

Eurozone inflation data due today

Investor sentiment continued to hold a risk averse tone yesterday. The Euro Stoxx 50 shed 1.7%, while the S&P 500 closed down 0.9%. On bond markets, yields continued to move sharply lower across the board. The decline on stock markets and the fall in yields reflected the increasing concerns of a recession. As a result, market expectations for the peak in official rates were scaled back by circa 15-25bps in the US, Eurozone and the UK.

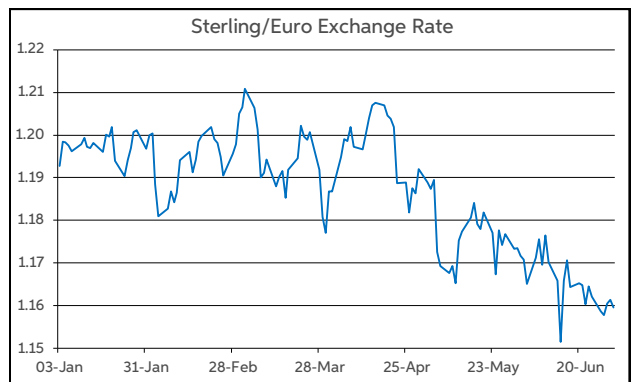
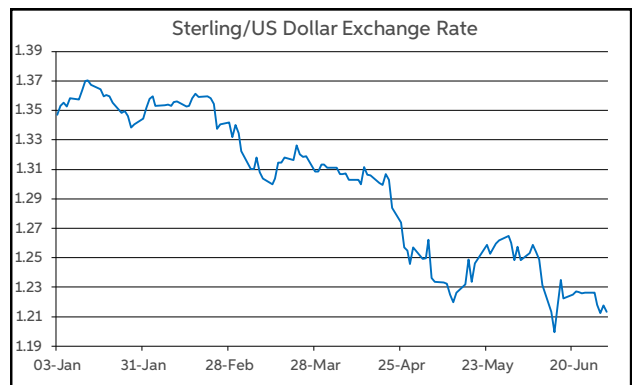
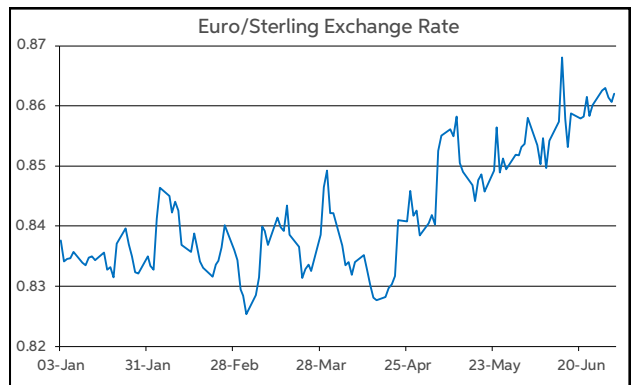
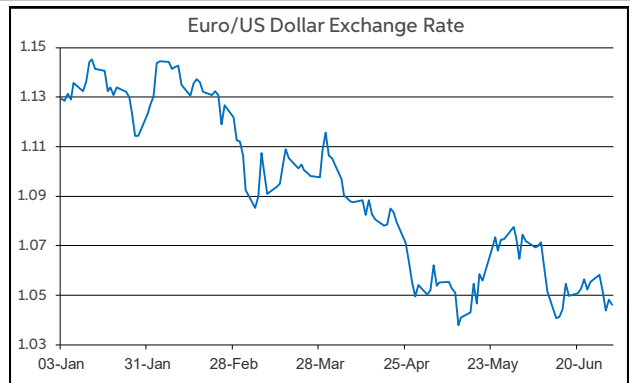
Currency-wise, quarter-end rebalancing contributed to choppy trading conditions yesterday. The euro was on the defensive against the dollar and sterling throughout the European session. EUR/USD fell below the key \$1.04 level, and EUR/GBP traded to a low of 85.5p. Overnight though, the euro recouped its losses. Elsewhere, the yen rose by over 1% versus the euro and the dollar.

Meanwhile, US core-PCE inflation slowed for a third consecutive month. It fell to 4.7% in May (vs. 4.8% f'cast). Elsewhere, US personal consumption rose by 0.2% in May (vs. +0.4% f'cast), while the April data were revised lower to +0.3% from +0.7%. This follows a substantial downward revision in consumer spending in Q1 also, indicating that inflation has been weighing on household spending by more than previously thought.

In level terms, the main pairs start today at almost identical levels to 24hrs ago. EUR/USD opens in the upper half of \$1.04-1.05. EUR/GBP is operating just above 86p. Meantime, GBP/USD is changing hands below the midpoint of \$1.21-1.22.

Looking ahead, the main release of note will be Eurozone flash HICP inflation for June. Both the headline and the core rate are forecast to rise to 8.4% and 4.5%, respectively.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.046	0.09	-7.99
EUR/GBP	0.8619	0.05	2.61
GBP/USD	1.2134	0.03	-10.31
GBP/EUR	1.1596	-0.05	-2.54
USD/JPY	134.9	-1.16	17.22
EUR/JPY	141.14	-1.09	7.85

* v Previous Day's European Open
See Next Page for More Rates

Opening Interest Rates						
	Base Rate	Money Market		Swap Rates		
		1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	1.625	1.71	2.28	3.21	3.20	3.00
EUR	0.00	-0.54	-0.19	0.82	1.36	1.80
GBP	1.25	1.23	1.67	2.72	2.87	2.76

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

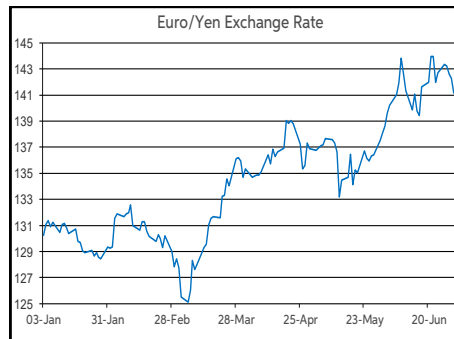
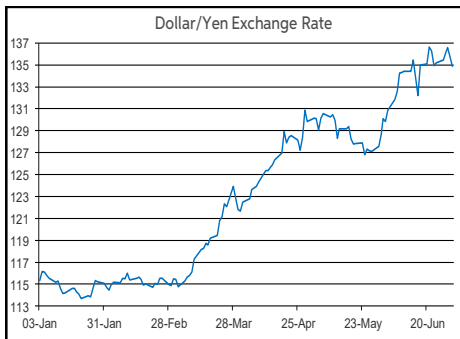
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

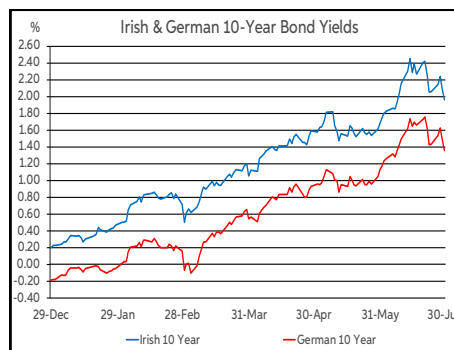
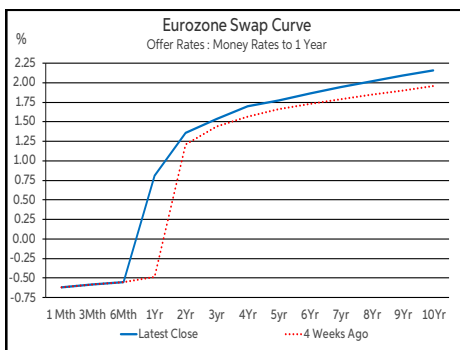
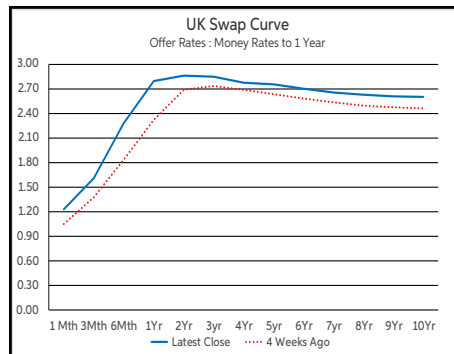
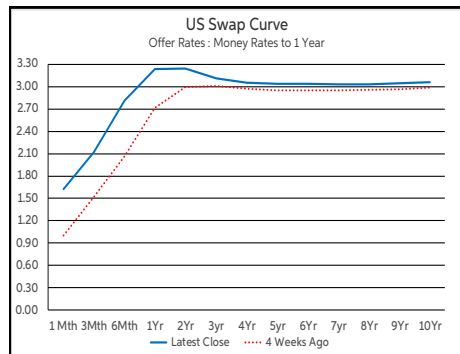
Friday 01 July 2022
07:18 am



Euro		Sterling		Dollar	
EUR/GBP	0.8619	GBP/EUR	1.1596	USD/JPY	134.9
EUR/USD	1.046	GBP/USD	1.2134	USD/CAD	1.2919
EUR/JPY	141.14	GBP/CAD	1.5678	USD/CHF	0.9554
EUR/SEK	10.7426	GBP/NZD	1.9599	USD/CNY	6.7054
EUR/DKK	7.4378	GBP/JPY	163.69	USD/BRL	5.2532
EUR/NOK	10.371	GBP/SEK	12.4551	USD/RUB	51.7
EUR/CHF	0.9996	GBP/DKK	8.6254	USD/INR	79.1025
EUR/AUD	1.5311	GBP/NOK	12.0261		
EUR/HKD	8.2105	GBP/CHF	1.1597	AUD/USD	0.6832
EUR/CAD	1.3517	GBP/AUD	1.7759	NZD/USD	0.6189



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	3.02	-7	+10	+150
Germany	1.37	-14	+13	+155
UK	2.24	-14	+9	+127
Ireland	1.99	-18	+18	+174
Belgium	2.04	-12	+20	+187
France	1.96	-11	+20	+176
Italy	3.39	-11	+9	+221
Spain	2.46	-13	+9	+187
Portugal	2.46	-12	+4	+197
Greece	3.62	-4	-6	+231
5 Year Swap %				
US	3.04	-11	+12	+170
Eurozone	1.77	-21	+12	+176
UK	2.75	-21	+13	+148
2 Year Swap %				
US	3.24	-11	+28	+230
Eurozone	1.36	-18	+16	+166
UK	2.86	-20	+18	+167
10 Year Government Bond Spreads to Benchmark bps				
Ireland	62	-4	+4	+19
Belgium	68	+2	+7	+32
France	59	+3	+6	+22
Italy	202	+3	-4	+66
Spain	109	+0	-4	+32
Portugal	109	+2	-9	+43
Greece	225	+9	-19	+76



Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	114.81	-1.25	-2.38	+47.61
West Texas Oil	107.76	-3.48	-7.80	+43.05
Gold \$	1806.9	-0.56	-3.28	-1.18

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