

Sterling falls on cautious BoE

There was a positive tone on financial markets. In the US, equity markets finished higher (S&P 500 up c.1%) aided in part by softer inflation data easing concerns about the extent of Fed hikes.

Yesterday's main event, the BoE meeting, was in line with expectations, with no changes to monetary policy. The decision to leave rates on hold remained a 7:2 split, as had been anticipated. However, the BoE did downgrade its growth forecast for this year from 1.8% to 1.4%, but left it unchanged for 2019 and 2020 at 1.7% in both years. Inflation is now also seen as being softer, returning to its 2% target more quickly than had been previously projected.

Markets saw the updates as indicating a less hawkish outlook for BoE policy. Futures contracts show that an interest rate hike in the UK is now not fully priced in until around the end of this year. In terms of the currency market reaction, sterling moved lower following the BoE meeting. This is reflected in EUR/GBP opening this morning back above the 88p mark, while cable (GBP/USD) has moved down to \$1.35.

Meantime, slightly softer than expected US core CPI inflation for April (2.1% vs f'cast 2.2%) acted as somewhat of a headwind to the dollar yesterday. EUR/USD is changing hands at the \$1.19 mark this morning. The USD/JPY pair has moved back down into the lower half of the ¥109-110 band.

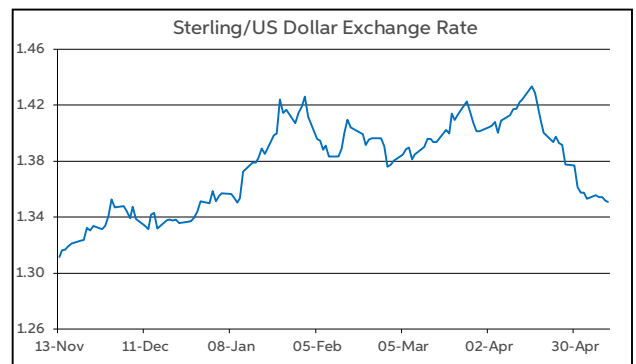
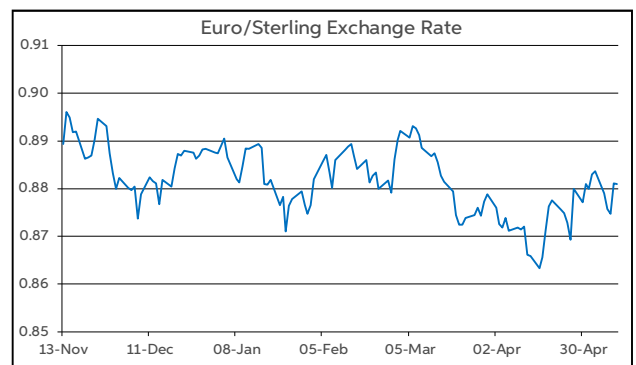
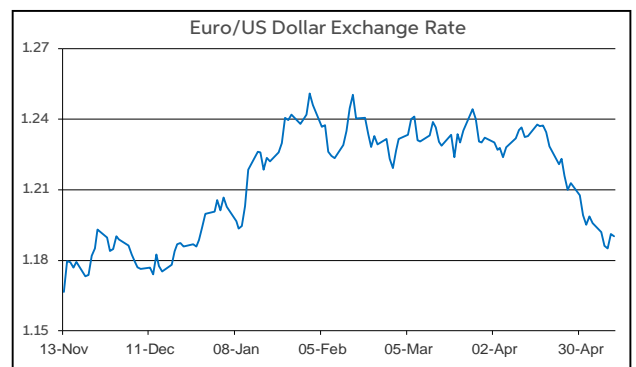
Turning to the day ahead, there is a very light schedule on both sides of the Atlantic. A policy speech by ECB President Draghi this afternoon poses some potential headline risk for the euro. Data-wise, the preliminary Michigan measure of consumer sentiment for April in the US is the main release. It is expected to remain at a strong level, though dollar impact is likely to be limited.

Dara Turnbull, Economist, AIB

Today's Opening Rates			
		% Change	
		Day *	End 2017
EUR/USD	1.1902	0.25	-0.78
EUR/GBP	0.8809	0.73	-0.83
GBP/USD	1.3508	-0.48	-0.03
GBP/EUR	1.1346	-0.73	0.84
USD/JPY	109.35	-0.30	-2.95
EUR/JPY	130.16	-0.05	-3.71

* 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	1.625	1.92	2.36	2.77	2.77	2.92
EUR	0.00	-0.37	-0.33	-0.19	-0.13	0.39
GBP	0.50	0.51	0.67	0.96	1.02	1.35

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2017 to Date	
Dow Jones	24739.53	+0.80	+0.08	
S&P 500	2723.07	+0.94	+1.85	
FTSE 100	7700.97	+0.50	+0.17	
DJ Stoxx 50	3569.71	-0.00	+1.88	
ISEQ	6991.39	+0.11	-0.67	
Nikkei	22758.48	+1.16	-0.03	

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

FX Spot	Karl Cooke Shane Gargan Adrian Flanagan 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

Friday 11 May 2018
07:30 am



Euro

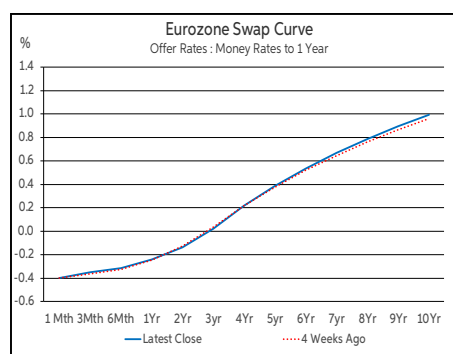
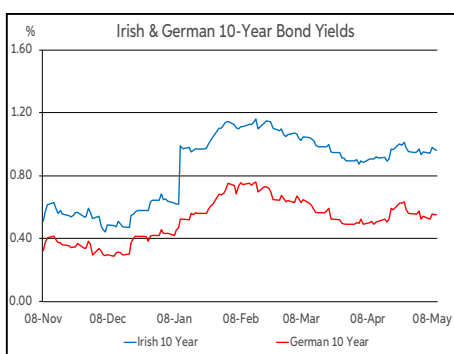
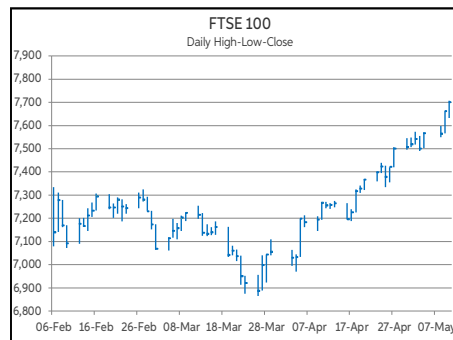
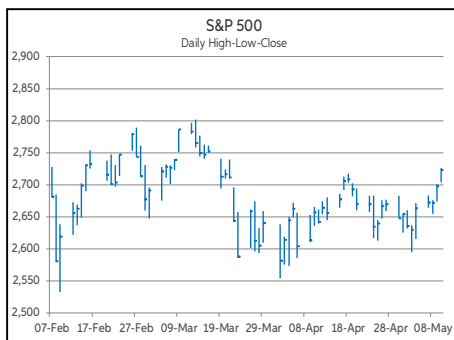
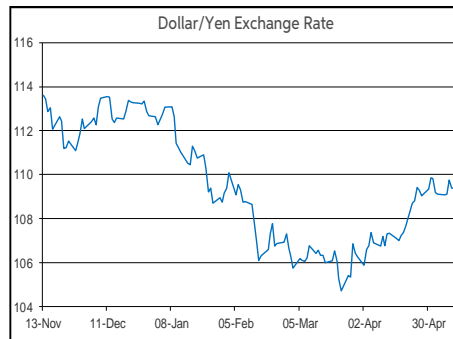
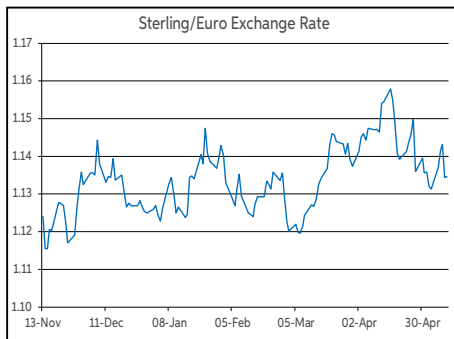
EUR/GBP	0.8809
EUR/USD	1.1902
EUR/JPY	130.16
EUR/SEK	10.297
EUR/DKK	7.4491
EUR/NOK	9.5277
EUR/CHF	1.1945
EUR/AUD	1.5786
EUR/HKD	9.3422
EUR/CAD	1.5186

Sterling

GBP/EUR	1.1346
GBP/USD	1.3508
GBP/CAD	1.7234
GBP/NZD	1.9399
GBP/JPY	147.71
GBP/SEK	11.6837
GBP/DKK	8.4519
GBP/NOK	10.8141
GBP/CHF	1.3556
GBP/AUD	1.7912

Dollar

USD/JPY	109.35
USD/CAD	1.2755
USD/CHF	1.0034
USD/CNY	6.3447
USD/BRL	3.5506
USD/RUB	61.69
USD/INR	67.23
AUD/USD	0.7538
NZD/USD	0.6961



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 17
10 Year Yield %				
US	2.96	-4	+12	+56
Germany	0.55	+0	+5	+13
UK	1.46	+2	+1	+28
Ireland	0.96	-1	+4	N/A
Belgium	0.81	-1	+2	+20
France	0.77	-2	+3	-0
Italy	1.93	+5	+13	-6
Spain	1.30	+1	+6	-24
Portugal	1.71	+1	+2	-19
Greece	4.03	-9	+8	-1
5 Year Swap %				
US	2.91	-3	+11	+67
Eurozone	0.39	-1	+1	+7
UK	1.34	-5	-10	+30
2 Year Swap %				
US	2.74	-3	+8	+66
Eurozone	-0.14	+0	-1	+0
UK	1.02	-4	-14	+22
10 Year Government Bond Spreads to Benchmark bps				
Ireland	41	-1	-1	N/A
Belgium	26	-1	-3	+7
France	22	-2	-2	-14
Italy	138	+5	+8	-19
Spain	75	+1	+1	-38
Portugal	115	+1	-3	-32
Greece	348	-9	+3	-14

Commodities				
	Close	% Change		
		Day	4 Weeks	End 17
Brent Oil	77.47	+0.34	+7.57	+15.85
West Texas Oil	71.36	+0.28	+6.40	+18.03
CRB - All Commodity	204.52	+0.40	+2.62	+5.50
CRB - Food	355.95	-0.18	+4.00	+5.92
Gold \$	1321.8	+0.66	-1.06	+1.47

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