

US Fed front and centre today

Financial markets remained in a holding pattern for much of yesterday. This was despite a busy US data calendar. However, with the Fed June meeting looming on the horizon, investors remained on the sidelines for the most part. On the currency front, the majors were once again confined to narrow ranges.

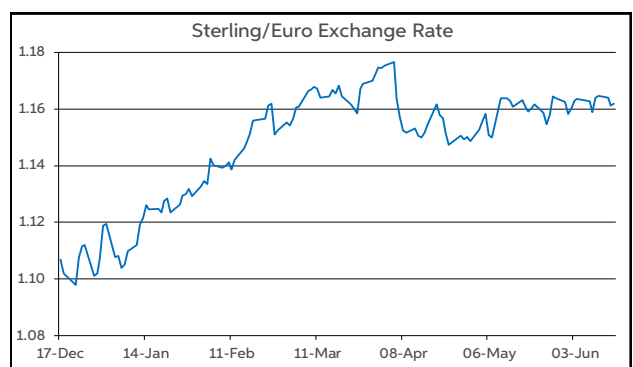
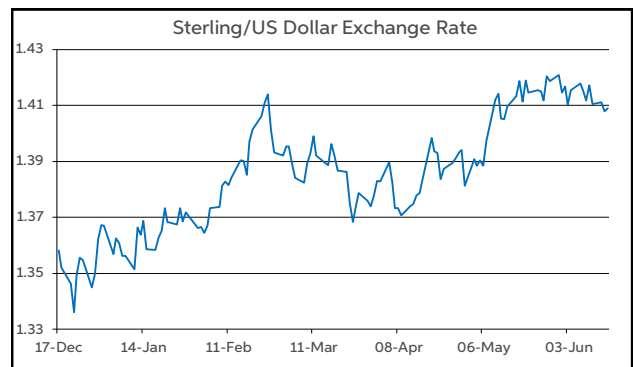
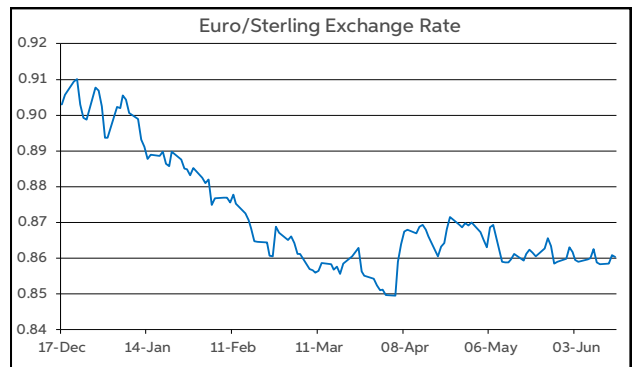
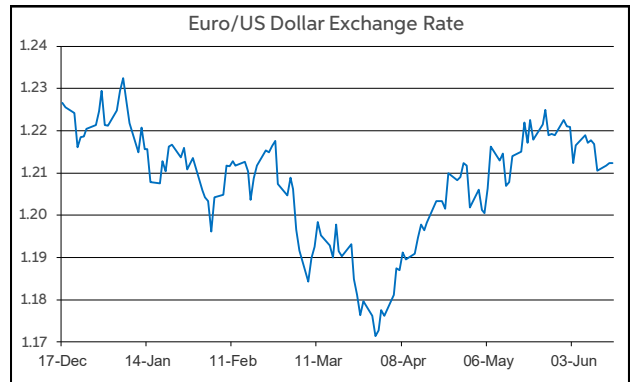
Data-wise, as referenced above, there was a packed diary of US releases encompassing the full spectrum of the economy. It was a bit of mixed bag in terms of results. While retail sales for May disappointed versus expectations, at -1.3% m/m (f'cast -0.8%), there was an upgrade to April (revised from 0.0% to $+0.9\%$).

Meantime, industrial production printed ahead of forecasts, registering a 0.8% m/m reading (f'cast $+0.6\%$), including a 0.9% gain for the manufacturing sector. The NY Fed/Empire survey for June missed to the downside of expectations. Meanwhile, PPI data for May showed production price pressures continued to build. Lastly, the NAHB homebuilder sentiment for May fell short of expectations.

As FX trading gets underway today, the main pairs open at levels very similar to 24 hours earlier. EUR/USD continues to trade just above the $\$1.21$ mark. Meanwhile, EUR/GBP remains near to $86p$, with the early morning release of UK May CPI data (headline at 2.1% vs. 1.8% f'cast) having no impact so far on sterling.

The aforementioned Fed meeting (concludes after European close) is very much the focus today and with it comes some event risk for the dollar. No policy changes are expected. However, attention will be centred on the updated interest rate projections (dot plot) and Chair Powell's remarks on QE tapering and inflation risks.

John Fahey, Senior Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2020 |
| EUR/USD | 1.2125 | 0.01 | -0.72 |
| EUR/GBP | 0.8604 | 0.16 | -3.73 |
| GBP/USD | 1.409 | -0.16 | 3.05 |
| GBP/EUR | 1.162 | -0.16 | 3.87 |
| USD/JPY | 110.1 | 0.02 | 6.64 |
| EUR/JPY | 133.5 | 0.01 | 5.82 |

* 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 | 0.08 | 0.12 | 0.14 | 0.26 | 0.85 |
| EUR | 0.00 | -0.55 | -0.55 | -0.51 | -0.47 | -0.28 |
| GBP | 0.10 | 0.06 | 0.08 | 0.14 | 0.33 | 0.69 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

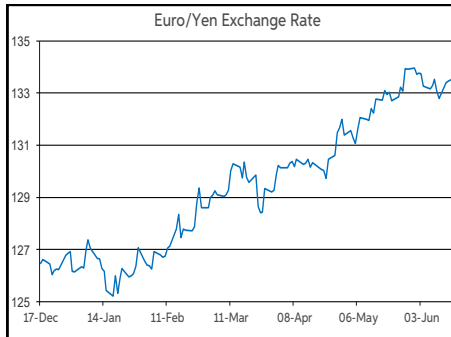
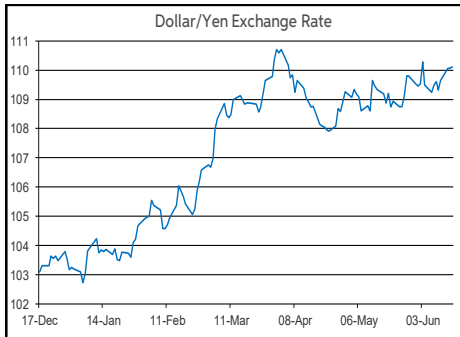
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|---------|--|----------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke Shane Gargan Enda Homan | FX Options | Mark Tuite | Reuters Phone | AIBG.I 00353-1-7724018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

Opening Levels

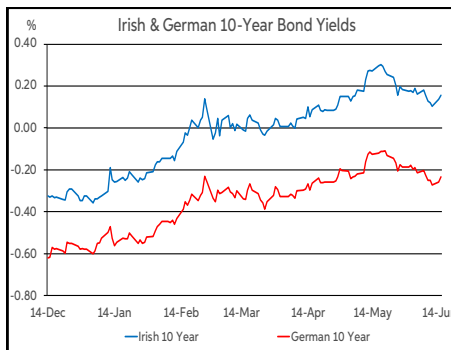
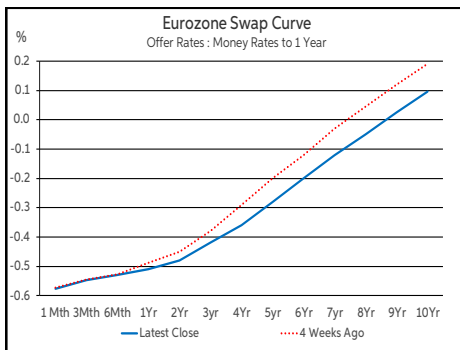
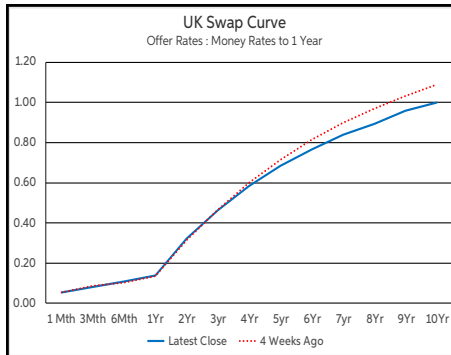
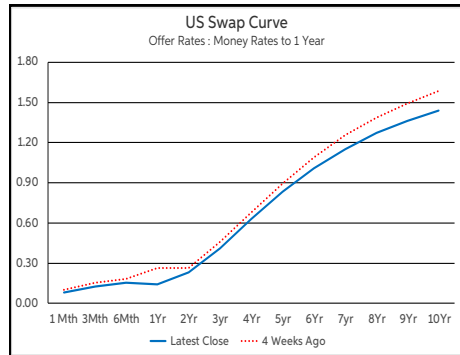
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| Euro | | Sterling | | Dollar | |
|---------|---------|----------|---------|---------|---------|
| EUR/GBP | 0.8604 | GBP/EUR | 1.162 | USD/JPY | 110.1 |
| EUR/USD | 1.2125 | GBP/USD | 1.409 | USD/CAD | 1.2182 |
| EUR/JPY | 133.5 | GBP/CAD | 1.7164 | USD/CHF | 0.8987 |
| EUR/SEK | 10.1027 | GBP/NZD | 1.9736 | USD/CNY | 6.4003 |
| EUR/DKK | 7.436 | GBP/JPY | 155.13 | USD/BRL | 5.0437 |
| EUR/NOK | 10.0951 | GBP/SEK | 11.74 | USD/RUB | 72.091 |
| EUR/CHF | 1.0899 | GBP/DKK | 8.6401 | USD/INR | 73.3575 |
| EUR/AUD | 1.5765 | GBP/NOK | 11.7266 | AUD/USD | 0.769 |
| EUR/HKD | 9.409 | GBP/CHF | 1.2665 | NZD/USD | 0.7138 |
| EUR/CAD | 1.4769 | GBP/AUD | 1.8322 | | |



| Debt Markets | | | | |
|---|-------|------------|---------|--------|
| | Close | Change bps | | |
| | | Day | 4 Weeks | End 20 |
| 10 Year Yield % | | | | |
| US | 1.49 | -1 | -15 | +57 |
| Germany | -0.23 | +2 | -12 | +35 |
| UK | 0.76 | +2 | -11 | +57 |
| 5 Year Swap % | | | | |
| US | 0.83 | +1 | -6 | +41 |
| Eurozone | -0.28 | +1 | -7 | +18 |
| UK | 0.69 | +2 | -3 | +50 |
| 2 Year Swap % | | | | |
| US | 0.23 | -0 | -0 | +4 |
| Eurozone | -0.48 | +0 | -2 | +5 |
| UK | 0.32 | +1 | +2 | +30 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 42 | -1 | -3 | +15 |
| Belgium | 35 | +0 | -3 | +16 |
| France | 38 | -0 | -3 | +14 |
| Italy | 102 | -1 | -19 | -7 |
| Spain | 65 | -0 | -8 | +2 |
| Portugal | 63 | -1 | -8 | -1 |
| Greece | 98 | -3 | -21 | -23 |



| Commodities | | | | |
|----------------|----------|-------|---------|--------|
| | % Change | | | |
| | Close | Day | 4 Weeks | End 20 |
| Brent Oil | 73.99 | +1.55 | +7.68 | +42.84 |
| West Texas Oil | 72.06 | +1.58 | +10.03 | +49.04 |
| Gold \$ | 1858.7 | -0.39 | -0.51 | -1.99 |

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