

Rate hike expectations pared back on markets

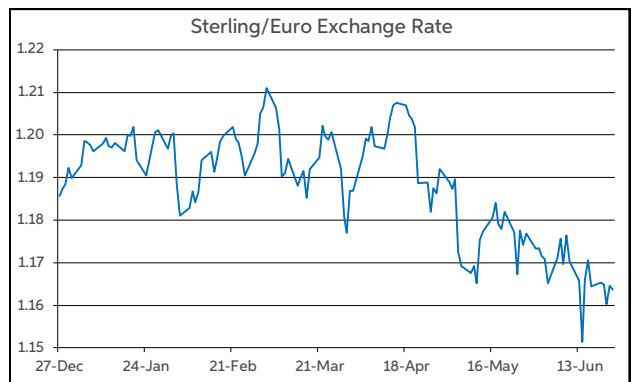
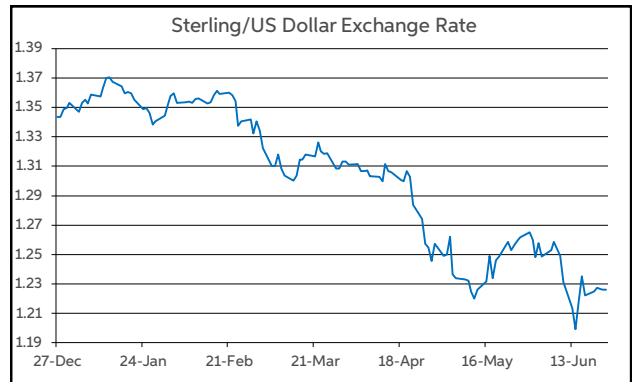
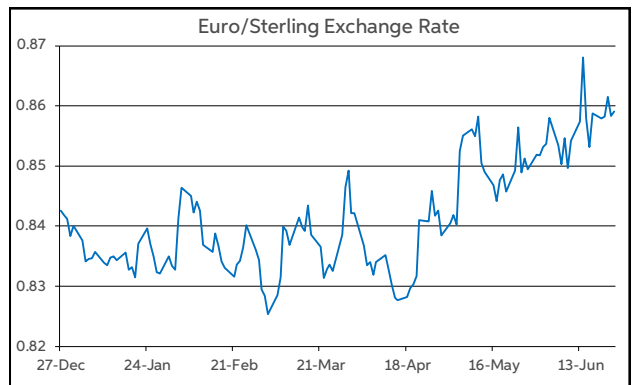
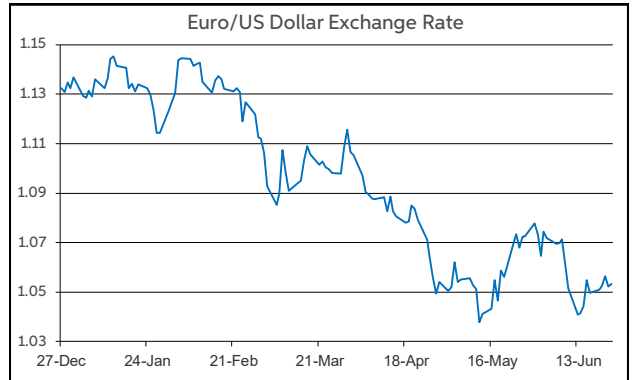
Investor sentiment was holding a mixed tone yesterday. The Euro Stoxx 50 lost 0.8%. In the US though, the S&P 500 closed up 1%. On bond markets, benchmark sovereign yields continued to fall quite sharply, as traders pared back their rate hike expectations. 10-year German Bund yields shed circa 20bps, as did 10-year UK Gilt yields. The 10-year US Treasury yield fell by 7bps also.

Over the past few days, in testimony to Congress, Fed Chair Powell has stated that the risks of a recession have increased. He also noted that events around the world have made the “soft-landing” scenario harder to achieve. Meantime, the PMI data released yesterday for the US and the Eurozone showed that activity grew more slowly than anticipated in June. As recession fears have increased, rate hike expectations have been pared back on markets. Official rates are now seen as getting towards 1% in the Eurozone by year end (was 1.25%). Meanwhile in the US, rates are now seen peaking near to 3.5%, rather than 4% previously.

On currency markets though, the action has been somewhat calmer. Of the limited moves to register over the past 24 hours, the euro has been slightly weaker. This is reflected by EUR/USD opening back in the lower half of \$1.05-1.06. EUR/GBP is operating just below the 86p handle. GBP/USD is changing hands above the midpoint of the \$1.22-1.23 corridor.

Elsewhere, already today UK consumer confidence (June) and retail sales (May) have been released. Both metrics deteriorated, broadly in line with the consensus. Looking ahead, the bellwether German Ifo for June and US new home sales for May are due. However, comments from a number of key central bank officials may hold greater sway on currency markets.

Daniel Noonan, Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2021 |
| EUR/USD | 1.0536 | -0.27 | -7.32 |
| EUR/GBP | 0.859 | -0.36 | 2.26 |
| GBP/USD | 1.2264 | 0.07 | -9.35 |
| GBP/EUR | 1.1637 | 0.36 | -2.21 |
| USD/JPY | 134.79 | -0.47 | 17.13 |
| EUR/JPY | 142.04 | -0.75 | 8.54 |

* 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 | 1.625 | 1.62 | 2.20 | 3.28 | 3.37 | 3.19 |
| EUR | 0.00 | -0.51 | -0.17 | 0.91 | 1.51 | 1.93 |
| GBP | 1.25 | 1.22 | 1.62 | 2.72 | 2.93 | 2.77 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

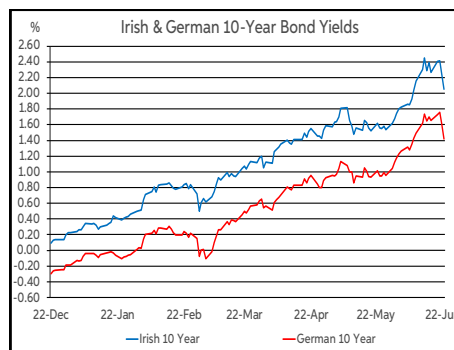
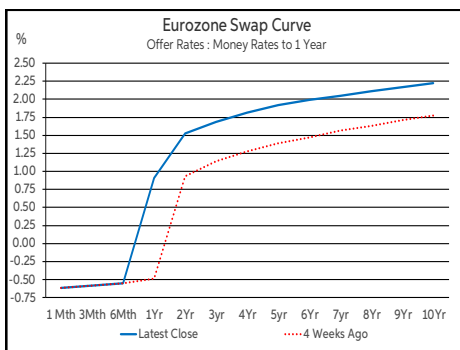
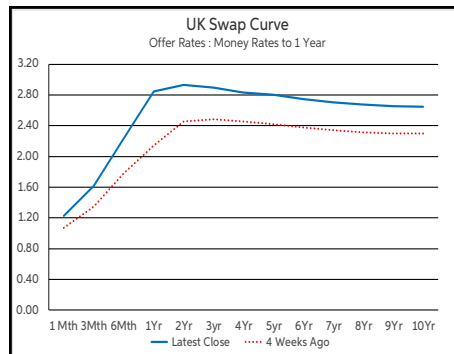
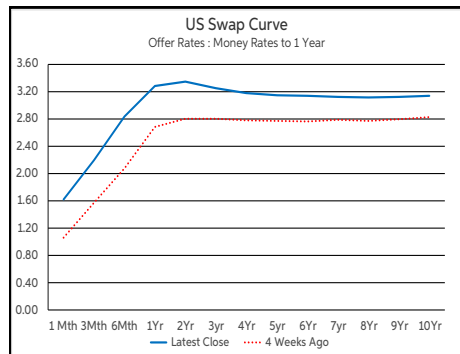
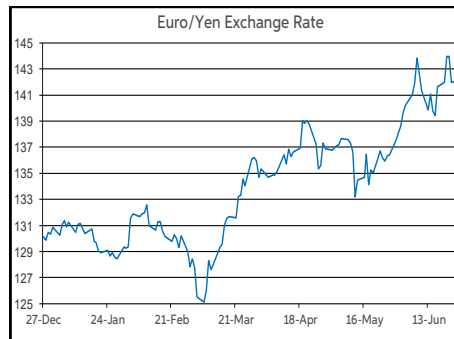
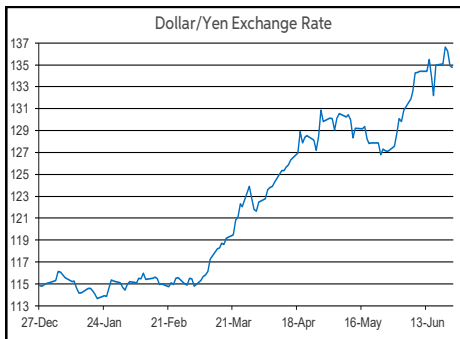
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|---------|---|------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke Shane Gargan Ian Burke | FX Options | Mark Tuite | Reuters Phone | AIBG.I 00353-1-7724018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

Opening Levels

Friday 24 June 2022
07:38 am



| Euro | | Sterling | | Dollar | |
|---------|---------|----------|---------|---------|--------|
| EUR/GBP | 0.859 | GBP/EUR | 1.1636 | USD/JPY | 134.8 |
| EUR/USD | 1.0537 | GBP/USD | 1.2262 | USD/CAD | 1.2978 |
| EUR/JPY | 142.04 | GBP/CAD | 1.592 | USD/CHF | 0.9593 |
| EUR/SEK | 10.696 | GBP/NZD | 1.9478 | USD/CNY | 6.6972 |
| EUR/DKK | 7.4388 | GBP/JPY | 165.29 | USD/BRL | 5.2388 |
| EUR/NOK | 10.4814 | GBP/SEK | 12.4499 | USD/RUB | 53.4 |
| EUR/CHF | 1.011 | GBP/DKK | 8.6562 | USD/INR | 78.292 |
| EUR/AUD | 1.5245 | GBP/NOK | 12.1968 | AUD/USD | 0.6908 |
| EUR/HKD | 8.2699 | GBP/CHF | 1.1768 | NZD/USD | 0.6295 |
| EUR/CAD | 1.3677 | GBP/AUD | 1.7748 | | |



| Debt Markets | | | | |
|---|-------|------------|---------|--------|
| | Close | Change bps | | |
| | | Day | 4 Weeks | End 21 |
| 10 Year Yield % | | | | |
| US | 3.09 | -7 | +35 | +158 |
| Germany | 1.43 | -19 | +43 | +161 |
| UK | 2.31 | -18 | +34 | +134 |
| Ireland | 2.09 | -20 | +48 | +184 |
| Belgium | 2.07 | -19 | +48 | +189 |
| France | 1.97 | -19 | +46 | +178 |
| Italy | 3.48 | -16 | +58 | +230 |
| Spain | 2.53 | -17 | +46 | +193 |
| Portugal | 2.50 | -18 | +37 | +201 |
| Greece | 3.76 | -11 | +22 | +245 |
| 5 Year Swap % | | | | |
| US | 3.15 | -9 | +42 | +182 |
| Eurozone | 1.92 | -26 | +54 | +191 |
| UK | 2.80 | -22 | +39 | +153 |
| 2 Year Swap % | | | | |
| US | 3.35 | -8 | +59 | +240 |
| Eurozone | 1.53 | -21 | +60 | +183 |
| UK | 2.93 | -21 | +48 | +174 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 66 | -0 | +5 | +23 |
| Belgium | 64 | +0 | +5 | +28 |
| France | 54 | +0 | +3 | +17 |
| Italy | 206 | +4 | +15 | +69 |
| Spain | 110 | +2 | +4 | +32 |
| Portugal | 107 | +1 | -6 | +41 |
| Greece | 233 | +8 | -21 | +84 |

| Commodities | | | | |
|----------------|--------|----------|---------|--------|
| | Close | % Change | | |
| | | Day | 4 Weeks | End 21 |
| Brent Oil | 110.05 | -1.51 | -6.26 | +41.49 |
| West Texas Oil | 105.75 | -0.44 | -8.99 | +40.38 |
| Gold \$ | 1822.4 | -0.81 | -1.49 | -0.33 |

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