Morning Comment

AIB Treasury Economic Research Unit

Monday 26 May 2025
06:57 am

Trade risks back in focus

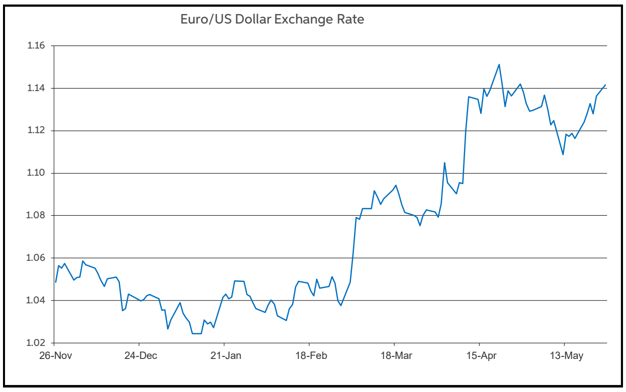
The market action last week saw a risk averse mood dominate. For much of the week, this stemmed from nervousness on the sustainability of US debt and the potential for debt levels to rise substantially over the coming years if the current tax/spending bill going through Congress gets enacted. Then on Friday, a threat from US President Trump, of a 50% tariff on EU imports (initially from June 1st but extended to July 9th) saw equity investors on the back foot heading into the weekend. The Euro Stoxx fell by 1.8% on Friday, finishing the week 1.9% lower. Meanwhile, by the closing bell on Wall Street, the S&P 500 was down 2.6% on the week.

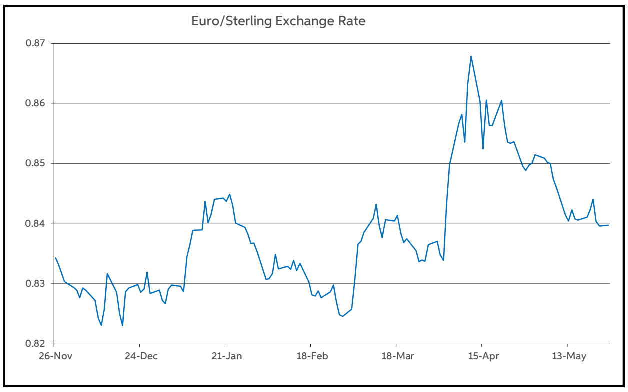
In terms of macro data last week, attention was on the flash PMIs for May. The US survey results printed ahead of expectations with strong performance from both the manufacturing and services sectors. The results suggest that the US economy continues to perform well despite all the trade policy related uncertainty. In contrast, the Eurozone PMIs disappointed versus forecasts, with the headline number falling back into contractionary territory.

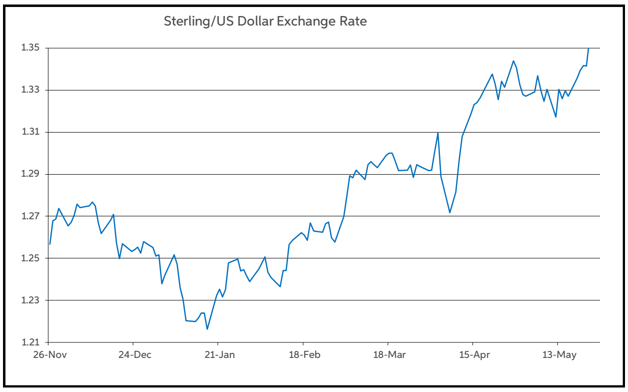
Currency-wise, the dollar found itself on the defensive. Initially this was amid the concerns over US debt. Then Friday's tariff newsflow put further downward pressure on the greenback. In level terms, the weaker dollar is evident in EUR/USD opening this morning back above $1.14, having started last Monday just below $1.12. Meantime, GBP/USD commences this week posting a fresh YTD high at $1.359. Elsewhere, the EUR/GBP pair is straddling the 84p handle, similar to where it spent much of last week.

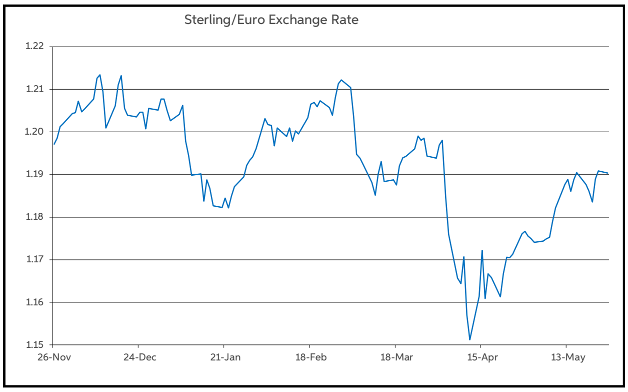
Ahead this week, given last Friday's '50% tariff threat', trade related news/developments will warrant close attention and therefore a potential source of market volatility. Data-wise, we get some important inflation updates. This includes US core-PCE (April) and the flash May readings of German, French, and Italian HICP inflation.

John Fahey, Senior Economist, AIB









Today's Opening FX Rates

		% Change	
		Day *	End 2024
EUR/USD	1.1416	0.87	10.27
EUR/GBP	0.8398	-0.17	1.51
GBP/USD	1.3589	1.03	8.62
GBP/EUR	1.19	0.17	-1.49
USD/JPY	142.5	-0.66	-9.34
EUR/JPY	162.69	0.21	-0.04

* 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	4.38	4.32	4.32	4.08	4.05	3.97
EUR	2.40	2.09	2.04	2.00	1.96	2.23
GBP	4.25	4.20	4.18	3.98	4.11	4.13

All rates quoted are indicative market rates **See Next Page For More Rates &**

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Opening Levels

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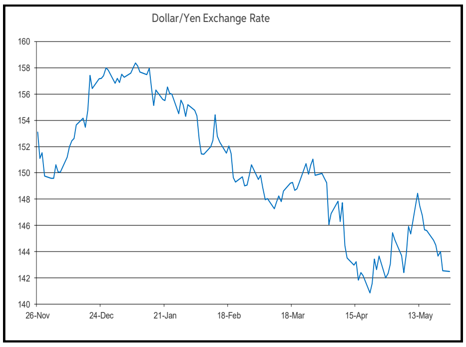
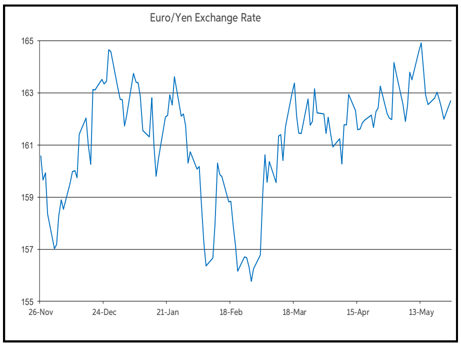
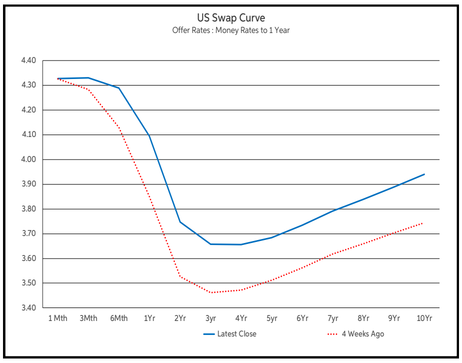
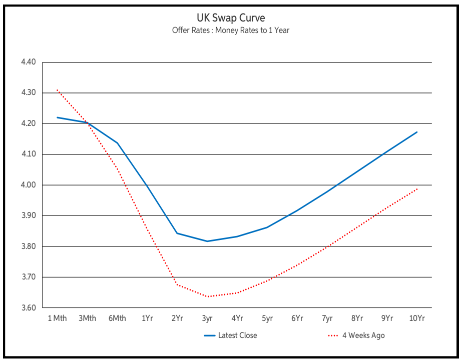
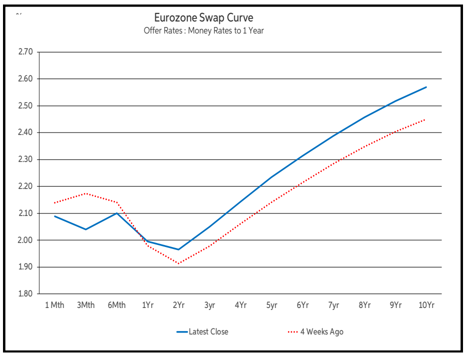
Euro		Sterling		Dollar	
EUR/GBP	0.8398	GBP/EUR	1.19	USD/JPY	142.5
EUR/USD	1.1416	GBP/USD	1.3589	USD/CAD	1.3697
EUR/JPY	162.69	GBP/CAD	1.861	USD/CHF	0.8197
EUR/SEK	10.8208	GBP/NZD	2.2522	USD/CNY	7.1722
EUR/DKK	7.459	GBP/JPY	193.61	USD/BRL	5.6463
EUR/NOK	11.4858	GBP/SEK	12.8809	USD/RUB	79.75
EUR/CHF	0.9362	GBP/DKK	8.8742	USD/INR	84.8825
EUR/AUD	1.7487	GBP/NOK	13.6725		
EUR/HKD	8.9474	GBP/CHF	1.1138	AUD/USD	0.6526
EUR/CAD	1.5636	GBP/AUD	2.0811	NZD/USD	0.6028

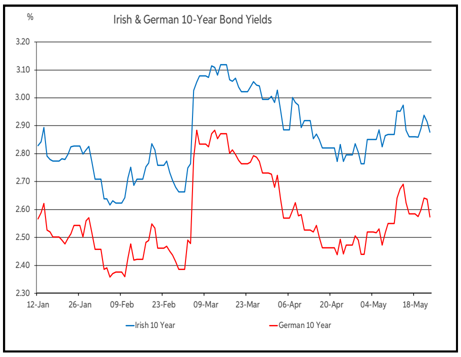












Debt Markets

	Close	Change bps Day	4 Weeks	End 24
10 Year Yield %				
US	4.51	-4	+25	-7
Germany	2.57	-6	+10	+21
UK	4.68	-7	+20	+11
Ireland	2.91	-5	+8	+26
Belgium	3.12	-5	+5	+14
France	3.27	-4	+8	+8
Italy	3.61	-5	+3	+9
Spain	3.20	-5	+7	+14
Portugal	3.09	-5	+8	+24
Greece	3.34	-8	-1	+9
5 Year Swap %				
US	3.93	-5	+18	-36
Eurozone	2.23	-4	+9	-1
UK	4.08	-7	+17	-20
2 Year Swap %				
US	4.01	-1	+25	-32
Eurozone	1.96	-4	+5	-23
UK	4.07	-2	+16	-42
10 Year Government Bond Spreads to Benchmark bps				
Ireland	33	+2	-2	+5
Belgium	54	+1	-5	-8
France	70	+2	-2	-14
Italy	104	+2	-7	-12
Spain	63	+2	-3	-7
Portugal	52	+2	-2	+3
Greece	77	-2	-11	-12

Commodities

	Close	% Change Day	4 Weeks	End 24
Brent Oil	64.78	+0.53	-3.13	-13.21
West Texas Oil	71.65	-0.17	-1.90	-1.27
Gold $	3357.0	+1.91	+1.17	+27.94

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