

Markets wary of Italian risk

There was a mixed tone on financial markets as the week got underway yesterday. While the Euro Stoxx 50 was flat on the day, Italian markets remained sensitive to political headlines. Markets are worried about the potential destabilising impact of the new Italian government. The Italian MIB equity index fell by 1.5% yesterday. Meantime, Italian 10-year sovereign bond yields rose by 18bps to 2.40%, their highest level in over a year.

In contrast on US markets, the S&P 500 was up 0.7% at the close last night. Sentiment was aided by positive soundings from Chinese and American officials regarding the on-going trade negotiations between the two countries. Some M&A activity in the US was also positive from an equities perspective.

A very quiet day on the macro data front meant that there was a more muted tone on currency markets. Indeed, the main pairs open broadly unchanged this morning, meaning the dollar has retained its firmer tone.

In level terms, EUR/USD spent most of the day trading close to the mid-point of the \$1.17-1.18 band. Cable (GBP/USD) briefly tested below \$1.34, its first time below that level since the end of last year, before edging back above it. USD/JPY continued to trade just above ¥111. Meanwhile, the EUR/GBP pair was confined to a very narrow 87.4-87.8p range.

Turning to the day ahead, the data calendar remains light, with UK public finance figures for April the only release of note. However, markets will be keeping a close eye on newsflow out of Italy, as they look for further details on the new government. US/China trade talks may also create some headlines. Overall though, FX markets may remained subdued today.

Dara Turnbull, Economist, AIB

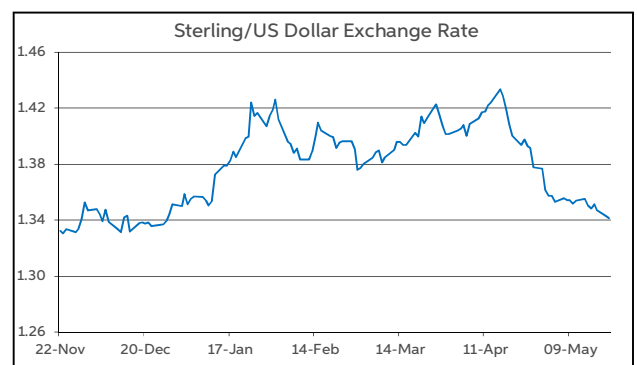
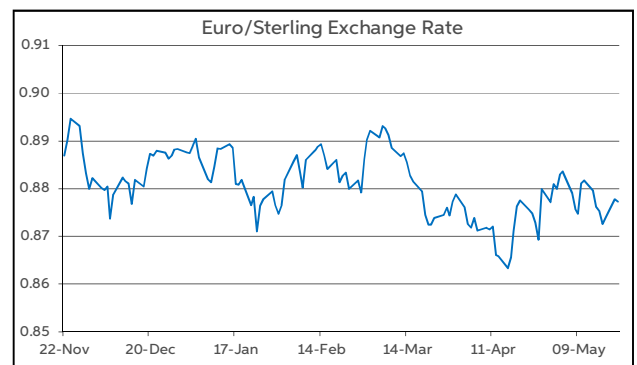
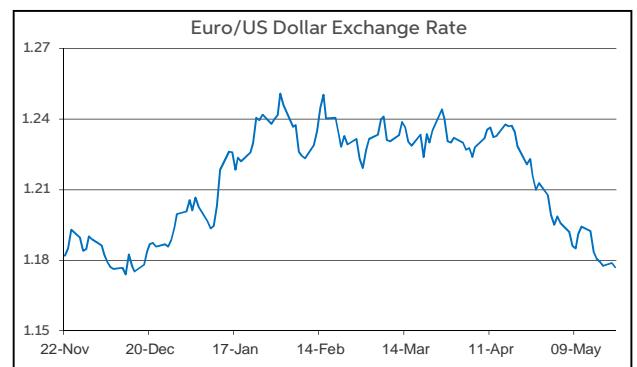
Opening Interest Rates						
Base Rate	Short Term			Long Term		
	1-Mth	3-Mth	12-Mth	2-Yr	5-Yr	
USD	1.625	1.96	2.33	2.77	2.79	3.00
EUR	0.00	-0.37	-0.33	-0.19	-0.12	0.41
GBP	0.50	0.50	0.62	0.93	1.04	1.39

Equity Indices				
	Latest Close	% Changes		
		on Day	End 2017 to Date	
Dow Jones	25013.29	+1.21	+1.19	
S&P 500	2733.01	+0.74	+2.22	
FTSE 100	7859.17	+1.03	+2.23	
DJ Stoxx 50	3572.57	-0.03	+1.96	
ISEQ	7181.25	+1.20	+2.03	
Nikkei	22960.34	-0.18	+0.86	

Today's Opening Rates			
		% Change	
		Day *	End 2017
EUR/USD	1.1769	0.16	-1.89
EUR/GBP	0.8772	0.30	-1.25
GBP/USD	1.3415	-0.13	-0.72
GBP/EUR	1.1397	-0.30	1.27
USD/JPY	111.06	-0.14	-1.43
EUR/JPY	130.72	0.02	-3.30

* 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 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

Tuesday 22 May 2018
07:30 am



Euro

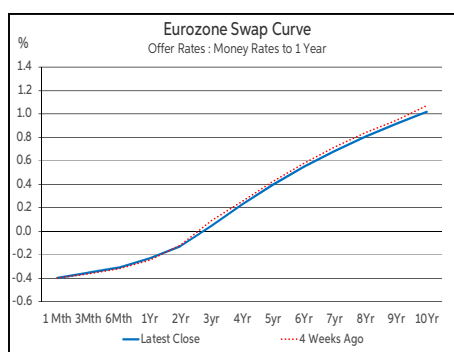
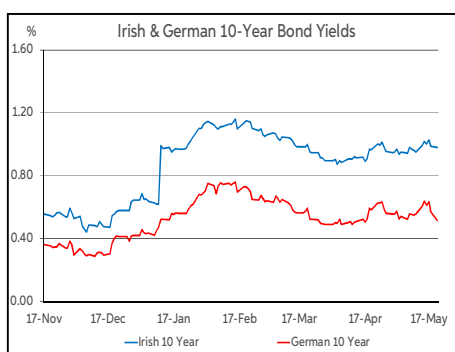
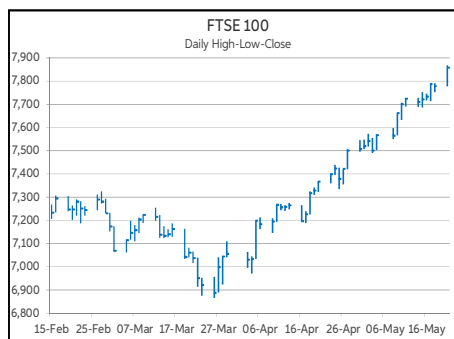
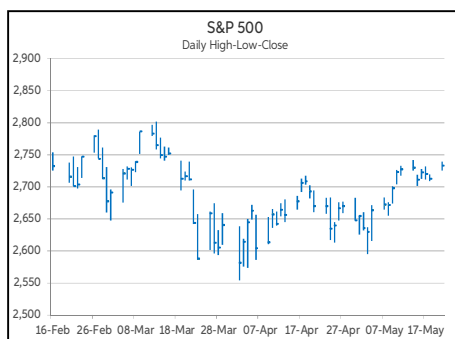
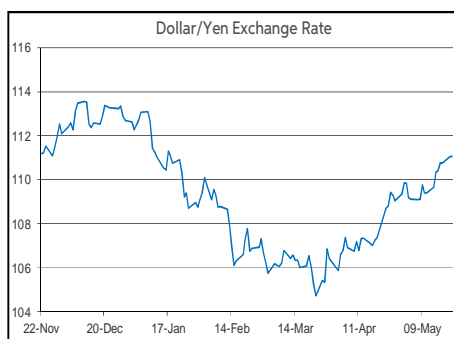
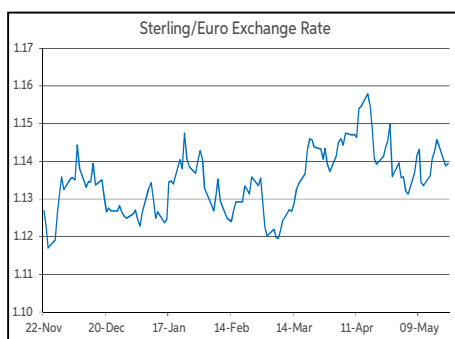
EUR/GBP	0.8772
EUR/USD	1.1769
EUR/JPY	130.72
EUR/SEK	10.226
EUR/DKK	7.4468
EUR/NOK	9.4856
EUR/CHF	1.1744
EUR/AUD	1.551
EUR/HKD	9.2375
EUR/CAD	1.5028

Sterling

GBP/EUR	1.1397
GBP/USD	1.3415
GBP/CAD	1.7135
GBP/NZD	1.9283
GBP/JPY	148.97
GBP/SEK	11.6531
GBP/DKK	8.4866
GBP/NOK	10.8133
GBP/CHF	1.3384
GBP/AUD	1.7678

Dollar

USD/JPY	111.06
USD/CAD	1.2772
USD/CHF	0.9977
USD/CNY	6.3736
USD/BRL	3.6774
USD/RUB	61.53
USD/INR	68.01
AUD/USD	0.7588
NZD/USD	0.6955



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 17
10 Year Yield %				
US	3.06	-0	+8	+65
Germany	0.52	-5	-11	+10
UK	1.47	-2	-5	+29
Ireland	0.98	-1	-2	N/A
Belgium	0.85	-1	-3	+23
France	0.82	+0	-2	+5
Italy	2.40	+18	+61	+41
Spain	1.50	+8	+20	-4
Portugal	1.99	+14	+31	+10
Greece	4.46	+0	+48	+42
5 Year Swap %				
US	2.97	-2	+6	+72
Eurozone	0.40	-2	-3	+8
UK	1.38	-2	-4	+34
2 Year Swap %				
US	2.77	-1	+3	+69
Eurozone	-0.13	-1	-1	+1
UK	1.03	-2	-9	+23
10 Year Government Bond Spreads to Benchmark bps				
Ireland	46	+5	+9	N/A
Belgium	33	+5	+8	+14
France	31	+6	+9	-5
Italy	188	+24	+72	+31
Spain	99	+14	+31	-14
Portugal	147	+20	+42	-0
Greece	394	+6	+58	+32

Commodities				
	Close	% Change		
		Day	4 Weeks	End 17
Brent Oil	79.22	+0.90	+6.04	+18.47
West Texas Oil	72.26	+1.45	+6.88	+19.52
CRB - All Commodity	205.69	+0.98	+2.47	+6.10
CRB - Food	355.45	-0.70	+1.80	+5.78
Gold \$	1293.1	-0.03	-2.48	-0.74

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