

## Fed hikes as expected, spotlight shifts to BoE

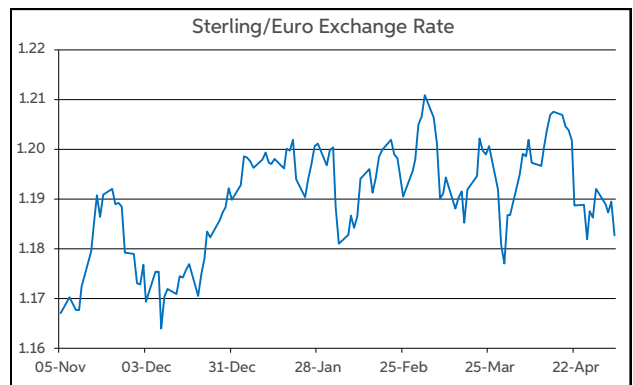
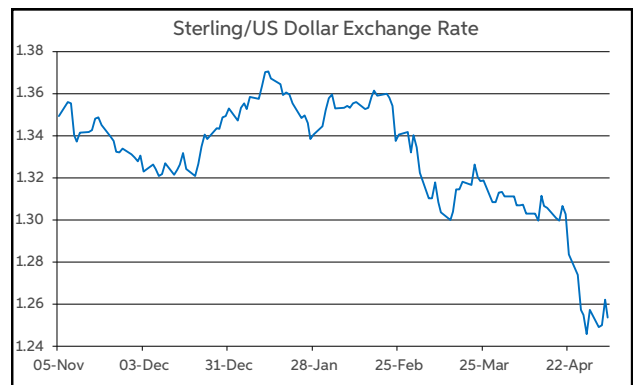
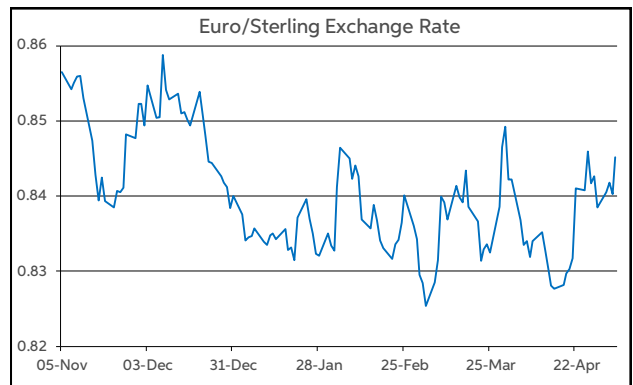
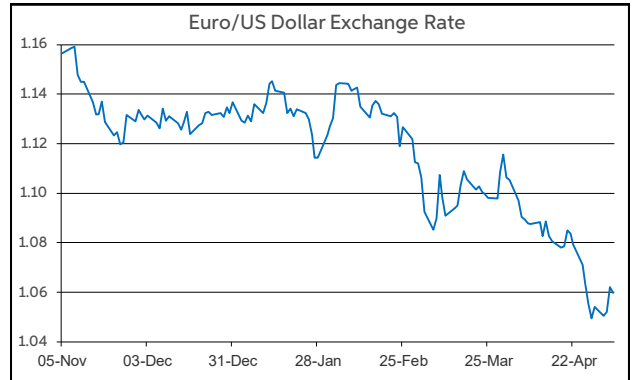
The action on financial markets remained relatively subdued yesterday, as investors kept their powder dry ahead of the conclusion of the Fed monetary policy meeting last night. On currency markets, the main pairs traded in relatively narrow ranges throughout the European session. Of the limited moves to register, the euro was holding a slightly firmer tone.

The aforementioned Fed announced a 50bps rate hike, as had been widely anticipated. The central bank also stated that quantitative tightening (QT) will start in June. The process will initially see \$47.5bn worth of assets run-off its balance sheet per month, rising to \$95bn per month after three months. At the press conference, Fed Chair Powell effectively ruled out the Fed hiking by 75bps at a time over the summer months. His comments sparked somewhat of a relief rally on markets. The S&P 500 rose by 3% and US Treasury yields declined. Meantime, the dollar moved lower on the exchanges.

In level terms, EUR/USD opens this morning up at \$1.06. GBP/USD is operating in the lower half of the \$1.25-1.26 range, having climbed above the \$1.26 handle following the Fed meeting. Elsewhere, EUR/GBP is changing hands at the midpoint of 84-85p.

Ahead today, it's the Bank of England's turn to enter the monetary policy spotlight. The market expects the BoE to raise the Bank rate by 25bps, bringing it to 1%. The BoE, which has already started QT may also provide guidance around the possibility of active asset purchases (accelerating the run-down in the size of its balance sheet). However, guidance around the future path of rate hikes will likely garner more attention, particularly as the UK economy is expected to slow markedly in the second half of the year.

**Daniel Noonan, Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0598	0.79	-6.77
EUR/GBP	0.8452	0.33	0.62
GBP/USD	1.2536	0.43	-7.34
GBP/EUR	1.1824	-0.33	-0.62
USD/JPY	129.5	-0.48	12.53
EUR/JPY	137.28	0.30	4.90

\* 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	0.375	0.83	1.36	2.52	3.01	3.04
EUR	0.00	-0.54	-0.43	0.26	0.99	1.48
GBP	0.75	1.01	1.28	2.15	2.50	2.42

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

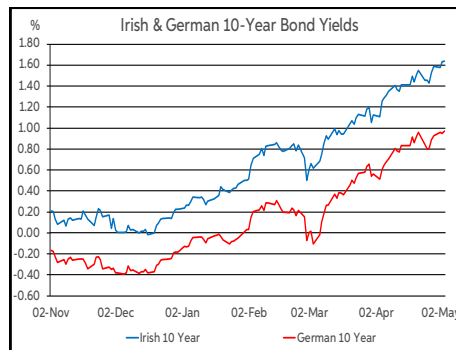
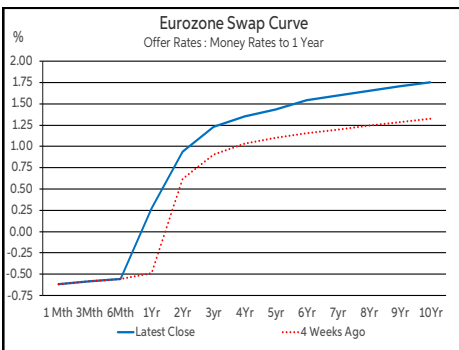
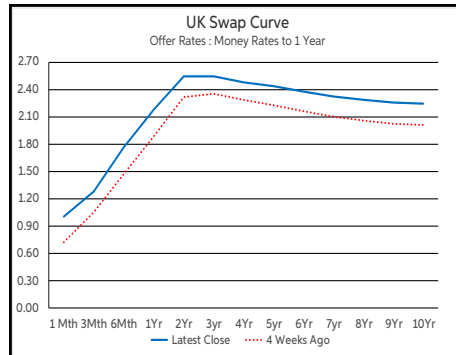
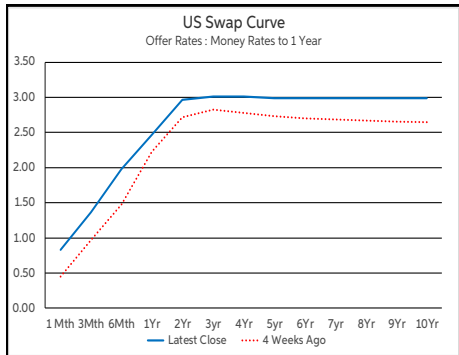
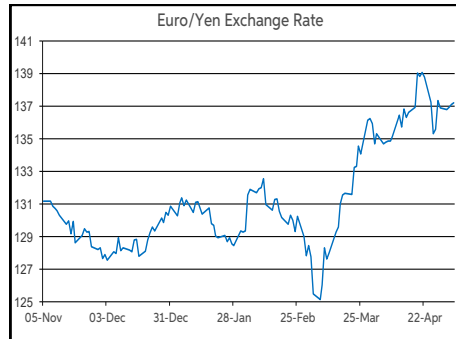
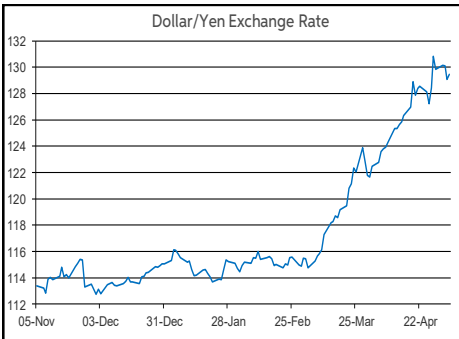
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

Thursday 05 May 2022  
07:40 am



Euro		Sterling		Dollar	
EUR/GBP	0.8452	GBP/EUR	1.1824	USD/JPY	129.5
EUR/USD	1.0598	GBP/USD	1.2536	USD/CAD	1.2731
EUR/JPY	137.28	GBP/CAD	1.5965	USD/CHF	0.9758
EUR/SEK	10.3624	GBP/NZD	1.921	USD/CNY	6.6147
EUR/DKK	7.4415	GBP/JPY	162.34	USD/BRL	4.9198
EUR/NOK	9.8066	GBP/SEK	12.2566	USD/RUB	64.669
EUR/CHF	1.0343	GBP/DKK	8.8006	USD/INR	76.115
EUR/AUD	1.4667	GBP/NOK	11.6017	AUD/USD	0.7224
EUR/HKD	8.3176	GBP/CHF	1.2235	NZD/USD	0.6524
EUR/CAD	1.3496	GBP/AUD	1.7348		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
<b>10 Year Yield %</b>				
US	2.95	-3	+35	+143
Germany	0.98	+2	+33	+116
UK	1.97	+1	+26	+100
<b>5 Year Swap %</b>				
US	2.99	-10	+30	+166
Eurozone	1.43	-9	+34	+142
UK	2.44	+2	+22	+116
<b>2 Year Swap %</b>				
US	2.97	-7	+29	+202
Eurozone	0.94	-7	+33	+124
UK	2.55	+3	+23	+135
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	69	-1	+3	+26
Belgium	60	+1	+6	+24
France	53	+1	+1	+16
Italy	198	+7	+33	+62
Spain	110	+3	+11	+32
Portugal	115	+4	+22	+49
Greece	245	+3	+32	+96

Commodities				
	Close	% Change		
		Day	4 Weeks	End 21
Brent Oil	110.14	+4.93	+8.97	+41.60
West Texas Oil	107.84	+5.18	+11.88	+43.16
Gold \$	1880.9	+0.70	-2.31	+2.87

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