

## Dollar rally loses momentum

Markets remained in a risk averse mood last week. Investors continued to contemplate the risks to the economic outlook as central banks hike rates to try and tame very high inflation. Corporate earnings updates from some large US retailers also acted as a headwind to sentiment. The 'risk off' mood was most evident on Wall Street. The S&P 500 posted a 3% weekly fall.

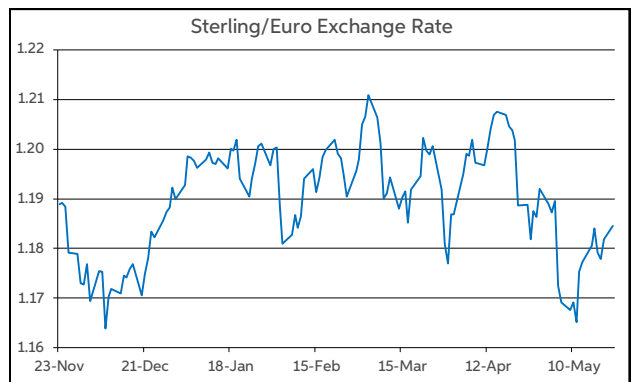
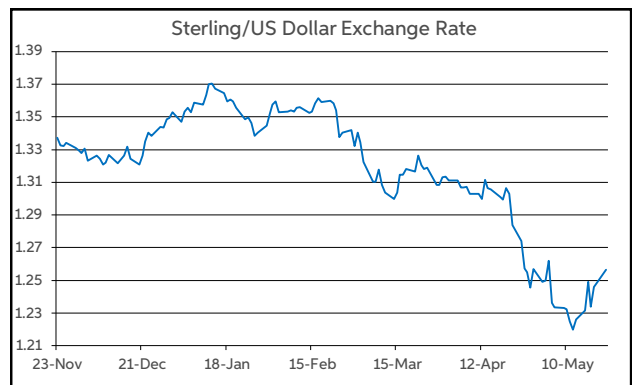
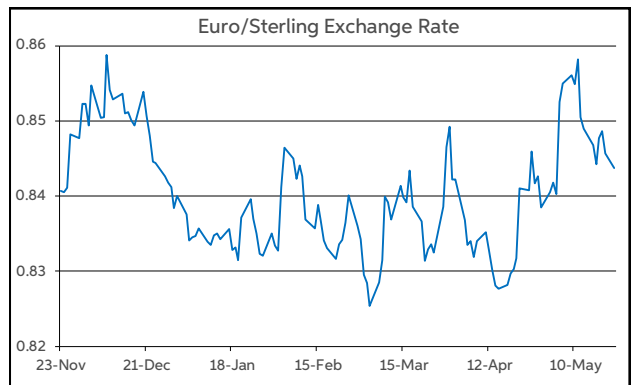
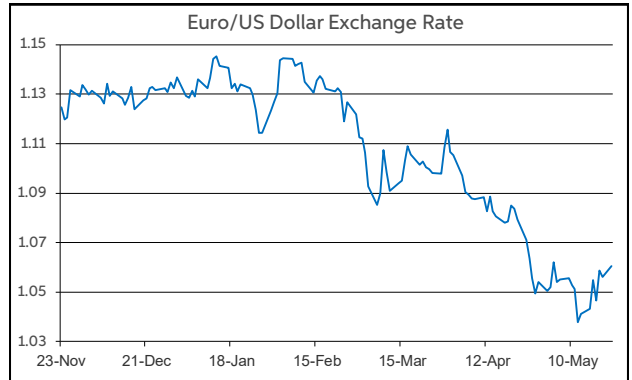
On bond markets, there was some flattening of the US yield curve, driven by a fall in longer term yields, while shorter dated rates were relatively unchanged. The 10-year Treasury yield was down around 8bps on the week. In the UK and Eurozone, both their respective policy sensitive 2-year swap rates rose by over 15bps. Indeed, in terms of the ECB, futures contracts moved to price in around 100bps of rate hikes from the central bank by end year.

On currency markets, the dollar rally lost momentum. The greenback gave up some of its gains against a raft of currencies, including the euro and sterling. This was in part due to moves in interest rate markets, as it coincided with the aforementioned rise in 2 year euro and sterling market rates. The other notable FX action, was a strong performance from the Swiss franc amid hawkish comments from the Swiss National Bank.

In level terms, EUR/USD opens this morning at \$1.06 having started last week down at the key \$1.04 support level. GBP/USD is changing hands above \$1.25. Meanwhile, EUR/GBP continues to trade in a narrow range in and around the midpoint of 84-85p.

This week's macro highlights include the flash May PMIs from the US, Eurozone and UK. The other key releases are US Core PCE inflation for April and the Fed meeting minutes.

**John Fahey, Senior Economist, AIB**



Today's Opening FX Rates			
		% Change	
		Day *	End 2021
EUR/USD	1.0605	0.31	-6.71
EUR/GBP	0.8439	-0.58	0.46
GBP/USD	1.2564	0.88	-7.13
GBP/EUR	1.1844	0.58	-0.46
USD/JPY	127.84	0.06	11.09
EUR/JPY	135.59	0.38	3.61

\* 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	0.875	0.97	1.51	2.55	2.90	2.88
EUR	0.00	-0.54	-0.35	0.38	0.95	1.36
GBP	1.00	1.01	1.36	2.17	2.50	2.39

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

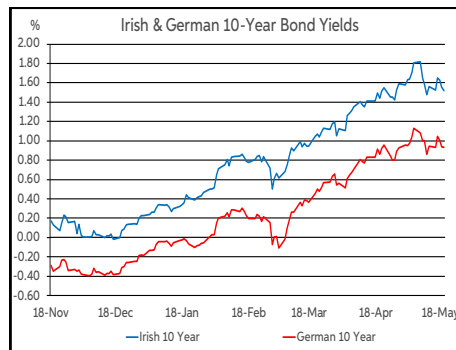
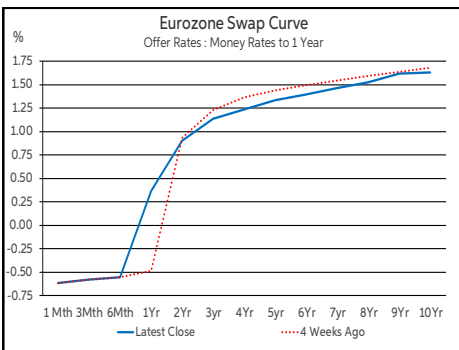
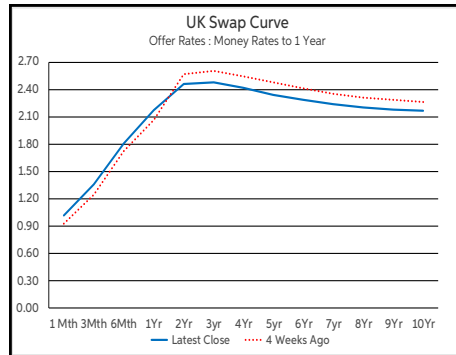
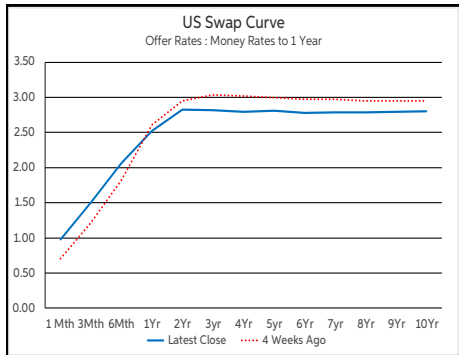
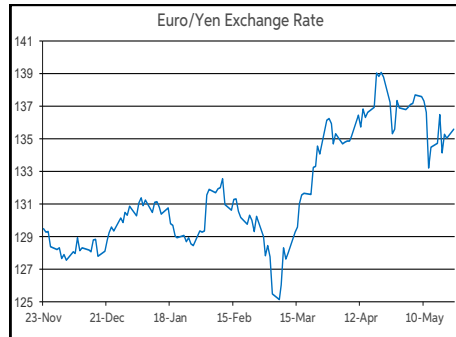
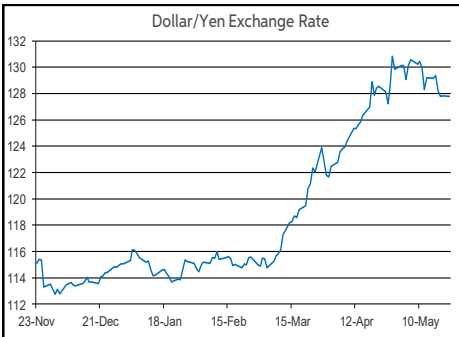
FX Spot	Karl Cooke Shane Gargan Ian Burke	FX Options	Mark Tuite	Reuters Phone	AIBG.I 00353-1-7724018	Morning Comment	John Fahey john.j.fahey@aib.ie
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# Opening Levels

Monday 23 May 2022  
07:24 am



Euro		Sterling		Dollar	
EUR/GBP	0.8439	GBP/EUR	1.1844	USD/JPY	127.84
EUR/USD	1.0605	GBP/USD	1.2564	USD/CAD	1.2789
EUR/JPY	135.59	GBP/CAD	1.6071	USD/CHF	0.9721
EUR/SEK	10.4801	GBP/NZD	1.9425	USD/CNY	6.6553
EUR/DKK	7.441	GBP/JPY	160.62	USD/BRL	4.8788
EUR/NOK	10.2369	GBP/SEK	12.417	USD/RUB	60
EUR/CHF	1.0307	GBP/DKK	8.8139	USD/INR	77.633
EUR/AUD	1.4913	GBP/NOK	12.1257	AUD/USD	0.7111
EUR/HKD	8.3247	GBP/CHF	1.2214	NZD/USD	0.6468
EUR/CAD	1.3563	GBP/AUD	1.7669		



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 21
<b>10 Year Yield %</b>				
US	2.79	-5	-12	+128
Germany	0.94	+0	-2	+112
UK	1.89	+2	-8	+92
<b>5 Year Swap %</b>				
Ireland	1.56	-4	-2	+131
Belgium	1.54	+0	+6	+136
France	1.47	+1	+4	+128
Italy	2.99	+8	+31	+180
Spain	2.08	+3	+14	+149
Portugal	2.14	+3	+14	+165
Greece	3.73	+19	+78	+241
<b>2 Year Swap %</b>				
US	2.81	-3	-15	+147
Eurozone	1.33	-6	-10	+132
UK	2.34	-2	-13	+107
<b>10 Year Government Bond Spreads to Benchmark bps</b>				
Ireland	61	-4	+1	+19
Belgium	60	+0	+8	+24
France	53	+0	+7	+16
Italy	204	+8	+33	+68
Spain	114	+3	+16	+37
Portugal	119	+3	+16	+53
Greece	279	+18	+80	+129

Commodities				
	% Change			
	Close	Day	4 Weeks	End 21
Brent Oil	112.55	+0.46	+5.53	+44.70
West Texas Oil	112.63	+0.37	+9.50	+49.52
Gold \$	1845.7	+0.22	-4.36	+0.95

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