

ECB cut rates by 25bps. US labour market report today

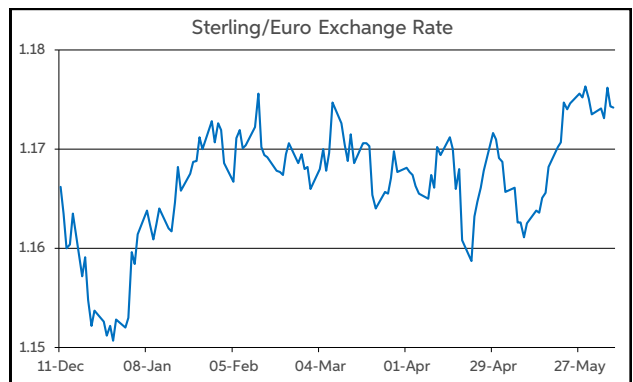
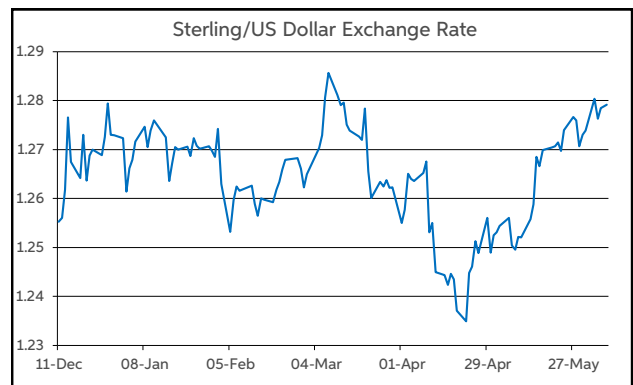
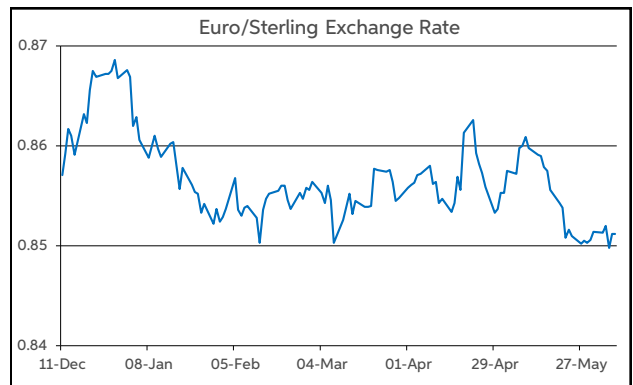
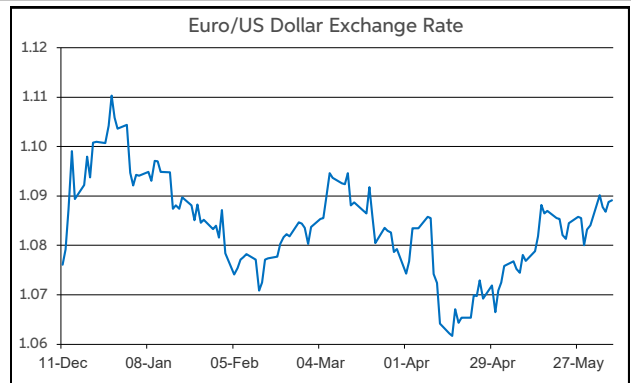
As had been widely anticipated, the ECB lowered its key interest rates by 25bps yesterday. The ECB also announced that it will slowly start to run-down assets from its PEPP portfolio. Meantime, the post-meeting statement and press conference provided little clear guidance on the rates outlook. Indeed, the ECB stressed that it remains data dependent and is not pre-committed to any particular rate path. At the same time, the updated inflation forecasts were revised marginally higher for this year and for 2025.

Given the policy decision was in-line with expectations and the ECB remains in data dependent mode, the impact on markets was muted yesterday. Futures contracts pricing remains consistent with market expectations for a total of circa 60bps worth of rate cuts by year end (including yesterday's 25bps decrease). Meanwhile, Eurozone bond yields rose by a modest 2-5bps. On the currency front, the main FX pairs remained range bound, albeit EUR/USD briefly tested the \$1.09 mark. However, a break above this level could not be sustained.

As trading gets underway this morning, EUR/USD opens in the top half of the \$1.08-1.09 corridor once again. EUR/GBP continues to change hands just above the 85p threshold. Elsewhere, GBP/USD is operating in the upper half of the \$1.27-1.28 band.

Today, the main highlight will be the US labour market report for May. Conditions in the job's market remain tight, although they have softened recently. The consensus is for payrolls to rise by 185k in the month, while the unemployment rate is expected to stay at 3.9%. Meantime, average earnings growth is forecast to remain at +3.9% y/y in May. In the Eurozone, the third reading of GDP is set to confirm the economy expanded by 0.3% in Q1.

Daniel Noonan, Economist, AIB



Today's Opening FX Rates			
		% Change	
		Day *	End 2023
EUR/USD	1.0891	0.04	-1.31
EUR/GBP	0.8512	0.06	-1.80
GBP/USD	1.2792	-0.01	0.49
GBP/EUR	1.1741	-0.06	1.83
USD/JPY	155.41	-0.21	10.17
EUR/JPY	169.29	-0.15	8.78

* 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	5.38	5.44	5.60	5.32	4.90	4.37
EUR	4.50	3.68	3.75	3.65	3.34	2.92
GBP	5.25	5.19	5.18	5.00	4.86	4.30

All rates quoted are indicative market rates

See Next Page For More Rates & Charts

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

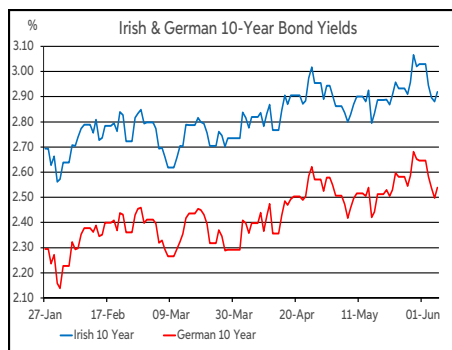
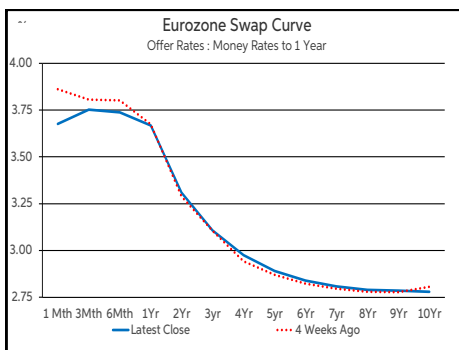
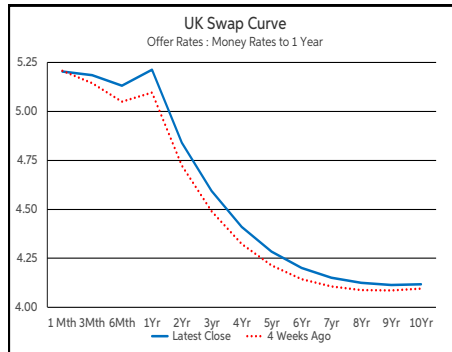
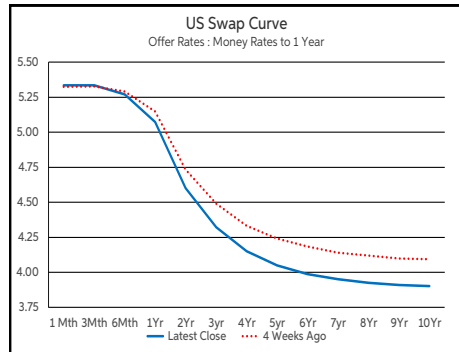
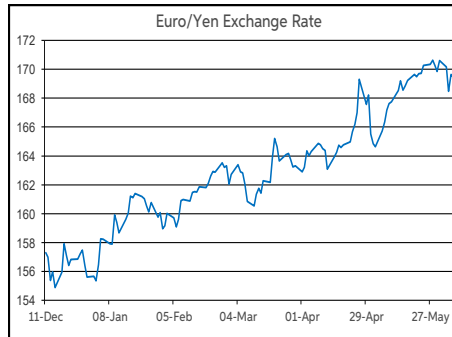
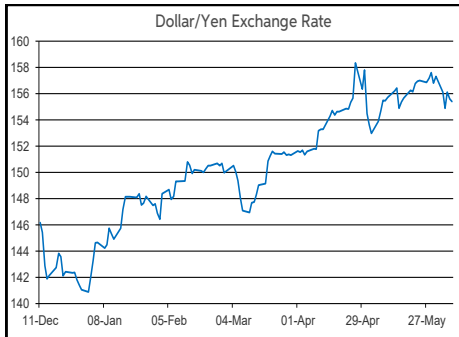
EUR/GBP	0.8512
EUR/USD	1.0891
EUR/JPY	169.29
EUR/SEK	11.305
EUR/DKK	7.4599
EUR/NOK	11.4938
EUR/CHF	0.9687
EUR/AUD	1.6321
EUR/HKD	8.5068
EUR/CAD	1.4888

Sterling

GBP/EUR	1.1741
GBP/USD	1.2792
GBP/CAD	1.7487
GBP/NZD	2.0647
GBP/JPY	198.8
GBP/SEK	13.2766
GBP/DKK	8.76
GBP/NOK	13.4992
GBP/CHF	1.1377
GBP/AUD	1.9167

Dollar

USD/JPY	155.41
USD/CAD	1.3668
USD/CHF	0.8892
USD/CNY	7.2438
USD/BRL	5.2585
USD/RUB	88.6875
USD/INR	83.4325
AUD/USD	0.6674
NZD/USD	0.6194



Debt Markets				
	Close	Change bps		
		Day	4 Weeks	End 23
10 Year Yield %				
US	4.28	-1	-17	+42
Germany	2.54	+4	+4	+51
UK	4.18	-0	+4	+64
5 Year Swap %				
US	4.31	+0	-18	+52
Eurozone	2.89	+4	+3	+46
UK	4.29	-2	+8	+63
2 Year Swap %				
US	4.85	-2	-13	+52
Eurozone	3.31	+3	+3	+52
UK	4.84	-4	+12	+58
10 Year Government Bond Spreads to Benchmark bps				
Ireland	41	+0	+2	+7
Belgium	56	+1	-0	-10
France	50	+1	+0	-3
Italy	132	+1	-1	-35
Spain	74	+1	-5	-23
Portugal	61	+1	-3	-14
Greece	104	+0	-0	-1

Commodities				
	% Change			
	Close	Day	4 Weeks	End 23
Brent Oil	79.87	+1.86	-4.78	+3.67
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold \$	2375.6	+0.88	+1.27	+15.18

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