Morning Comment

AIB Treasury Economic Research Unit



Friday 14 June 2024 07:19 am

Euro on the back foot

European investor sentiment was in risk averse mode yesterday against the backdrop of increased political uncertainty for the region. This is in the aftermath of the weekend European parliamentary elections. The Euro Stoxx 50 fell by 2.0%. The mood on Wall Street was cautious, but less downbeat. At the closing bell last night, the S&P 500 was up by a modest 0.2%.

On bond markets, US Treasury yields continued to fall. The 10-year yield dropped below 2.3%. This occurred amid another soft US inflation print (PPI inflation at 2.2% vs. f'cast for 2.5%) as well as weaker than expected labour market data. Futures contracts are now pricing in around 50bps of Fed cuts by end year.

However, from a currency viewpoint, while the US data coincided with a further fall in yields, there was no noticeable drag on the dollar. Instead, the dollar has been holding the upper hand on the exchanges over the past 24 hours. At the same time, the euro has been on the defensive, weighed down by political risks/uncertainty.

In level terms, EUR/USD opens in the bottom half of \$1.08-1.09. EUR/GBP is trading below the midpoint of 84-85p. Elsewhere, cable (GBP/USD) is operating in the lower end of the 1.27-1.28 band. From a yen perspective, overnight, as expected the BoJ left its key rates unchanged. Meantime, despite 'tapering' speculation, it also did not change the amount of monthly bond purchases. Amid the firmer dollar tone, USD/JPY is back above ¥158.

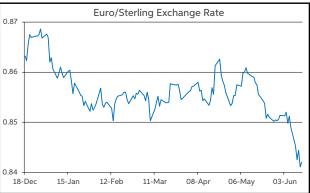
Today's data calendar is sparse. The main highlight is US consumer sentiment for June. Given the quiet macro diary, the main FX pairs could be confined to relatively narrow ranges heading into the weekend.

John Fahey, Senior Economist, AIB

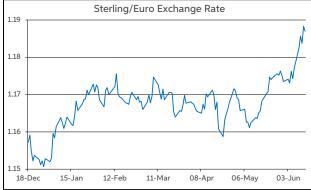
Today's Opening FX Rates				
		% Change		
		Day *	End 2023	
EUR/USD	1.0729	-0.68	-2.78	
EUR/GBP	0.842	-0.39	-2.86	
GBP/USD	1.2739	-0.31	0.08	
GBP/EUR	1.1869	0.39	2.95	
USD/JPY	158.15	0.71	12.12	
EUR/JPY	169.71	0.02	9.05	
* v Previous Day's European Open				
See Next Page for More Rates				

Opening Interest Rates						
		Money Market		Swap Rates		5
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	5.38	5.44	5.60	5.30	4.83	4.28
EUR	4.50	3.63	3.72	3.60	3.26	2.85
GBP	5.25	5.18	5.16	4.92	4.76	4.22









All rates quoted are indicative market rates

See Next Page For More Rates & Charts

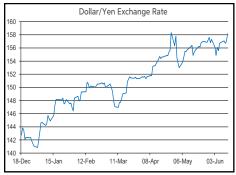
FX Spot Karl Cooke FX Options Mark Tuite Reuters AIBG.I Morning Comment John Fahey john,j.fahey@aib.ie

Opening Levels



Sterling	
GBP/EUR	1.1869
GBP/USD	1.2739
GBP/CAD	1.7511
GBP/NZD	2.0743
GBP/JPY	201.47
GBP/SEK	13.3558
GBP/DKK	8.8544
GBP/NOK	13.5894
GBP/CHF	1.1393
GBP/AUD	1.9245

Dollar				
USD/JPY	158.15			
USD/CAD	1.3744			
USD/CHF	0.8944			
USD/CNY	7.2553			
USD/BRL	5.3628			
USD/RUB	88.5			
USD/INR	83.543			
AUD/USD	0.6618			
NZD/USD	0.6139			



US Swap Curve Offer Rates : Money Rates to 1 Year

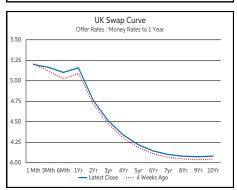
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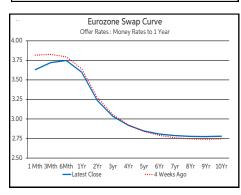
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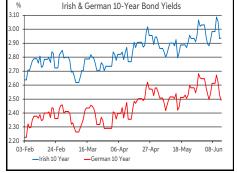
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1 Mth 3Mth 6Mth 1Yr 2Yr 3yr 4Yr 5yr 6Yr 7yr 8Yr 9Yr 10Yr
— Latest Close ---- 4 Weeks Ago



Debt Markets						
			Change bps			
	Close	Day	4 Weeks	End 23		
10 Year Yield %						
US	4.24	-5	-14	+38		
Germany	2.49	-4	+5	+47		
UK	4.12	-1	+4	+58		
Ireland	2.96	-0	+11	+60		
Belgium	3.14	+1	+15	+45		
France	3.18	+3	+24	+63		
Italy	3.95	+3	+20	+25		
Spain	3.38	+1	+17	+38		
Portugal	3.19	+0	+12	+40		
Greece	3.66	+3	+20	+58		
5 Year Swap %						
US	4.25	-8	-17	+46		
Eurozone	2.85	-3	+2	+42		
UK	4.22	-2	+4	+57		
2 Year Swap %						
US	4.79	-9	-17	+46		
Eurozone	3.24	-4	-3	+44		
UK	4.76	-3	+5	+49		
10 Year Governme	ent Bond Spread	s to Benchn	 nark bps			
Ireland	47	+4	+6	+13		
Belgium	64	+5	+10	-2		
France	69	+7	+19	+16		
Italy	146	+7	+15	-21		
Spain	88	+6	+12	-8		
Portugal	70	+5	+7	-6		
Greece	117	+7	+16	+12		

Commodities					
	% Change				
	Close Day 4 Weeks End 23				
Brent Oil	82.75	+0.18	-0.62	+7.41	
West Texas Oil	71.65	-0.17	-1.90	-1.27	
Gold \$	2303.2	-0.83	-3.08	+11.66	

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