

UK in the market spotlight this week

There was a strong risk-off mood in Europe last week, as markets continued to digest the fall out of the EU elections and the upcoming snap election in France. The Euro Stoxx shed over 4%, Eurozone sovereign yield spreads widened, notably with the 10Yr French OAT–German Bund spread blowing out to 80bps on Friday, while the euro was on the defensive.

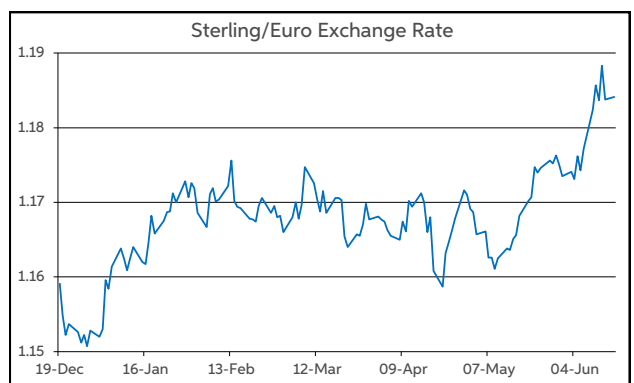
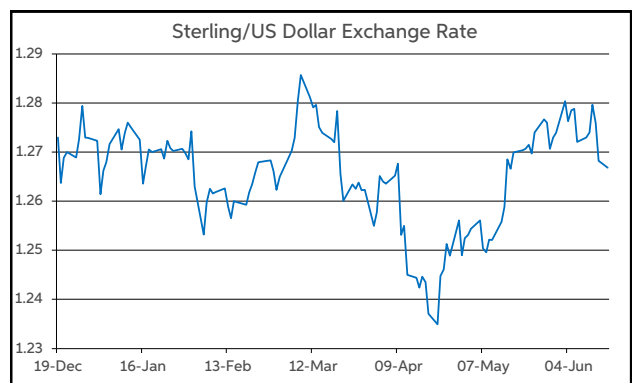
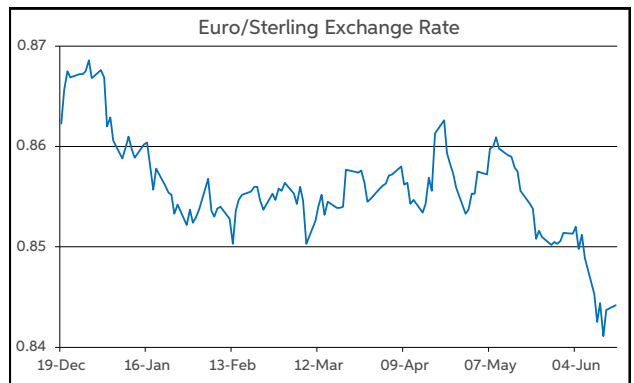
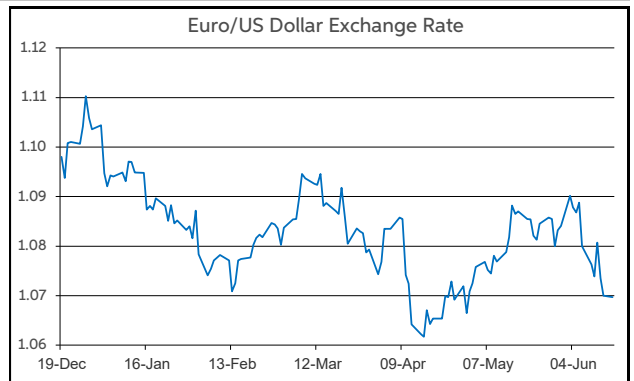
In the US, a below consensus CPI inflation report for May and a hawkish Fed FOMC meeting impacted sentiment. Overall though, market rate expectations softened on the week, with futures pricing now consistent with 50bps of easing by year end (was 35bps last Monday). Against this backdrop, the S&P 500 gained 1.6% on the week, while US Treasury yields declined by 20-25bps. The softening in US rates spilled over to UK and Eurozone futures also.

The divergence in sentiment sparked some volatility on currency markets. The euro was on under pressure, while the dollar benefitted. EUR/USD tested below \$1.07. EUR/GBP traded down to a fresh YTD low of 84.2p. GBP/USD broke below the \$1.27 mark.

This week, the UK will be in the market spotlight. Despite a dovish shift at its last meeting in May, the BoE is expected to leave monetary policy on hold this Thursday. A day beforehand, CPI inflation data is forecast to show a decline in both the headline and core rates to 2.0% and 3.5%, respectively. The key services inflation metric is projected to decline to 5.6% from 5.9%.

Meanwhile, a jam-packed data calendar also includes the flash PMI readings for June in the US, Eurozone and UK on Friday. Elsewhere on the data front, US retail sales and industrial production figures for May will also feature.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0697	-0.34	-3.07
EUR/GBP	0.8442	0.25	-2.61
GBP/USD	1.2669	-0.61	-0.47
GBP/EUR	1.1839	-0.25	2.68
USD/JPY	157.38	-0.35	11.57
EUR/JPY	168.38	-0.70	8.19

* 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	5.38	5.45	5.61	5.31	4.86	4.28
EUR	4.50	3.58	3.72	3.53	3.19	2.79
GBP	5.25	5.19	5.16	4.93	4.74	4.16

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

FX Spot	Karl Cooke Shane Gargan	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

Monday 17 June 2024
07:58 am



Euro

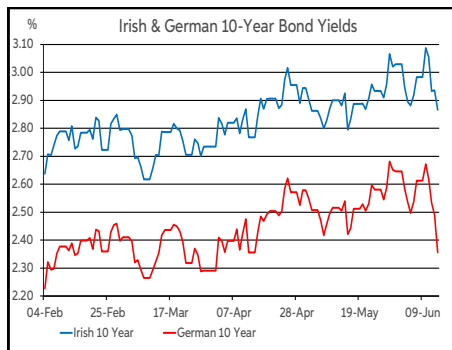
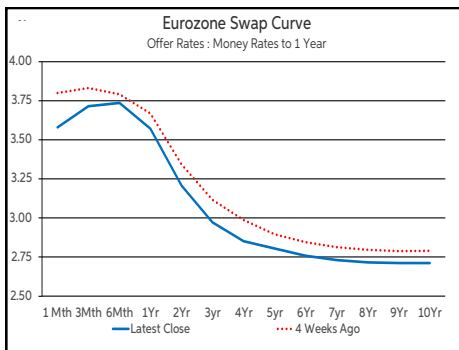
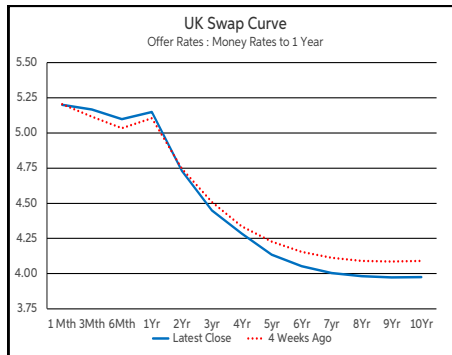
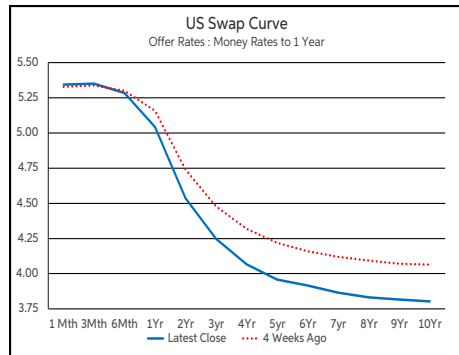
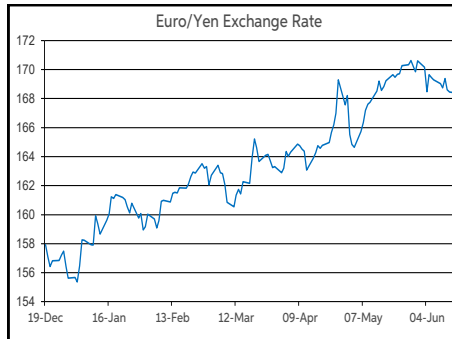
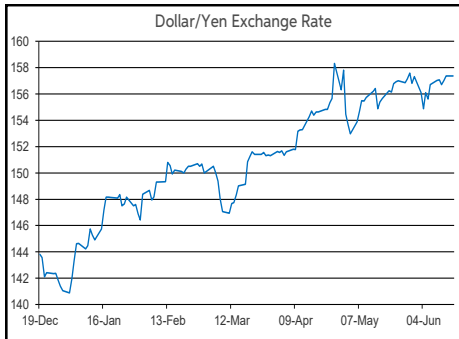
EUR/GBP	0.8442
EUR/USD	1.0697
EUR/JPY	168.38
EUR/SEK	11.2694
EUR/DKK	7.4599
EUR/NOK	11.449
EUR/CHF	0.953
EUR/AUD	1.6215
EUR/HKD	8.3554
EUR/CAD	1.47

Sterling

GBP/EUR	1.1839
GBP/USD	1.2669
GBP/CAD	1.7407
GBP/NZD	2.0722
GBP/JPY	199.38
GBP/SEK	13.3447
GBP/DKK	8.8333
GBP/NOK	13.566
GBP/CHF	1.1286
GBP/AUD	1.9204

Dollar

USD/JPY	157.38
USD/CAD	1.374
USD/CHF	0.8908
USD/CNY	7.2559
USD/BRL	5.3757
USD/RUB	88.6
USD/INR	83.505
AUD/USD	0.6596
NZD/USD	0.6112



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	4.21	-3	-21	+35
Germany	2.36	-14	-16	+33
UK	4.06	-6	-7	+52
Ireland	2.89	-8	-2	+52
Belgium	3.07	-7	+2	+38
France	3.14	-5	+13	+58
Italy	3.93	-3	+11	+23
Spain	3.33	-4	+6	+34
Portugal	3.15	-4	+2	+37
Greece	3.66	+0	+15	+59
5 Year Swap %				
US	4.23	-1	-24	+43
Eurozone	2.80	-4	-8	+38
UK	4.13	-9	-9	+48
2 Year Swap %				
US	4.80	-0	-19	+46
Eurozone	3.21	-3	-13	+41
UK	4.73	-3	-1	+47
10 Year Government Bond Spreads to Benchmark bps				
Ireland	53	+6	+14	+19
Belgium	71	+7	+18	+5
France	78	+9	+28	+25
Italy	157	+11	+27	-10
Spain	98	+9	+22	+1
Portugal	80	+10	+17	+4
Greece	130	+14	+31	+26

Commodities

	Close	% Change		
		Day	4 Weeks	End 23
Brent Oil	82.62	-0.16	-1.62	+7.24
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2332.5	+1.27	-3.41	+13.09

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