

ECB hikes by 50bps

All eyes were on the ECB monetary policy meeting yesterday. The central bank raised rates by more than anticipated, opting for a 50bps increase, bringing an end to the negative interest rates regime in the Eurozone. Furthermore, the ECB approved the Transmission Protection Instrument, a new asset purchases tool designed to counter “unwarranted, disorderly market dynamics”.

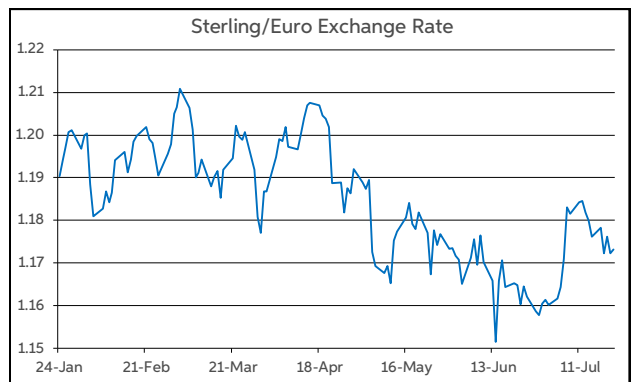
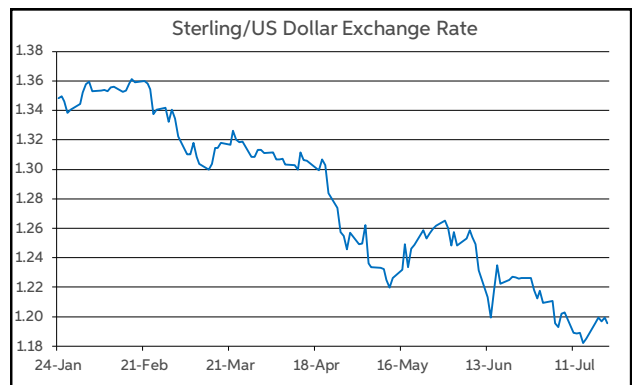
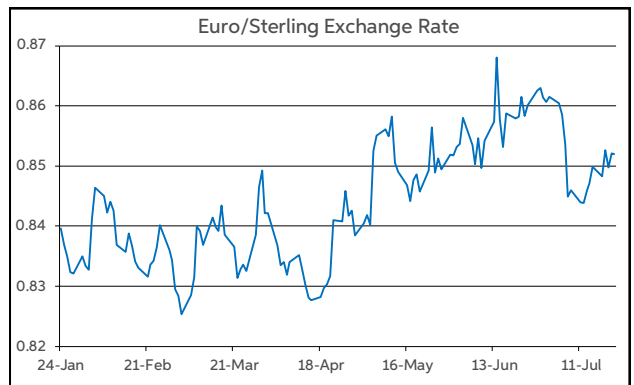
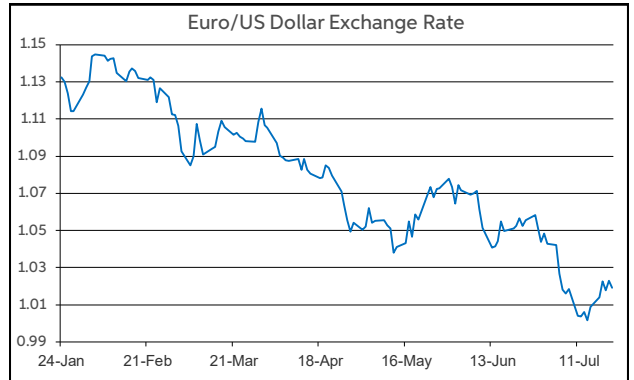
The market is now pricing in the deposit rate rising to 1.25% by year end, up from 1% before the meeting. However, rates are still seen as peaking at just 1.5% in 2023. The ECB’s decision to scrap forward guidance may see increased volatility on interest rate markets and for the euro in the coming months.

Indeed, following the ECB’s decision to hike rates by more than expected, there was some volatility for the euro. EUR/USD initially climbed higher, rising to a peak of \$1.027, before falling to a low of \$1.016. EUR/GBP traded up to a brief high of 85.8p, before settling back in the lower half of the 85-86p corridor. Elsewhere on the currency front, GBP/USD operated within \$1.19-1.20 range.

Meanwhile, the re-opening of the Nordstream gas pipeline provided some relief to market sentiment. Benchmark gas and oil prices fell by around 2-3%. Equity markets registered some gains. On bond markets, the 10 year Italian BTP-Bund spread finished the day circa 240bps wider, following PM Draghi’s resignation and the ECB policy announcements, amid choppy trading.

Ahead today, the flash July PMI readings for the US, Eurozone and UK are due. The indices, which have indicated activity has slowed recently, are expected to deteriorate once again.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0193	-0.27	-10.34
EUR/GBP	0.8519	0.01	1.42
GBP/USD	1.1963	-0.29	-11.58
GBP/EUR	1.1734	-0.01	-1.40
USD/JPY	137.89	-0.20	19.82
EUR/JPY	140.59	-0.46	7.43

* 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	2.21	2.76	3.45	3.35	2.99
EUR	0.00	-0.26	0.13	1.17	1.47	1.74
GBP	1.25	1.48	1.90	2.89	2.96	2.70

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

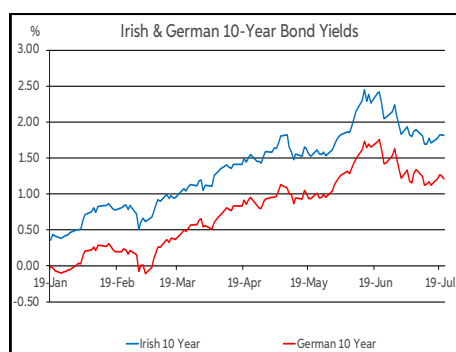
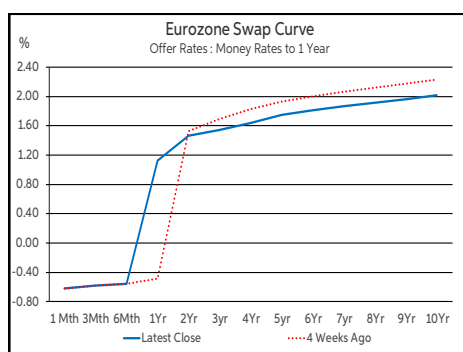
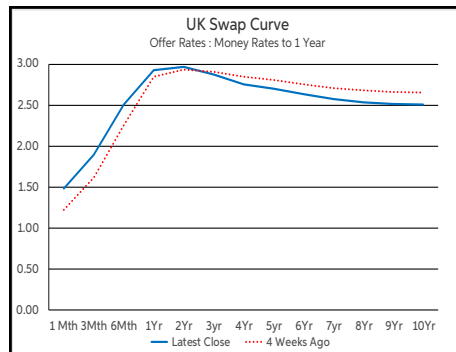
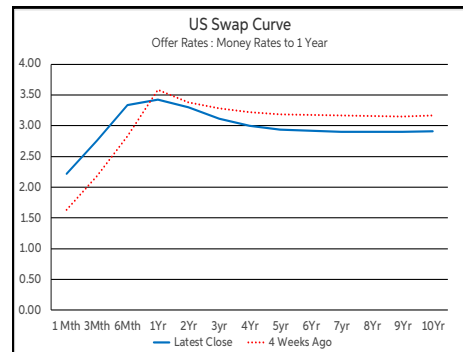
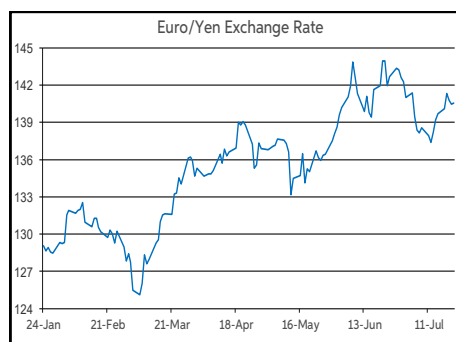
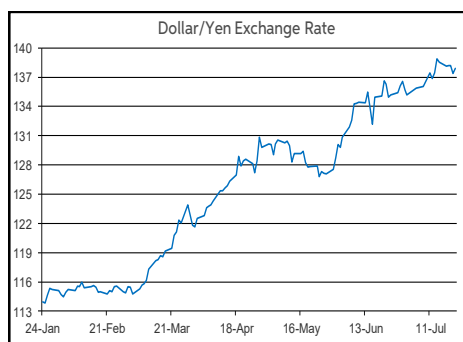
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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Opening Levels

Friday 22 July 2022
07:36 am



Euro		Sterling		Dollar	
EUR/GBP	0.8519	GBP/EUR	1.1734	USD/JPY	137.9
EUR/USD	1.0194	GBP/USD	1.1964	USD/CAD	1.2881
EUR/JPY	140.57	GBP/CAD	1.5411	USD/CHF	0.9682
EUR/SEK	10.4247	GBP/NZD	1.9228	USD/CNY	6.7639
EUR/DKK	7.444	GBP/JPY	164.98	USD/BRL	5.4988
EUR/NOK	10.1719	GBP/SEK	12.2339	USD/RUB	56.4
EUR/CHF	0.9871	GBP/DKK	8.7349	USD/INR	79.907
EUR/AUD	1.4753	GBP/NOK	11.9377		
EUR/HKD	8.0017	GBP/CHF	1.1583	AUD/USD	0.6909
EUR/CAD	1.3131	GBP/AUD	1.7312	NZD/USD	0.622



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
10 Year Yield %				
US	2.88	-15	-21	+137
Germany	1.22	-4	-21	+140
UK	2.05	-10	-26	+108
5 Year Swap %				
US	2.94	-17	-21	+161
Eurozone	1.75	+1	-17	+174
UK	2.70	-7	-10	+143
2 Year Swap %				
US	3.30	-14	-5	+235
Eurozone	1.47	+4	-6	+177
UK	2.97	-5	+4	+178
10 Year Government Bond Spreads to Benchmark bps				
Ireland	65	+7	-2	+22
Belgium	62	+2	-2	+27
France	59	+2	+5	+22
Italy	240	+16	+35	+104
Spain	126	+4	+17	+49
Portugal	120	+5	+13	+53
Greece	241	+21	+8	+92

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	103.86	-2.86	-5.62	+33.53
West Texas Oil	98.44	-5.75	-6.91	+30.68
Gold \$	1718.5	+1.30	-5.70	-6.01

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