

Equity markets dip as sentiment sours

Markets adopted a risk averse tone yesterday, as investors grew more pessimistic about the outlook for global growth. Equities sold off, with the S&P 500 closing down 1.1%, while the Euro Stoxx 50 fell by 1.8%. Elsewhere, the yen and global core bonds saw some safe haven demand, while oil prices dropped by nearly 5%.

The renewed deterioration in sentiment appeared to be driven by growing fears of a US-China tech cold war. Comments by a Chinese official indicating that trade talks cannot continue unless the US corrects its “wrong actions” acted as a further headwind.

Meanwhile, yesterday’s data painted a weak picture of growth in both the Eurozone and the US. The US composite PMI dropped to a 3-year low in May of 50.9, as both the manufacturing and services sub-indices fell. The Eurozone composite index was broadly unchanged at 51.6. The softer than expected US data coincided with some dollar weakness and EUR/USD opens this morning up close to the \$1.12 level.

On the Brexit front, Theresa May bowed to internal pressure and shelved plans to publish the Withdrawal Agreement Bill. Overnight, reports have also suggested that the PM will today announce that she intends to resign as Conservative Party leader on June 10th. The developments have seen sterling trade marginally lower. EUR/GBP has risen further above the 88p level, while the softer dollar tone sees GBP/USD remain within the \$1.26-1.27 band.

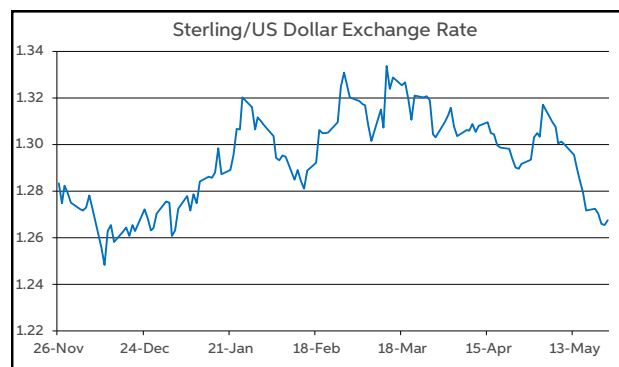
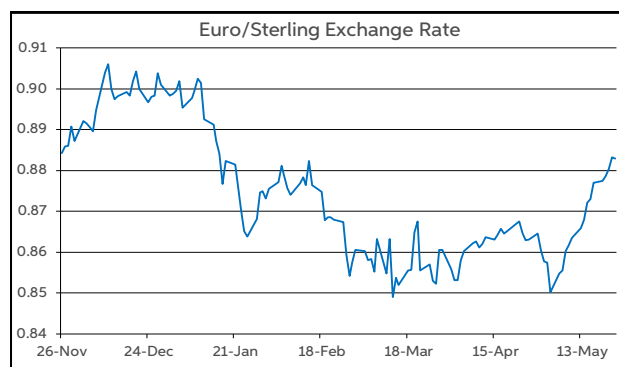
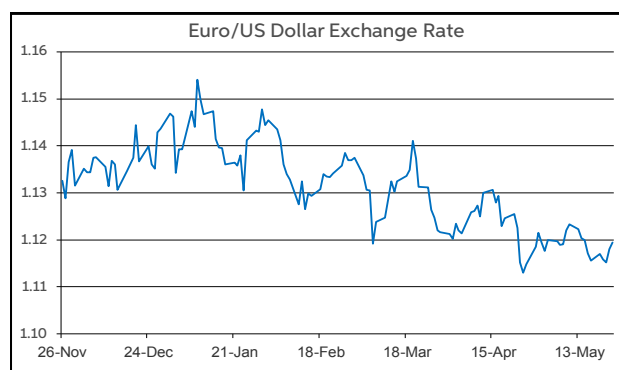
Today, a barren data calendar means market moves, if any, will likely be driven by geo-political developments. In particular, equities could remain reactive to US-China trade tensions newsflow, while sterling may experience some volatility as market participants await confirmation of PM May’s departure timeline.

Conor Beakey, Economist, AIB

		% Change	
		Day *	End 2018
EUR/USD	1.1194	0.41	-2.40
EUR/GBP	0.8831	0.17	-1.70
GBP/USD	1.2675	0.25	-0.64
GBP/EUR	1.1319	-0.17	1.73
USD/JPY	109.54	-0.71	-0.02
EUR/JPY	122.64	-0.28	-2.44

* v Previous Day's European Open

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	Base Rate	Short Term			Long Term	
		1-Mth	3-Mth	12-Mth	2-Yr	5-Yr
USD	2.375	2.43	2.52	2.64	2.19	2.12
EUR	0.00	-0.37	-0.31	-0.15	-0.23	-0.03
GBP	0.75	0.73	0.80	1.02	0.92	1.01

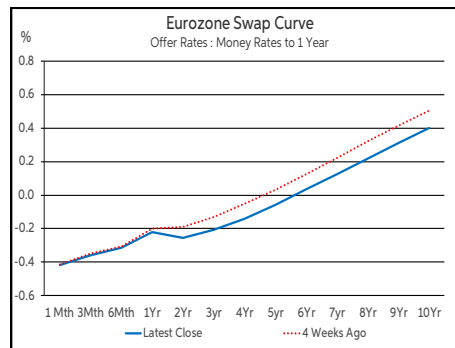
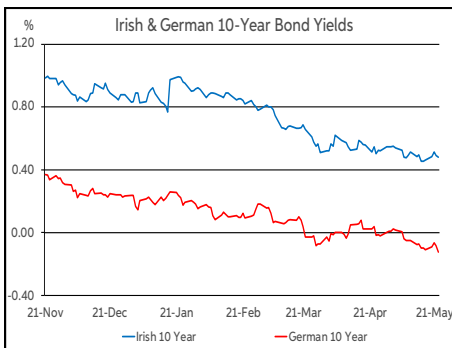
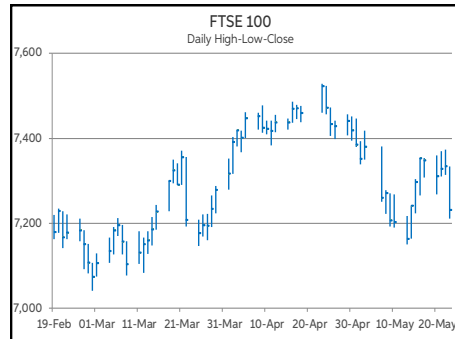
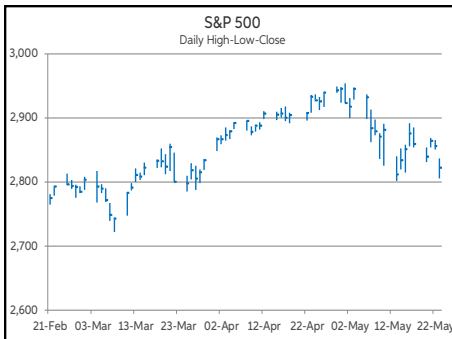
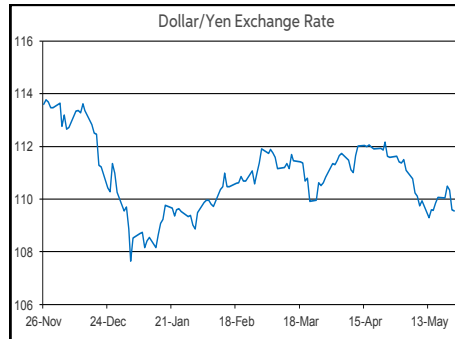
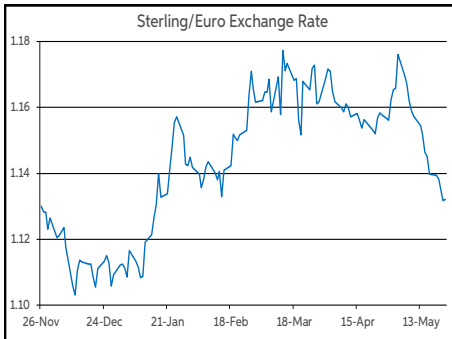
	Latest Close	% Changes	
		on Day	End 2018 to Date
Dow Jones	25490.47	-1.11	+9.27
S&P 500	2822.24	-1.19	+12.58
FTSE 100	7231.04	-1.41	+7.47
DJ Stoxx 50	3327.2	-1.76	+10.85
ISEQ	6152.51	-1.37	+12.28
Nikkei	21093.43	-0.27	+5.39

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	AIBI 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
		Equity Options	Gary Luff				

Euro		Sterling		Dollar	
EUR/GBP	0.8831	GBP/EUR	1.1319	USD/JPY	109.54
EUR/USD	1.1194	GBP/USD	1.2675	USD/CAD	1.3464
EUR/JPY	122.64	GBP/CAD	1.7068	USD/CHF	1.003
EUR/SEK	10.7465	GBP/NZD	1.9427	USD/CNY	6.9056
EUR/DKK	7.4676	GBP/JPY	138.84	USD/BRL	4.0417
EUR/NOK	9.7807	GBP/SEK	12.1668	USD/RUB	64.7361
EUR/CHF	1.1229	GBP/DKK	8.4526	USD/INR	69.65
EUR/AUD	1.6242	GBP/NOK	11.0724	AUD/USD	0.6892
EUR/HKD	8.7853	GBP/CHF	1.2714	NZD/USD	0.6522
EUR/CAD	1.5074	GBP/AUD	1.8388		



	Close	Change bps		
		Day	4 Weeks	End 18
10 Year Yield %				
US	2.32	-6	-21	-36
Germany	-0.12	-4	-11	-36
UK	0.96	-6	-20	-31
Ireland	0.48	-1	-5	N/A
Belgium	0.37	-3	-9	-39
France	0.28	-2	-8	-42
Italy	2.63	-0	-6	-9
Spain	0.84	-2	-24	-57
Portugal	1.00	-2	-17	-70
Greece	3.38	+1	+12	-92
5 Year Swap %				
US	2.10	-7	-25	-46
Eurozone	-0.06	-3	-9	-29
UK	0.99	-7	-19	-32
2 Year Swap %				
US	2.17	-9	-24	-47
Eurozone	-0.25	-1	-6	-11
UK	0.90	-5	-14	-27
10 Year Government Bond Spreads to Benchmark bps				
Ireland	60	+3	+6	N/A
Belgium	49	+1	+2	-3
France	40	+2	+3	-6
Italy	275	+4	+5	+27
Spain	96	+2	-13	-21
Portugal	112	+2	-6	-34
Greece	350	+5	+23	-56

	Close	% Change		
		Day	4 Weeks	End 18
Brent Oil	67.76	-4.55	-8.86	+25.95
West Texas Oil	57.65	-6.14	-11.62	+27.69
CRB - All Commodity	176.92	-1.46	-4.86	+4.19
CRB - Food	345.78	-1.07	+1.46	+6.65
Gold \$	1283.9	+0.78	+0.48	+0.07

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