

Market rate hike expectations continue to firm

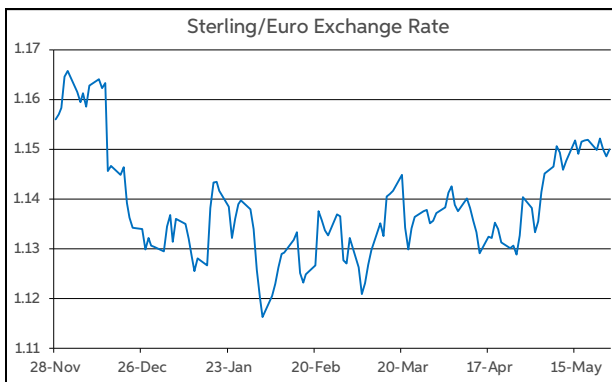
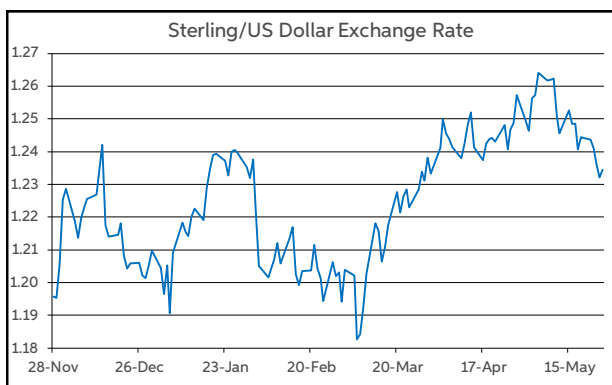
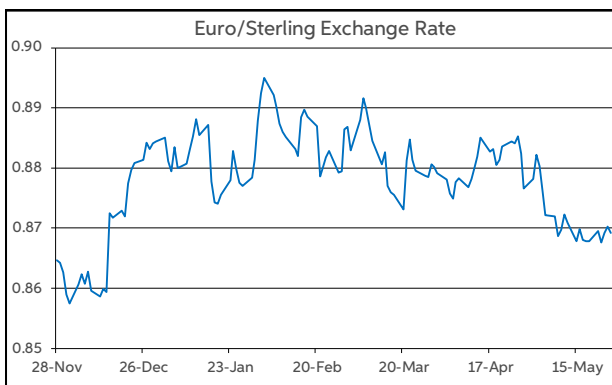
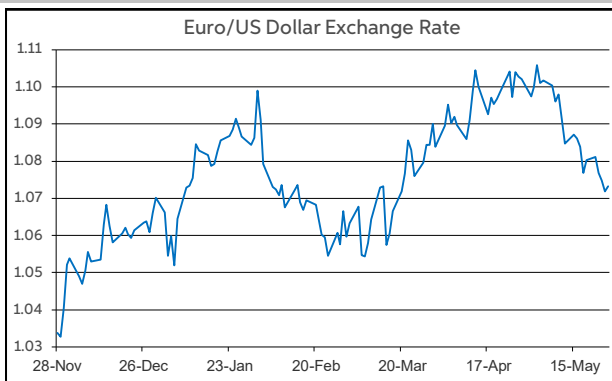
Having suffered heavy losses earlier in the week, equity markets on both sides of the Atlantic stabilised yesterday. The Euro Stoxx 50 finished flat for the day, while the S&P 500 rose by 0.9%, led by a rally in tech stocks. Some positive newsflow regarding the US debt ceiling talks also supported investor sentiment. On bond markets, yields rose by 5-9bps in the Eurozone and the US, and by 10-20bps in the UK, as market rate expectations continued to firm.

The market is now pricing in a further 100bps at least, of rate hikes from the BoE this year, with Bank rate seen as topping out at 5.5%. Meantime, in the US, following a hawkish tone to the latest FOMC meeting minutes, and upward revisions to Q1 GDP and inflation data, the market is now leaning towards a 25bps hike by July, and is not ruling out that it could be delivered as early as June. The recent hardening of UK and US rates has spilled over to the Eurozone, where 60-65bps of rate hikes are now priced in.

Despite the volatility on interest rate markets, the action on forex markets was confined to tight trading ranges yesterday. This is reflected by the main pairs opening at identical levels to 24 hours ago. EUR/USD remains in the lower half of the \$1.07-1.08 range. GBP/USD is changing hands near the midpoint of the \$1.23-1.24 corridor. Elsewhere, EUR/GBP is just below the 87p handle.

Already this morning, UK retail sales have printed slightly above the consensus, rebounding by 0.5% in April (vs. +0.3% f'cast). Later today, the focus will shift to the US, where core-PCE inflation is forecast to remain at +4.6% y/y in April. Consumption/income data are also due. The data pose some event risk for the dollar. Meantime, investors will be paying close attention for a potential debt ceiling deal, ahead of a long weekend in the US.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2022
EUR/USD	1.0735	0.01	0.31
EUR/GBP	0.8694	-0.02	-1.70
GBP/USD	1.2346	0.05	2.06
GBP/EUR	1.15	0.02	1.73
USD/JPY	139.65	0.06	6.51
EUR/JPY	149.91	0.06	6.85

* 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	5.13	5.14	5.42	5.35	4.70	4.00
EUR	3.75	3.14	3.42	3.93	3.72	3.27
GBP	4.50	4.47	4.78	5.37	5.44	4.91

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

Friday 26 May 2023
07:43 am



Euro

EUR/GBP	0.8692
EUR/USD	1.0734
EUR/JPY	149.9
EUR/SEK	11.5642
EUR/DKK	7.4505
EUR/NOK	11.8224
EUR/CHF	0.9709
EUR/AUD	1.6448
EUR/HKD	8.4101
EUR/CAD	1.4622

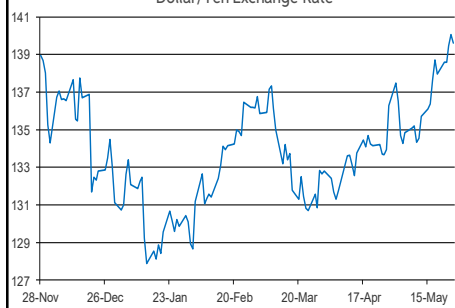
Sterling

GBP/EUR	1.1498
GBP/USD	1.2347
GBP/CAD	1.682
GBP/NZD	2.0302
GBP/JPY	172.4
GBP/SEK	13.3062
GBP/DKK	8.5681
GBP/NOK	13.595
GBP/CHF	1.1168
GBP/AUD	1.8919

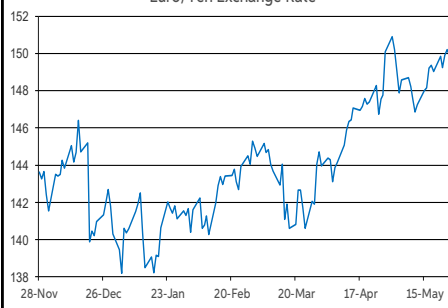
Dollar

USD/JPY	139.63
USD/CAD	1.362
USD/CHF	0.9045
USD/CNY	7.0501
USD/BRL	5.0362
USD/RUB	79.9425
USD/INR	82.7075
AUD/USD	0.6526
NZD/USD	0.608

Dollar/Yen Exchange Rate

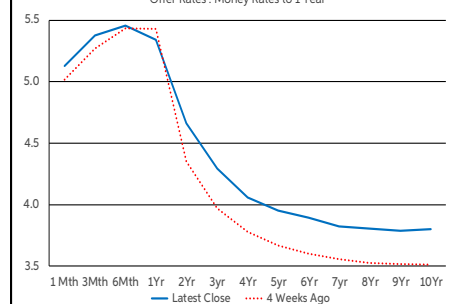


Euro/Yen Exchange Rate



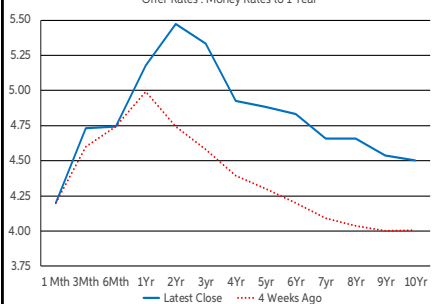
US Swap Curve

Offer Rates : Money Rates to 1 Year



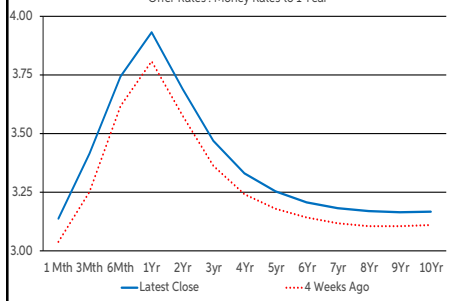
UK Swap Curve

Offer Rates : Money Rates to 1 Year

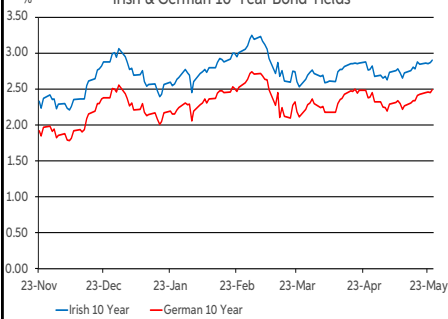


Eurozone Swap Curve

Offer Rates : Money Rates to 1 Year



Irish & German 10-Year Bond Yields



Debt Markets

	Close	Change bps		
		Day	4 Weeks	End 22
10 Year Yield %				
US	3.82	+8	+30	-6
Germany	2.49	+4	+4	-8
UK	4.38	+16	+58	+71
Ireland	2.95	+5	+8	-20
Belgium	3.22	+5	+8	+2
France	3.10	+6	+7	-1
Italy	4.39	+6	+3	-32
Spain	3.58	+5	+7	-8
Portugal	3.25	+2	-6	-35
Greece	3.89	-1	-40	-70
5 Year Swap %				
US	3.95	+11	+33	-4
Eurozone	3.25	+6	+8	+2
UK	4.88	+13	+59	+58
2 Year Swap %				
US	4.66	+11	+35	-1
Eurozone	3.69	+6	+12	+30
UK	5.47	+20	+73	+79
10 Year Government Bond Spreads to Benchmark bps				
Ireland	46	+2	+4	-12
Belgium	74	+2	+5	+10
France	61	+2	+4	+6
Italy	190	+2	-0	-24
Spain	109	+1	+4	-0
Portugal	76	-1	-10	-28
Greece	140	-4	-43	-63

Commodities

	% Change			
	Close	Day	4 Weeks	End 22
Brent Oil	76.26	-2.68	-2.69	-11.23
West Texas Oil	71.68	-3.62	-4.13	-10.58
Gold \$	1940.3	-0.85	-2.39	+6.35

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