

Morning Comment

AIB Treasury Economic Research Unit



Thursday 02 May 2019
07:19 am

Focus on the UK today

The action on currency markets yesterday saw the dollar come under some mild downward pressure during the European trading session. However, the currency recovered this lost ground following the conclusion of the Fed's policy meeting.

As expected, the FOMC voted unanimously to leave the fed funds target range at 2.25-2.5%. The move in the dollar coincided with Chair Powell's more hawkish tone at the press conference. He outlined that the Fed views that the recent deceleration of core inflation is due to "transient factors", while also acknowledging that downside risks to growth have "moderated somewhat".

In level terms, EUR/USD opens this morning just below the \$1.12 level, while cable (GBP/USD) is trading near to the midpoint of the \$1.30-1.31 band. Elsewhere, EUR/GBP is changing hands under the 86p threshold.

Turning to the day ahead, both the Eurozone and the US macro calendars are devoid of any potentially market moving releases. Therefore, EUR/USD could be relatively range bound.

In contrast, there is a busy day ahead in the UK. Local elections get underway this morning. Results are expected overnight and are likely to see the Conservative Party suffering heavy losses. This could ramp up the already significant pressure on PM May.

Meanwhile, the BoE meeting is expected to see interest rates left unchanged at 0.75%. Therefore, market attention will focus on Governor Carney's press conference and the May Inflation Report. Sterling could be supported if the MPC adopts a more hawkish tone in light of some recent better than expected macro data.

Conor Beakey, Economist, AIB

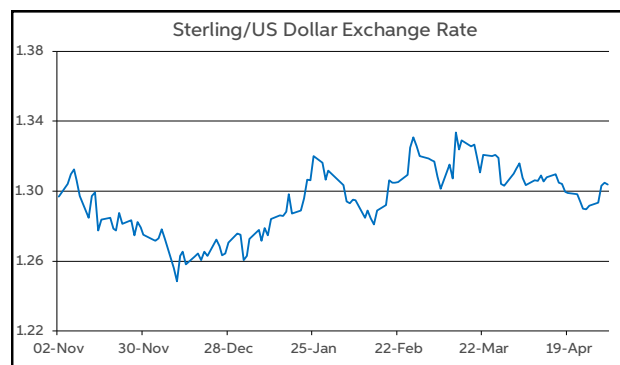
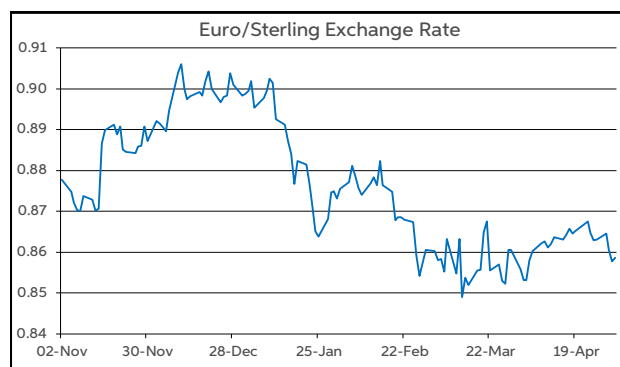
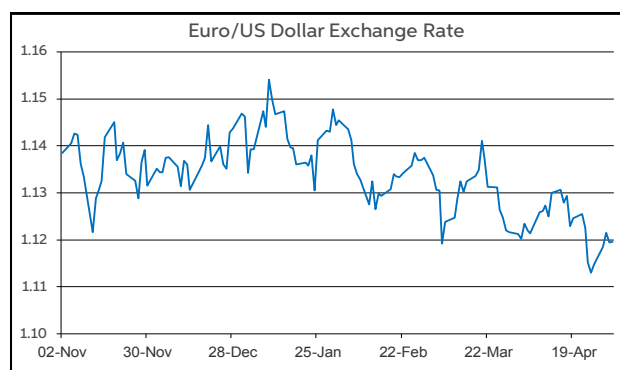
Opening Interest Rates						
	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	2.375	2.48	2.58	2.71	2.42	2.38
EUR	0.00	-0.37	-0.31	-0.11	-0.18	0.05
GBP	0.75	0.73	0.82	1.10	1.05	1.18

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2018 to Date	
Dow Jones	26430.14	-0.61	+13.30	
S&P 500	2923.73	-0.75	+16.63	
FTSE 100	7385.26	-0.44	+9.77	
DJ Stoxx 50	3514.62	+0.00	+17.10	
ISEQ	6455.24	+0.00	+17.80	
Nikkei	22258.73	+0.00	+11.21	

Today's Opening Rates			
		% Change	
		Day *	End 2018
EUR/USD	1.1196	-0.20	-2.38
EUR/GBP	0.8584	-0.19	-4.45
GBP/USD	1.3042	0.02	2.23
GBP/EUR	1.1644	0.19	4.66
USD/JPY	111.55	0.06	1.82
EUR/JPY	124.93	-0.15	-0.62

* v Previous Day's European Open

See Next Page for More Rates ▶▶▶



All rates quoted are indicative market rates

See Next Page For More Rates & Charts

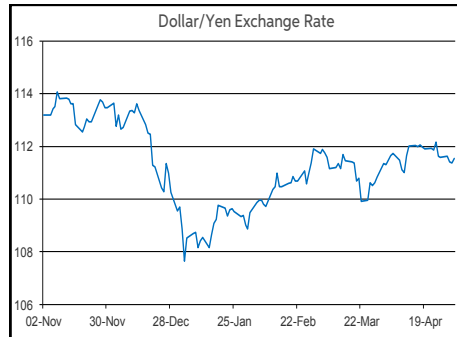
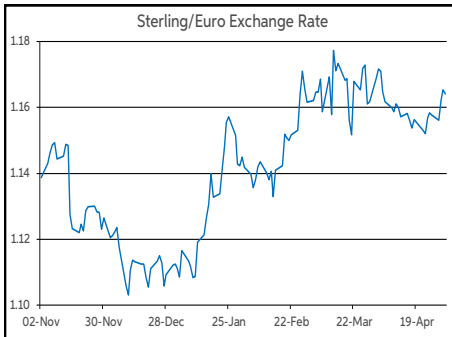
FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite Lenny Hogan	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Opening Levels

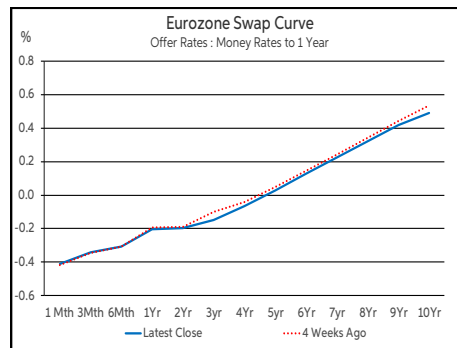
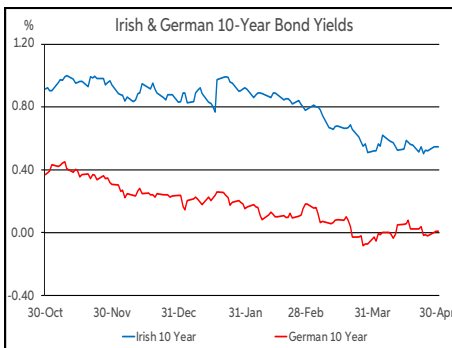
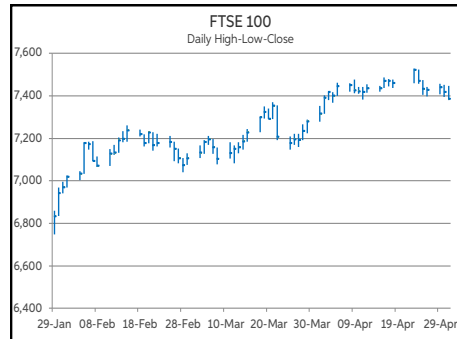
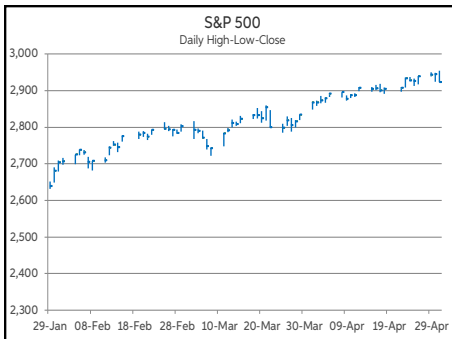
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Euro		Sterling		Dollar	
EUR/GBP	0.8584	GBP/EUR	1.1644	USD/JPY	111.55
EUR/USD	1.1196	GBP/USD	1.3041	USD/CAD	1.3433
EUR/JPY	124.93	GBP/CAD	1.7518	USD/CHF	1.0182
EUR/SEK	10.6741	GBP/NZD	1.9675	USD/CNY	6.7337
EUR/DKK	7.4658	GBP/JPY	145.47	USD/BRL	3.9195
EUR/NOK	9.7144	GBP/SEK	12.4332	USD/RUB	64.7902
EUR/CHF	1.1403	GBP/DKK	8.6928	USD/INR	69.5225
EUR/AUD	1.5952	GBP/NOK	11.3114	AUD/USD	0.7019
EUR/HKD	8.7833	GBP/CHF	1.3279	NZD/USD	0.6627
EUR/CAD	1.5038	GBP/AUD	1.8578		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 18
10 Year Yield %				
US	2.50	-0	-3	-18
Germany	0.01	+1	+2	-23
UK	1.15	-3	+7	-12
Ireland	0.55	+0	-7	N/A
Belgium	0.44	-1	-3	-32
France	0.37	+1	-2	-33
Italy	2.55	-3	+1	-17
Spain	0.99	-1	-14	-43
Portugal	1.10	-2	-16	-61
Greece	3.35	+6	-28	-95
5 Year Swap %				
US	2.32	+2	-3	-24
Eurozone	0.03	-1	-2	-20
UK	1.16	-4	+1	-15
2 Year Swap %				
US	2.38	+2	-6	-26
Eurozone	-0.20	-1	-1	-6
UK	1.04	-2	+3	-13
10 Year Government Bond Spreads to Benchmark bps				
Ireland	54	-1	-9	N/A
Belgium	43	-2	-5	-9
France	36	-0	-4	-11
Italy	254	-4	-0	+6
Spain	98	-2	-15	-20
Portugal	109	-3	-17	-38
Greece	334	+5	-30	-72



Commodities				
	Close	% Change		
		Day	4 Weeks	End 18
Brent Oil	72.18	-0.85	+4.14	+34.16
West Texas Oil	63.55	-0.44	+1.75	+40.75
CRB - All Commodity	183.66	-0.32	-1.71	+8.16
CRB - Food	342.02	+0.06	-0.82	+5.49
Gold \$	1276.9	-0.54	-1.03	-0.47

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