

Risk averse mood

The main feature of the action on financial markets yesterday was the risk averse mood. This occurred within the context of the on-going trade dispute between the US and China.

The weekend announcement that Google was suspending some of its business with Chinese tech company Huawei appeared to be a catalyst for the 'risk off' action yesterday. An escalation of geopolitical tensions between the US and Iran also created an unhelpful backdrop for investor sentiment. Equity markets on both sides of the Atlantic suffered. The Euro Stoxx 50 registered a 1.6% loss. Meanwhile, at the closing bell on Wall Street last night, the S&P 500 was down by around 0.7%.

From a currency viewpoint, there was no noticeable spillover from the 'risk off' mood in terms of safe haven demand. Indeed, most of the main pairs open this morning showing very little change over the past 24 hours. In level terms this means that sterling remains on the back foot. This is reflected in EUR/GBP trading above the midpoint of 87-88p and GBP/USD pinned down near to the \$1.27 level. Meantime, EUR/USD has been trading in a very tight range near to the midpoint of \$1.11-1.12 since yesterday morning.

Ahead today, market sentiment is likely to remain reactive to geopolitical/trade newsflow. In this regard, overnight, the Trump administration announced it was granting a 90-day reprieve on the ban on US companies doing business with Huawei. Data-wise, the highlights from a relatively quiet schedule are US existing home sales for April and the flash May reading of the EC measure of consumer confidence for the Eurozone. Neither release is expected to have much influence on their respective currencies. Overall then, the main FX pairs may trade in narrow ranges near to their current levels today.

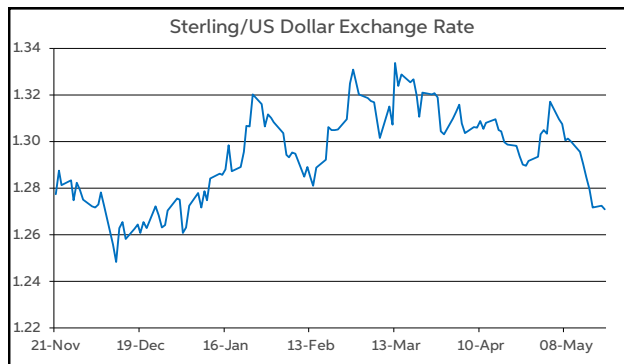
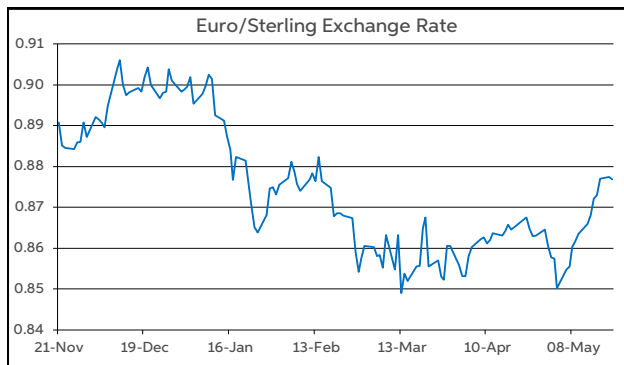
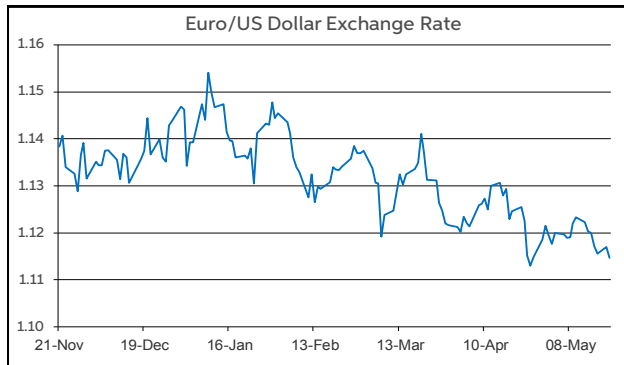
John Fahey, Senior Economist, AIB

Today's Opening Rates

		% Change	
		Day *	End 2018
EUR/USD	1.1148	-0.05	-2.80
EUR/GBP	0.8769	0.14	-2.39
GBP/USD	1.2709	-0.19	-0.38
GBP/EUR	1.1399	-0.14	2.45
USD/JPY	110.13	-0.06	0.52
EUR/JPY	122.78	-0.11	-2.33

* 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	2.44	2.52	2.65	2.27	2.21
EUR	0.00	-0.37	-0.31	-0.13	-0.23	-0.02
GBP	0.75	0.73	0.80	1.05	0.97	1.10

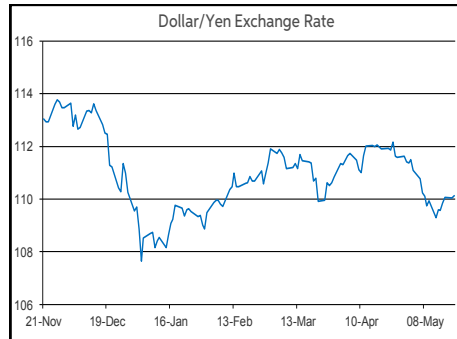
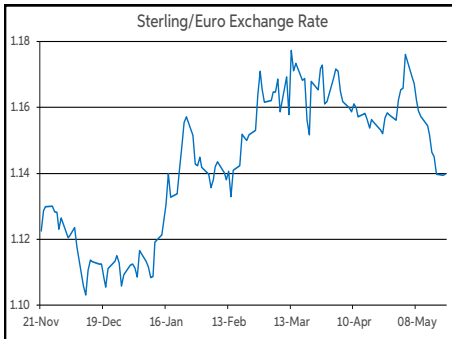
Equity Indices				
	Latest Close	% Changes		
		on Day	End 2018 to Date	
Dow Jones	25679.9	-0.33	+10.08	
S&P 500	2840.23	-0.67	+13.30	
FTSE 100	7310.88	-0.51	+8.66	
DJ Stoxx 50	3369.78	-1.63	+12.27	
ISEQ	6223.38	-0.91	+13.57	
Nikkei	21272.45	-0.14	+6.28	

All rates quoted are indicative market rates

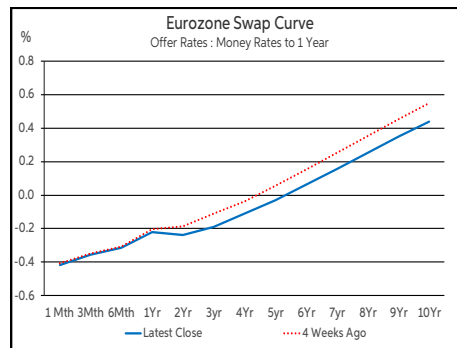
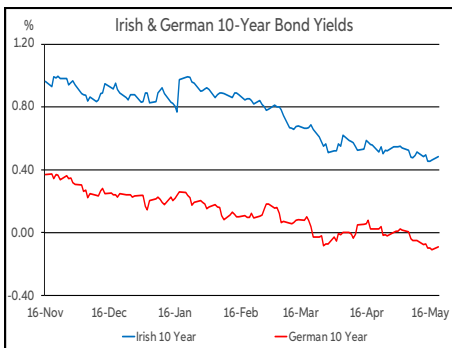
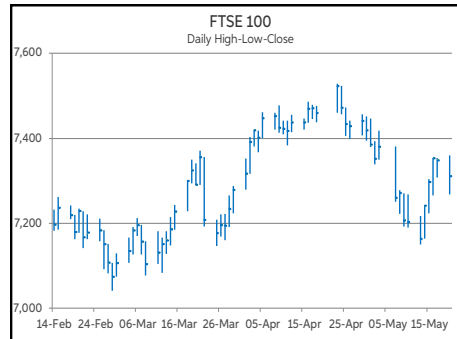
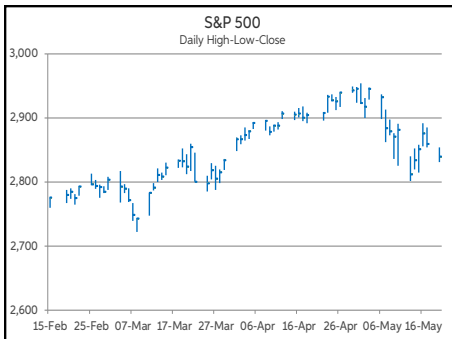
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FX Spot	Karl Cooke Shane Gargan Enda Homan	FX Options	Mark Tuite Lenny Hogan	Reuters Phone	AIB 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Euro		Sterling		Dollar	
EUR/GBP	0.8768	GBP/EUR	1.1399	USD/JPY	110.14
EUR/USD	1.1148	GBP/USD	1.271	USD/CAD	1.3427
EUR/JPY	122.8	GBP/CAD	1.707	USD/CHF	1.011
EUR/SEK	10.798	GBP/NZD	1.9522	USD/CNY	6.9053
EUR/DKK	7.4687	GBP/JPY	139.99	USD/BRL	4.0963
EUR/NOK	9.8127	GBP/SEK	12.3067	USD/RUB	64.4982
EUR/CHF	1.1274	GBP/DKK	8.5139	USD/INR	69.747
EUR/AUD	1.6221	GBP/NOK	11.19	AUD/USD	0.6872
EUR/HKD	8.7488	GBP/CHF	1.2852	NZD/USD	0.6508
EUR/CAD	1.4971	GBP/AUD	1.8494		



	Close	Change bps		
		Day	4 Weeks	End 18
10 Year Yield %				
US	2.42	+3	-17	-26
Germany	-0.09	+2	-11	-33
UK	1.05	+2	-14	-21
5 Year Swap %				
US	2.19	-0	-21	-37
Eurozone	-0.03	-1	-9	-26
UK	1.09	+1	-13	-23
2 Year Swap %				
US	2.26	-1	-20	-38
Eurozone	-0.24	-0	-6	-10
UK	0.97	+1	-9	-20
10 Year Government Bond Spreads to Benchmark bps				
Ireland	58	+1	+9	N/A
Belgium	50	+1	+6	-3
France	40	+1	+6	-6
Italy	278	+1	+21	+30
Spain	96	-1	-7	-21
Portugal	114	-0	+2	-33
Greece	347	-3	+21	-59



	Close	% Change		
		Day	4 Weeks	End 18
Brent Oil	71.97	-0.33	-2.80	+33.77
West Texas Oil	63.12	+0.56	-3.87	+39.80
CRB - All Commodity	181.70	+0.39	-3.31	+7.01
CRB - Food	341.39	-2.26	-0.98	+5.29
Gold \$	1278.0	+0.00	+0.22	-0.38

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