

## ECB and US inflation in focus today

It was another day of muted action on equity markets yesterday. This was not overly surprising given the dearth of data releases. There was also an air of 'wait-and-see' to proceedings ahead of today's ECB meeting and US inflation data. At the closing bell on Wall Street last night, the S&P 500 was down by a modest 0.2%.

However, once again, the main noteworthy action came from bond markets. The downward move in sovereign yields continued yesterday. 10-year yields were down 2-5bps across the board. The US 10-year Treasury yield dipped below the 1.5% mark.

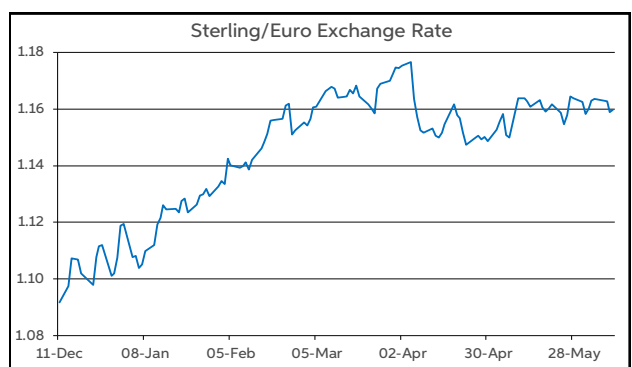
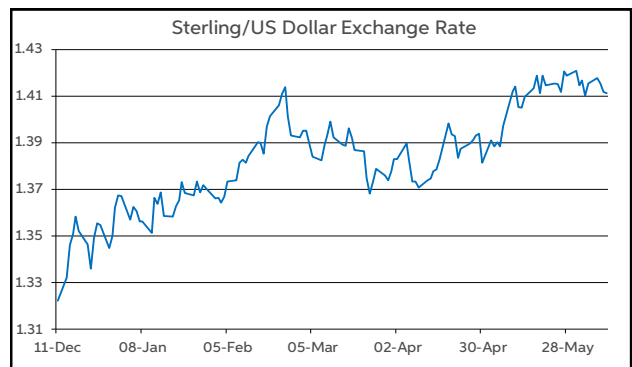
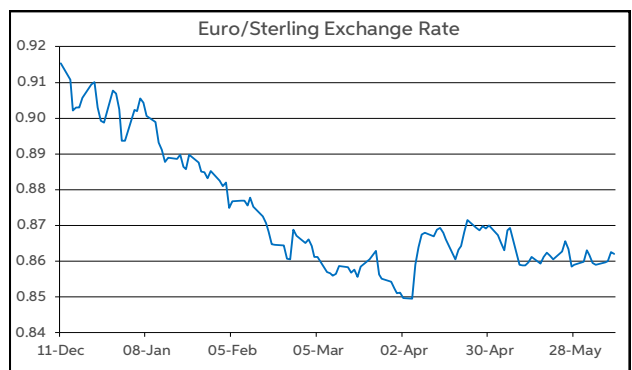
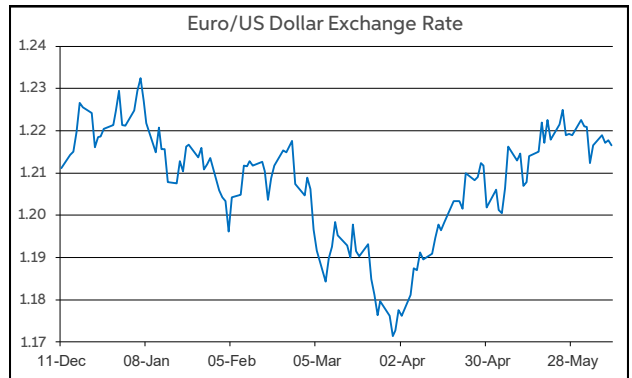
As expected, the moves on currency markets remained confined to narrow trading ranges. Of the limited moves to register, sterling is slightly lower amid little progress yesterday in talks between the UK and EU around the implementation of the NI protocol.

The EUR/GBP pair has edged up from the 86p threshold. Elsewhere, GBP/USD has moved back down towards the \$1.41 handle. Meanwhile, EUR/USD starts today in the upper half of \$1.21-1.22 having briefly tested above this trading band yesterday.

Ahead today, the aforementioned ECB meeting poses some event risk for the euro. The central bank will attempt to balance its message involving an improving macro outlook and higher near term inflation with the need for maintaining a very accommodative policy stance. In this regard, the ECB is not expected to alter its pace of QE purchases in the near term.

Data-wise, today's highlight is US CPI data for May. Headline inflation is expected to register another very high reading, with the consensus forecast for it to print at a 4.7% rate (from 4.2%).

**John Fahey, Senior Economist, AIB**



| Today's Opening FX Rates |        |          |          |
|--------------------------|--------|----------|----------|
|                          |        | % Change |          |
|                          |        | Day *    | End 2020 |
| EUR/USD                  | 1.2166 | -0.11    | -0.38    |
| EUR/GBP                  | 0.8621 | 0.20     | -3.54    |
| GBP/USD                  | 1.4112 | -0.28    | 3.21     |
| GBP/EUR                  | 1.1598 | -0.20    | 3.67     |
| USD/JPY                  | 109.48 | 0.01     | 6.04     |
| EUR/JPY                  | 133.21 | -0.08    | 5.59     |

\* 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                    | 0.125     | 0.07         | 0.12  | 0.13       | 0.24  | 0.83  |
| EUR                    | 0.00      | -0.55        | -0.54 | -0.51      | -0.47 | -0.30 |
| GBP                    | 0.10      | 0.05         | 0.08  | 0.13       | 0.32  | 0.66  |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

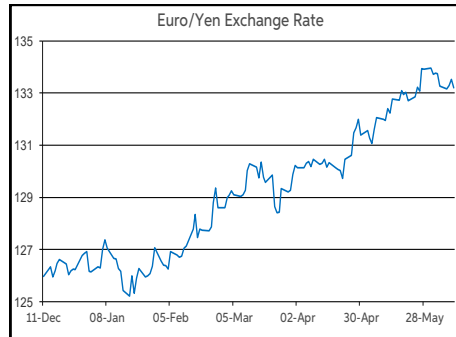
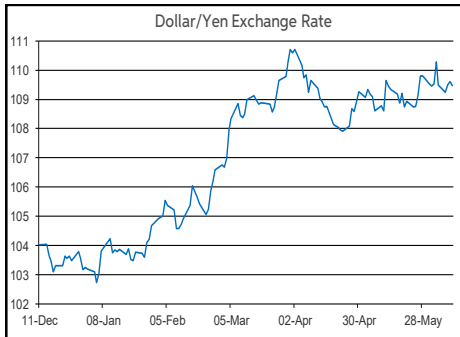
|         |  |                |            |                  |                           |                 |                                   |
|---------|--|----------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot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

# Opening Levels

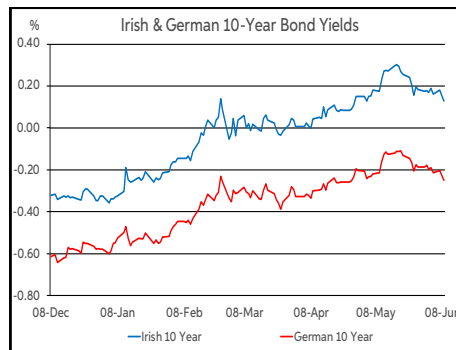
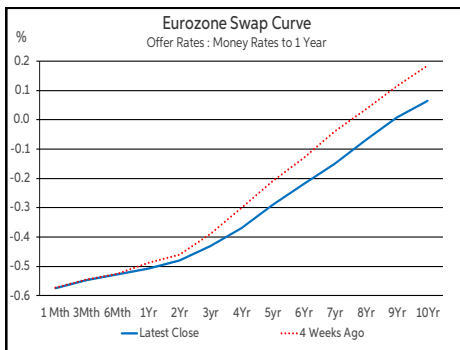
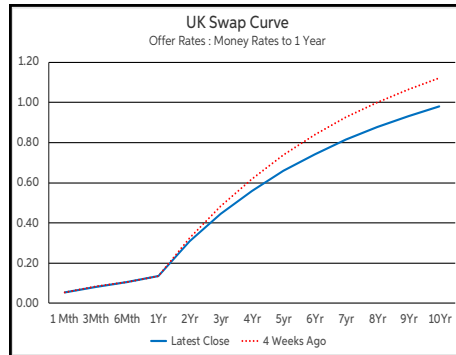
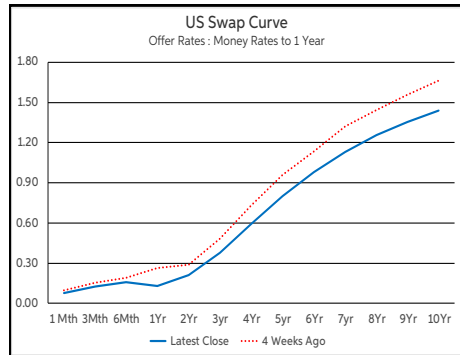
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| Euro    |         | Sterling |         | Dollar  |         |
|---------|---------|----------|---------|---------|---------|
| EUR/GBP | 0.8621  | GBP/EUR  | 1.1598  | USD/JPY | 109.48  |
| EUR/USD | 1.2166  | GBP/USD  | 1.4112  | USD/CAD | 1.2112  |
| EUR/JPY | 133.21  | GBP/CAD  | 1.7092  | USD/CHF | 0.8955  |
| EUR/SEK | 10.0618 | GBP/NZD  | 1.9643  | USD/CNY | 6.3843  |
| EUR/DKK | 7.4366  | GBP/JPY  | 154.5   | USD/BRL | 5.0621  |
| EUR/NOK | 10.0898 | GBP/SEK  | 11.6644 | USD/RUB | 72.2739 |
| EUR/CHF | 1.0898  | GBP/DKK  | 8.6253  | USD/INR | 72.985  |
| EUR/AUD | 1.572   | GBP/NOK  | 11.6973 | AUD/USD | 0.7738  |
| EUR/HKD | 9.4404  | GBP/CHF  | 1.2638  | NZD/USD | 0.7184  |
| EUR/CAD | 1.4737  | GBP/AUD  | 1.8234  |         |         |



| Debt Markets  |       |            |         |        |
|---|-------|------------|---------|--------|
|   | Close | Change bps |         |        |
|   |       | Day        | 4 Weeks | End 20 |
| <b>10 Year Yield %</b>                                  |       |            |         |        |
| US  | 1.49  | -5         | -20     | +58    |
| Germany   | -0.25 | -2         | -12     | +33    |
| UK  | 0.73  | -4         | -16     | +54    |
| Ireland   | 0.16  | -3         | -14     | +47    |
| Belgium   | 0.10  | -2         | -14     | +48    |
| France  | 0.12  | -2         | -15     | +46    |
| Italy   | 0.83  | -4         | -15     | +31    |
| Spain   | 0.41  | -3         | -16     | +35    |
| Portugal  | 0.40  | -3         | -18     | +34    |
| Greece  | 0.82  | -5         | -20     | +19    |
| <b>5 Year Swap %</b>                                    |       |            |         |        |
| US  | 0.80  | -2         | -13     | +38    |
| Eurozone  | -0.29 | -2         | -7      | +17    |
| UK  | 0.66  | -3         | -8      | +47    |
| <b>2 Year Swap %</b>                                    |       |            |         |        |
| US  | 0.21  | -0         | -5      | +2     |
| Eurozone  | -0.48 | -1         | -1      | +5     |
| UK  | 0.31  | -1         | -1      | +28    |
| <b>10 Year Government Bond Spreads to Benchmark bps</b> |       |            |         |        |
| Ireland   | 41    | -0         | -2      | +14    |
| Belgium   | 35    | +1         | -2      | +15    |
| France  | 37    | +0         | -2      | +13    |
| Italy   | 108   | -1         | -3      | -2     |
| Spain   | 65    | -1         | -4      | +2     |
| Portugal  | 65    | -1         | -6      | +1     |
| Greece  | 107   | -3         | -8      | -14    |



| Commodities    |          |       |         |        |
|----------------|----------|-------|---------|--------|
|                | % Change |       |         |        |
|                | Close    | Day   | 4 Weeks | End 20 |
| Brent Oil      | 72.22    | +0.00 | +4.18   | +39.42 |
| West Texas Oil | 69.9     | -0.30 | +5.97   | +44.57 |
| Gold \$        | 1888.3   | -0.24 | +4.01   | -0.43  |

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