

## Softer tone to risk appetite

Risk appetite soured yesterday, as US investors returned following a long weekend. The Euro Stoxx 50 fell by 1.4%, erasing all of its gains from the day before. On Wall Street, the S&P 500 lost 0.6%. Hawkish Fed comments and an EU agreement to ban certain types of Russian oil imports late on Monday, which saw Brent crude hit \$123 per barrel, as well as fresh inflation concerns in the Eurozone, weighed on sentiment.

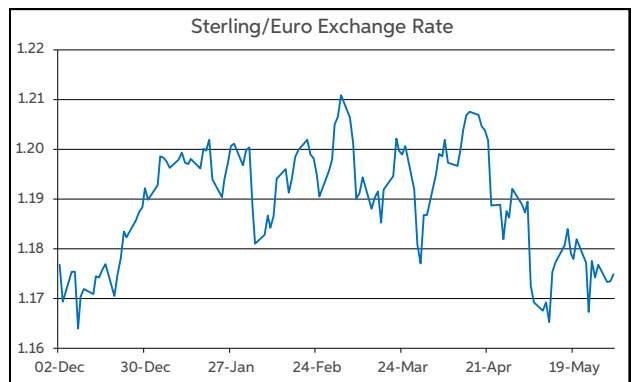
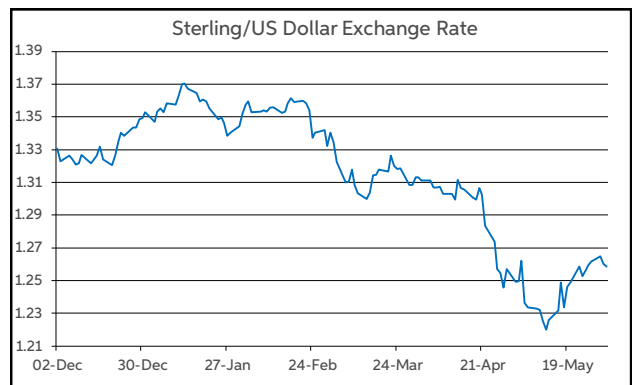
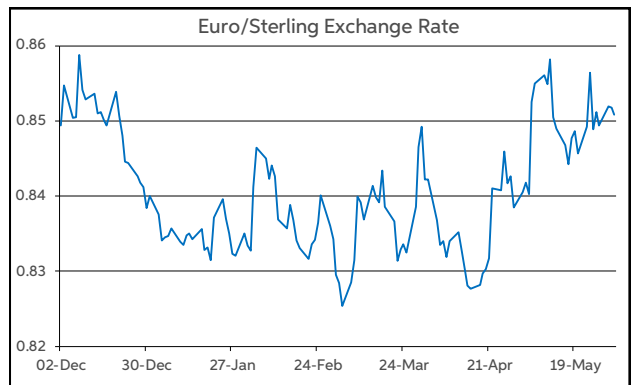
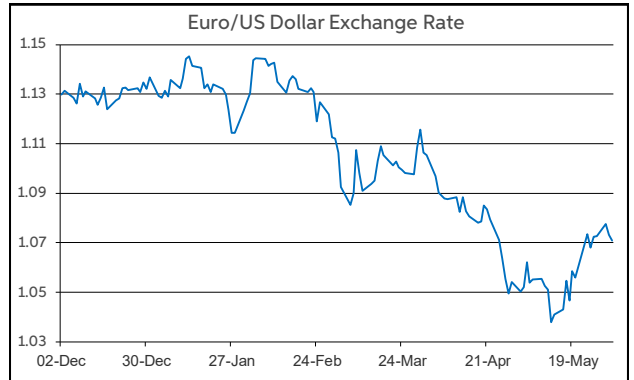
On the currency front, the main pairs continued to operate in tight ranges. EUR/USD briefly moved below the \$1.07 threshold yesterday, but the move was not sustained. Elsewhere, the Japanese yen was under some modest downward pressure, as the currency continued to exhibit a negative correlation with US Treasury yields, which rose by 8-13bps along the curve.

Data-wise, the flash reading of Eurozone HICP inflation jumped to 8.1% in April from 7.5% previously. The ex-food and energy rate rose to 4.4% from 3.9% also. Both gauges were well above the consensus indicating that inflation is continuing to rise at a faster pace than anticipated, upping the pressure on the ECB to hike rates aggressively at its upcoming meetings.

As trading gets underway this morning, the main pairs are little changed from 24 hours ago. EUR/USD opens in the lower half of \$1.07-1.08. EUR/GBP continues to change hands just above the 85p mark. GBP/USD is operating near the \$1.26 handle.

Today, the main data release will be the Eurozone unemployment rate for April, which is forecast to edge lower to 6.7% from 6.8%. Meanwhile, comments from a number of Fed and ECB officials, including ECB President Lagarde, will be under the microscope.

**Daniel Noonan, Economist, AIB**



| Today's Opening FX Rates |        |          |          |
|--------------------------|--------|----------|----------|
|                          |        | % Change |          |
|                          |        | Day *    | End 2021 |
| EUR/USD                  | 1.0712 | -0.29    | -5.77    |
| EUR/GBP                  | 0.8509 | -0.12    | 1.30     |
| GBP/USD                  | 1.2586 | -0.19    | -6.97    |
| GBP/EUR                  | 1.1745 | 0.12     | -1.28    |
| USD/JPY                  | 129.2  | 0.94     | 12.27    |
| EUR/JPY                  | 138.43 | 0.65     | 5.78     |

\* 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                    | 0.875     | 1.06         | 1.58  | 2.59       | 2.91 | 2.87 |
| EUR                    | 0.00      | -0.55        | -0.35 | 0.47       | 1.08 | 1.51 |
| GBP                    | 1.00      | 1.11         | 1.41  | 2.30       | 2.60 | 2.55 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

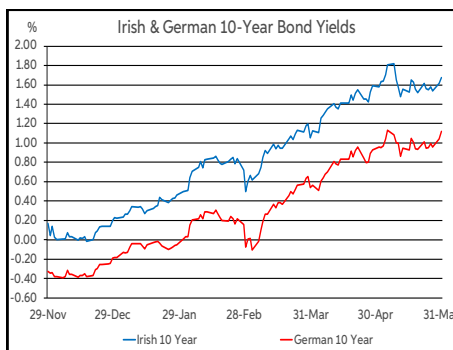
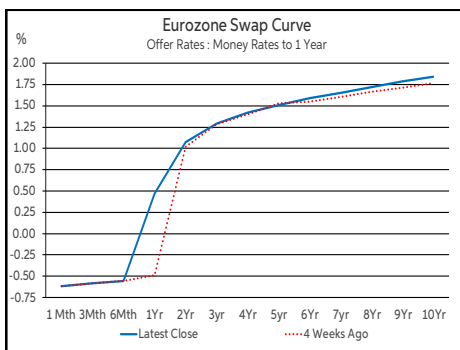
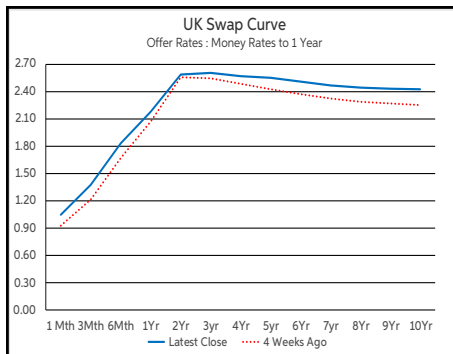
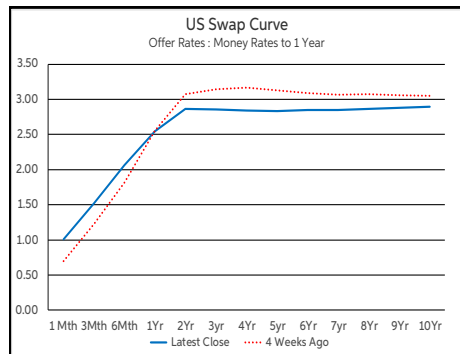
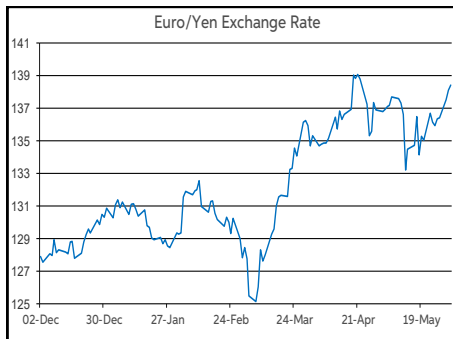
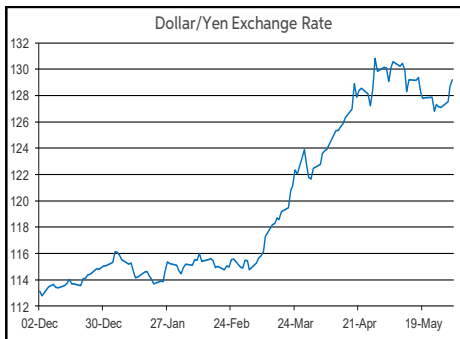
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|---------|---|------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke<br>Shane Gargan<br>Ian Burke | FX Options | Mark Tuite | Reuters<br>Phone | AIBG.I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

# Opening Levels

Wednesday 01 June 2022  
07:36 am



| Euro    |         | Sterling |         | Dollar  |        |
|---------|---------|----------|---------|---------|--------|
| EUR/GBP | 0.8509  | GBP/EUR  | 1.1745  | USD/JPY | 129.2  |
| EUR/USD | 1.0712  | GBP/USD  | 1.2586  | USD/CAD | 1.2665 |
| EUR/JPY | 138.43  | GBP/CAD  | 1.5946  | USD/CHF | 0.9598 |
| EUR/SEK | 10.4987 | GBP/NZD  | 1.9384  | USD/CNY | 6.6933 |
| EUR/DKK | 7.4394  | GBP/JPY  | 162.61  | USD/BRL | 4.7314 |
| EUR/NOK | 10.0639 | GBP/SEK  | 12.334  | USD/RUB | 61     |
| EUR/CHF | 1.0281  | GBP/DKK  | 8.7389  | USD/INR | 77.535 |
| EUR/AUD | 1.4938  | GBP/NOK  | 11.8255 | AUD/USD | 0.7171 |
| EUR/HKD | 8.4048  | GBP/CHF  | 1.2081  | NZD/USD | 0.6492 |
| EUR/CAD | 1.3569  | GBP/AUD  | 1.7551  |         |        |



| Debt Markets  |       |            |         |        |
|---|-------|------------|---------|--------|
|   | Close | Change bps |         |        |
|   |       | Day        | 4 Weeks | End 21 |
| <b>10 Year Yield %</b>                                  |       |            |         |        |
| US  | 2.85  | +11        | -13     | +134   |
| Germany   | 1.13  | +8         | +17     | +131   |
| UK  | 2.10  | +11        | +14     | +113   |
| Ireland   | 1.70  | +6         | +5      | +145   |
| Belgium   | 1.71  | +7         | +17     | +153   |
| France  | 1.65  | +8         | +17     | +145   |
| Italy   | 3.13  | +14        | +26     | +194   |
| Spain   | 2.22  | +10        | +20     | +163   |
| Portugal  | 2.28  | +10        | +21     | +179   |
| Greece  | 3.58  | +3         | +20     | +226   |
| <b>5 Year Swap %</b>                                    |       |            |         |        |
| US  | 2.83  | +8         | -26     | +150   |
| Eurozone  | 1.51  | +8         | -1      | +150   |
| UK  | 2.55  | +9         | +14     | +128   |
| <b>2 Year Swap %</b>                                    |       |            |         |        |
| US  | 2.86  | -1         | -17     | +192   |
| Eurozone  | 1.08  | +7         | +6      | +138   |
| UK  | 2.59  | +6         | +7      | +140   |
| <b>10 Year Government Bond Spreads to Benchmark bps</b> |       |            |         |        |
| Ireland   | 57    | -2         | -12     | +15    |
| Belgium   | 58    | -2         | -0      | +22    |
| France  | 52    | -0         | -1      | +15    |
| Italy   | 200   | +5         | +8      | +63    |
| Spain   | 109   | +2         | +2      | +32    |
| Portugal  | 115   | +2         | +4      | +48    |
| Greece  | 245   | -5         | +3      | +96    |

| Commodities    |          |       |         |        |
|----------------|----------|-------|---------|--------|
|                | % Change |       |         |        |
|                | Close    | Day   | 4 Weeks | End 21 |
| Brent Oil      | 122.84   | +0.96 | +17.02  | +57.93 |
| West Texas Oil | 114.38   | -0.50 | +11.56  | +51.84 |
| Gold \$        | 1837.1   | -1.03 | -1.64   | +0.48  |

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