

EUR/USD at \$1.07

Having started the week on a firmer footing, risk appetite soured yesterday. The Euro Stoxx 50 lost 1.6%. Across the Atlantic, the S&P 500 rebounded somewhat late on, but still finished the day down 0.8%. Against the risk averse backdrop benchmark sovereign bond yields declined. US Treasury yields fell by 9-11bps, while German Bund yields moved 4-7bps lower.

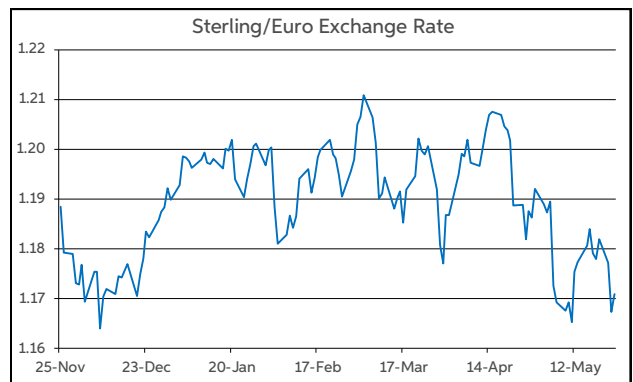
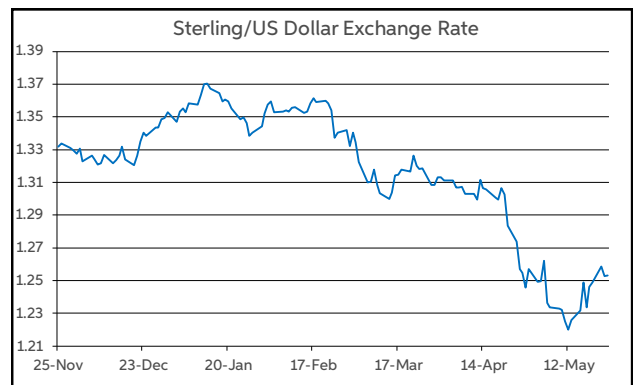
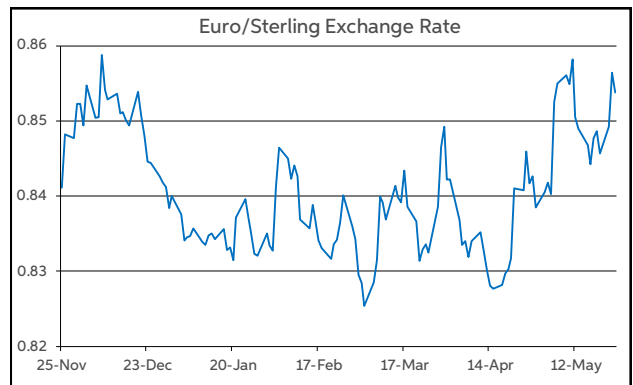
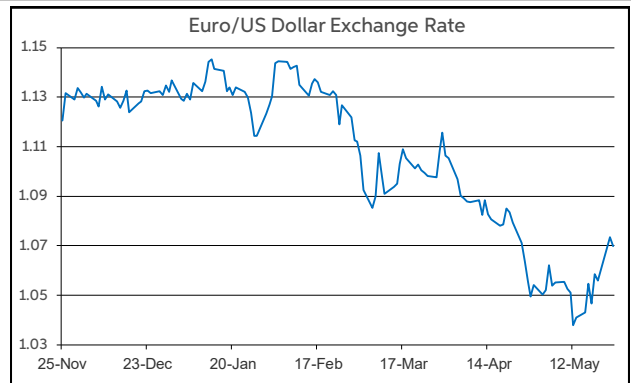
Data-wise, the flash PMI data for May in the US, Eurozone and UK were the main highlight. Across the board, both sector readings moved lower but remained in expansion territory. However, the UK services PMI fell to 51.8, its lowest level since February 2021. Meanwhile, in terms of monetary policy, ECB President Lagarde reiterated that the Eurozone will be out of negative rates by the end of Q3. President Lagarde also noted though, that the ECB could take rates above zero in Q3 if it deems it appropriate.

On the currency front, the euro strengthened yesterday following President Lagarde's hawkish comments. EUR/USD rose above the \$1.07 handle, trading as high as \$1.074. Elsewhere, sterling was under pressure after the disappointing PMI data. Overnight though, the euro gave back some of its gains.

In level terms, this sees EUR/USD open this morning at the \$1.07 threshold. Meanwhile, EUR/GBP is operating up in the lower half of 85-86p, having been in the top half of this range yesterday. GBP/USD has edged back towards the \$1.25 mark.

Turning to the day ahead, speeches from a number of ECB officials, including President Lagarde will be in focus. The release of the latest Fed meeting minutes, after the close in Europe will garner attention also.

Daniel Noonan, Economist, AIB



| Today's Opening FX Rates | | | |
|--------------------------|--------|----------|----------|
| | | % Change | |
| | | Day * | End 2021 |
| EUR/USD | 1.0698 | 0.34 | -5.89 |
| EUR/GBP | 0.8533 | 0.54 | 1.58 |
| GBP/USD | 1.2534 | -0.21 | -7.35 |
| GBP/EUR | 1.1714 | -0.54 | -1.56 |
| USD/JPY | 126.93 | -0.56 | 10.30 |
| EUR/JPY | 135.83 | -0.21 | 3.79 |

* 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 | 1.01 | 1.52 | 2.47 | 2.77 | 2.76 |
| EUR | 0.00 | -0.54 | -0.36 | 0.40 | 0.94 | 1.38 |
| GBP | 1.00 | 1.05 | 1.38 | 2.13 | 2.44 | 2.38 |

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

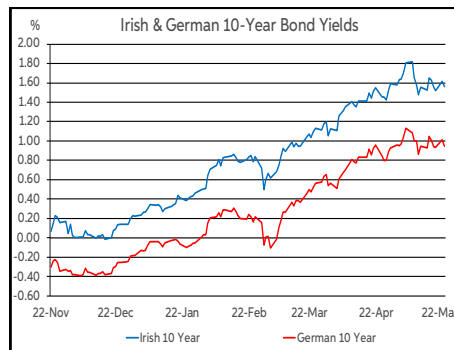
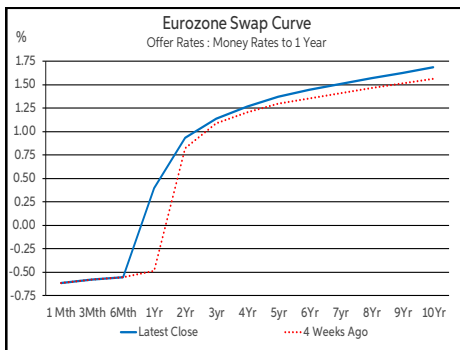
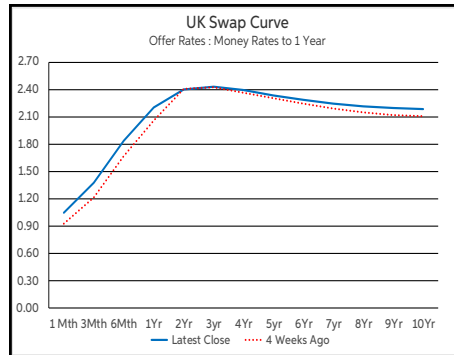
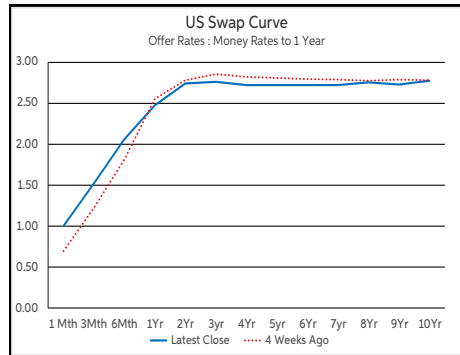
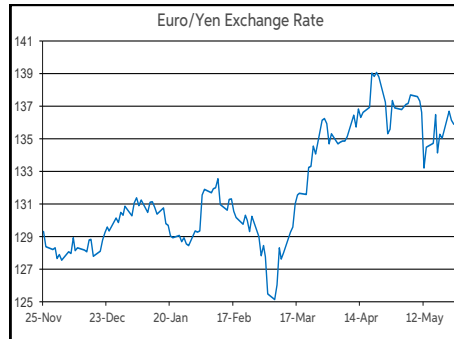
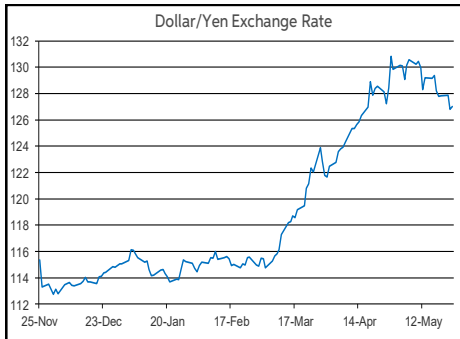
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|---------|-----------------------------------------|------------|------------|------------------|---------------------------|-----------------|-----------------------------------|
| FX Spot | Karl Cooke Shane Gargan Ian Burke | FX Options | Mark Tuite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

Opening Levels

Wednesday 25 May 2022
07:16 am



| Euro | | Sterling | | Dollar | |
|---------|---------|----------|---------|---------|--------|
| EUR/GBP | 0.8534 | GBP/EUR | 1.1713 | USD/JPY | 126.99 |
| EUR/USD | 1.0698 | GBP/USD | 1.2532 | USD/CAD | 1.2835 |
| EUR/JPY | 135.89 | GBP/CAD | 1.6085 | USD/CHF | 0.9622 |
| EUR/SEK | 10.4764 | GBP/NZD | 1.9284 | USD/CNY | 6.6708 |
| EUR/DKK | 7.4404 | GBP/JPY | 159.14 | USD/BRL | 4.8191 |
| EUR/NOK | 10.2559 | GBP/SEK | 12.27 | USD/RUB | 56.7 |
| EUR/CHF | 1.0297 | GBP/DKK | 8.7123 | USD/INR | 77.505 |
| EUR/AUD | 1.5062 | GBP/NOK | 12.0112 | | |
| EUR/HKD | 8.3965 | GBP/CHF | 1.206 | AUD/USD | 0.7102 |
| EUR/CAD | 1.3731 | GBP/AUD | 1.7645 | NZD/USD | 0.6499 |



| Debt Markets | | | | |
|---------------------------------------------------------|-------|------------|---------|--------|
| | Close | Change bps | | |
| | | Day | 4 Weeks | End 21 |
| 10 Year Yield % | | | | |
| US | 2.75 | -11 | +3 | +124 |
| Germany | 0.95 | -7 | +15 | +113 |
| UK | 1.89 | -8 | +9 | +92 |
| 5 Year Swap % | | | | |
| US | 2.72 | -14 | -5 | +139 |
| Eurozone | 1.37 | -5 | +8 | +136 |
| UK | 2.33 | -10 | +3 | +106 |
| 2 Year Swap % | | | | |
| US | 2.74 | -13 | +0 | +180 |
| Eurozone | 0.93 | -5 | +12 | +123 |
| UK | 2.40 | -11 | +0 | +121 |
| 10 Year Government Bond Spreads to Benchmark bps | | | | |
| Ireland | 65 | +2 | -1 | +22 |
| Belgium | 62 | +1 | +6 | +26 |
| France | 54 | +3 | +3 | +17 |
| Italy | 201 | +0 | +27 | +65 |
| Spain | 113 | +1 | +13 | +35 |
| Portugal | 117 | +1 | +12 | +51 |
| Greece | 271 | -0 | +51 | +122 |

| Commodities | | | | |
|----------------|----------|-------|---------|--------|
| | % Change | | | |
| | Close | Day | 4 Weeks | End 21 |
| Brent Oil | 113.56 | +0.12 | +8.16 | +46.00 |
| West Texas Oil | 112.55 | +2.02 | +9.68 | +49.41 |
| Gold \$ | 1865.9 | +0.68 | -2.08 | +2.05 |

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