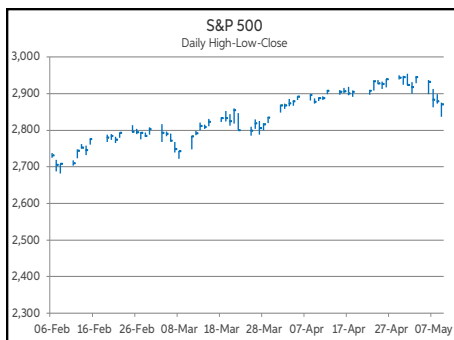
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Euro		Sterling		Dollar	
EUR/GBP	0.8632	GBP/EUR	1.1581	USD/JPY	109.69
EUR/USD	1.1224	GBP/USD	1.3001	USD/CAD	1.3468
EUR/JPY	123.14	GBP/CAD	1.7516	USD/CHF	1.0142
EUR/SEK	10.836	GBP/NZD	1.9726	USD/CNY	6.7996
EUR/DKK	7.4652	GBP/JPY	142.61	USD/BRL	3.9463
EUR/NOK	9.8519	GBP/SEK	12.5492	USD/RUB	65.1706
EUR/CHF	1.1386	GBP/DKK	8.6476	USD/INR	69.929
EUR/AUD	1.6048	GBP/NOK	11.4116	AUD/USD	0.6992
EUR/HKD	8.8096	GBP/CHF	1.3185	NZD/USD	0.6589
EUR/CAD	1.512	GBP/AUD	1.8594		



	Close	Change bps		
		Day	4 Weeks	End 18
10 Year Yield %				
US	2.45	-3	-5	-23
Germany	-0.05	-0	-4	-29
UK	1.12	-1	-3	-15
5 Year Swap %				
US	2.26	-6	-9	-31
Eurozone	0.00	-2	-2	-23
UK	1.15	-3	-4	-16
2 Year Swap %				
US	2.33	-5	-11	-31
Eurozone	-0.21	-1	-1	-7
UK	1.00	-2	-2	-16
10 Year Government Bond Spreads to Benchmark bps				
Ireland	54	+2	-0	N/A
Belgium	48	+2	+5	-4
France	39	+1	+5	-8
Italy	273	+7	+21	+25
Spain	103	+3	+2	-15
Portugal	115	+2	+1	-32
Greece	356	+11	+25	-50



	Close	% Change		
		Day	4 Weeks	End 18
Brent Oil	70.39	+0.03	-0.62	+30.84
West Texas Oil	61.58	-0.89	-3.19	+36.39
CRB - All Commodity	179.01	-0.41	-4.44	+5.42
CRB - Food	338.24	-1.28	-2.00	+4.32
Gold \$	1284.5	+0.25	-0.64	+0.13

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