Morning Comment

AIB Treasury Economic Research Unit

Friday 16 June 2023
07:42 am

ECB hikes rates by 25bps, but still has ground to cover

As had been anticipated, the ECB raised rates by 25bps yesterday, bringing the Deposit rate up to 3.5%. Furthermore, at the post-meeting press conference, President Lagarde stated that the ECB is not done yet, and a further rate hike at the next policy meeting in July, "is very likely". Futures contracts, which were already pricing in another 25bps hike next month, firmed slightly, as markets contemplate the Deposit rate rising to 4% in Q3.

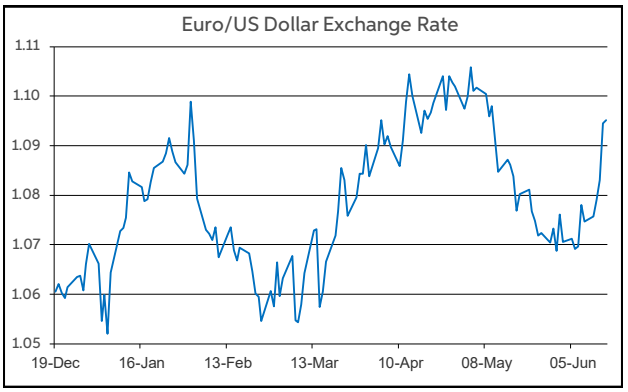
Elsewhere, the Bank of Japan left monetary policy unaltered overnight, in-line with expectations. Meantime, on equity markets the S&P 500 gained 1.2% yesterday, while the Euro Stoxx 50 declined by a modest 0.2%. Data-wise, US retail sales printed above the consensus, rising by 0.3% in May (vs. –0.1% f'cast). Industrial production though, fell by 0.2% in May, (vs +0.1% f'cast).

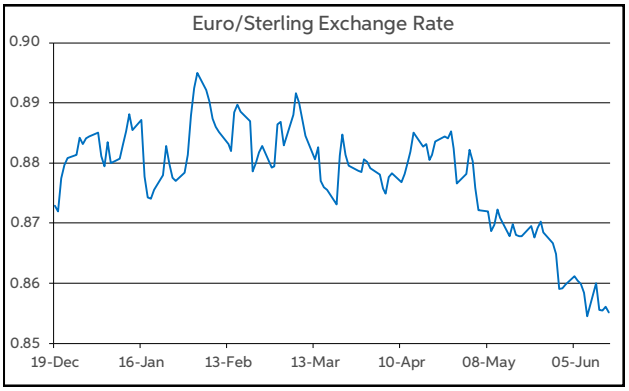
On the currency front, the dollar remained under pressure, and unlike the day before, the greenback was unable to claw back its losses after the European close. The dollar declined by over 1% against the euro and sterling. Meantime, the yen was on the back-foot as the BoJ maintained its very dovish monetary policy stance.

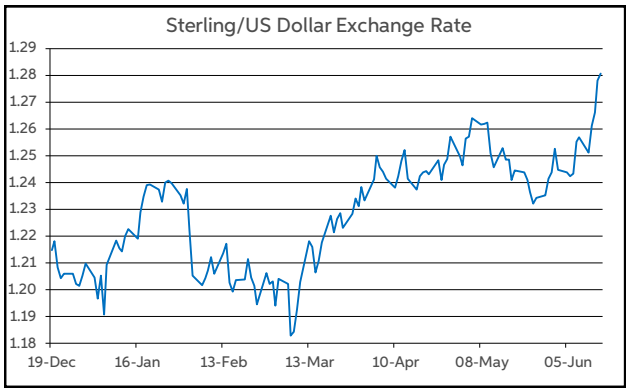
The softer tone to the dollar sees, EUR/USD opens this morning up at the midpoint of $1.09-1.10. GBP/USD is operating up above the $1.28 handle, having opened yesterday in the $1.26-1.27 range. Meanwhile, EUR/GBP remains at the halfway mark of 85-86p.

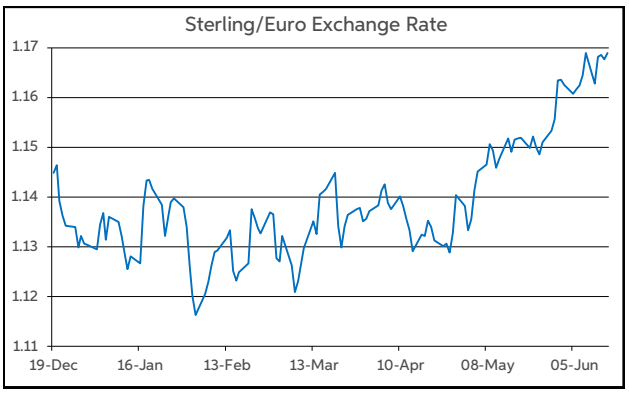
Today, the final reading of Eurozone HICP is set to confirm that headline inflation slowed to 6.1% in May, down from 7%. In the US, the first reading of Michigan consumer sentiment is forecast to edge slightly higher, albeit from subdued levels. Bar any major surprises though, the data are unlikely to impact markets.

Daniel Noonan, Economist, AIB









Today's Opening FX Rates

		% Change	
		Day *	End 2022
EUR/USD	1.095	1.30	2.32
EUR/GBP	0.8549	-0.05	-3.34
GBP/USD	1.2806	1.34	5.86
GBP/EUR	1.1692	0.05	3.45
USD/JPY	140.8	-0.33	7.39
EUR/JPY	154.21	0.98	9.91

* v Previous Day's European Open

See Next Page for More Rates

Opening Interest Rates

		Money Market		Swap Rates		
	Base Rate	1-Mth	3-Mth	1-Yr	2-Yr	5-Yr
USD	5.13	5.16	5.51	5.50	4.90	4.03
EUR	3.75	3.34	3.52	4.01	3.80	3.30
GBP	4.50	4.66	4.89	5.59	5.73	5.14

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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All Data Sourced from Refinitiv

Opening Levels

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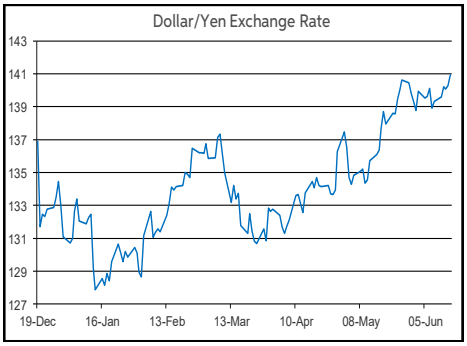
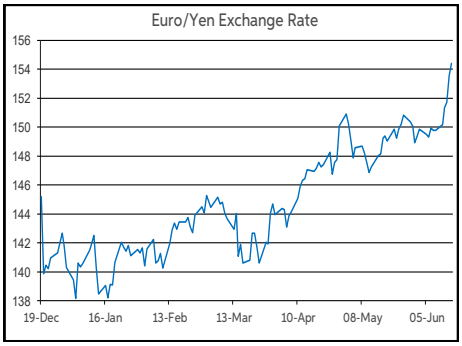
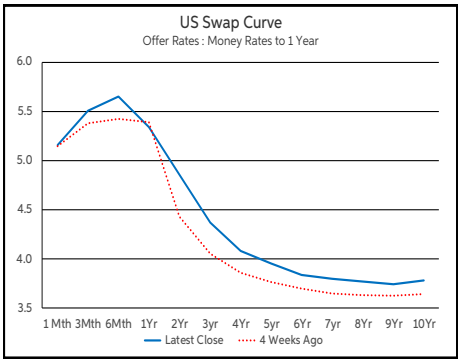
Euro	
EUR/GBP	0.8549
EUR/USD	1.095
EUR/JPY	154.21
EUR/SEK	11.5968
EUR/DKK	7.4508
EUR/NOK	11.4878
EUR/CHF	0.9757
EUR/AUD	1.5892
EUR/HKD	8.5649
EUR/CAD	1.4478

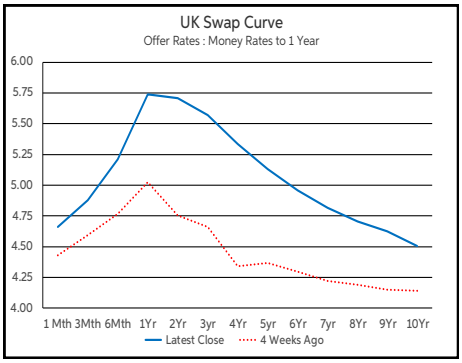
Sterling	
GBP/EUR	1.1692
GBP/USD	1.2806
GBP/CAD	1.6932
GBP/NZD	2.052
GBP/JPY	180.31
GBP/SEK	13.5603
GBP/DKK	8.7117
GBP/NOK	13.4344
GBP/CHF	1.141
GBP/AUD	1.8583

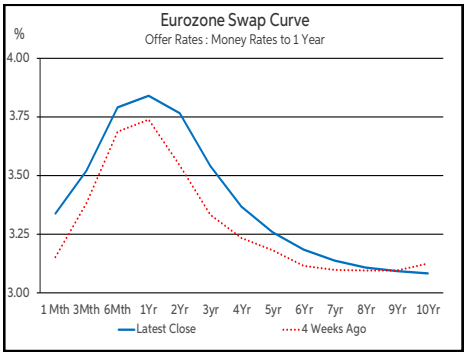
Dollar	
USD/JPY	140.8
USD/CAD	1.322
USD/CHF	0.891
USD/CNY	7.1098
USD/BRL	4.8102
USD/RUB	83.8225
USD/INR	81.8975
AUD/USD	0.6891
NZD/USD	0.6238

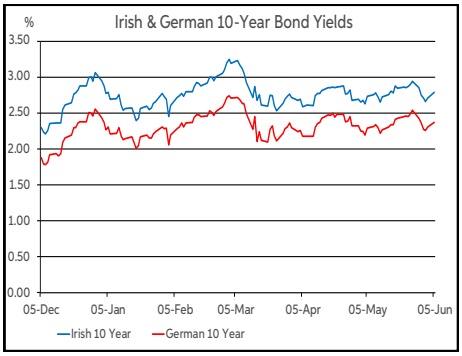












Debt Markets		Change bps		
	Close	Day	4 Weeks	End 22
10 Year Yield %				
US	3.72	-7	+7	-16
Germany	2.50	+6	+9	-6
UK	4.38	-1	+42	+71
Ireland	2.86	+3	-4	-29
Belgium	3.15	+4	-1	-5
France	3.02	+5	-2	-10
Italy	4.13	+3	-18	-58
Spain	3.44	+3	-8	-22
Portugal	3.18	+4	-8	-43
Greece	3.85	+7	-19	-74
5 Year Swap %				
US	3.95	-7	+23	-4
Eurozone	3.26	+9	+11	+3
UK	5.13	+3	+81	+83
2 Year Swap %				
US	4.86	+0	+47	+18
Eurozone	3.77	+10	+23	+38
UK	5.71	+5	+90	+103
10 Year Government Bond Spreads to Benchmark bps				
Ireland	36	-3	-13	-23
Belgium	65	-2	-10	+1
France	52	-1	-11	-3
Italy	162	-2	-27	-52
Spain	94	-3	-17	-16
Portugal	67	-2	-17	-36
Greece	135	+2	-28	-68

Commodities		% Change		
	Close	Day	4 Weeks	End 22
Brent Oil	75.67	+3.37	-0.25	-11.92
West Texas Oil	70.61	+3.50	-1.68	-11.91
Gold $	1957.7	+0.75	-0.02	+7.30

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