



## June Market Review

Good afternoon. This bulletin covers:

- Recent Interest Rate trends
- Sterling and US Dollar settle back versus Euro
- Items of Interest.

### Key Market Trends at a Glance

*Table 1 - Key Metrics Summary*

Category	Metric	YTD move	From	To
Interest Rates	3-m euribor	-0.78%	2.74%	1.95%
	EUR 3-year	-0.05%	2.17%	2.12%
	GBP 3-year	-0.32%	4.39%	4.07%
	USD 3-year	-0.31%	4.31%	4.00%
Foreign Exchange FX	EUR/GBP	1.75%	0.8273	0.8420
	EUR/USD	9.17%	1.035	1.1398
Equities	ISEQ	18.97%	9753	11603
	FTSE 100	8.12%	8173	8837
	Nasdaq	3.26%	21120	21808
Commodities	Brent Crude	-11.88%	74.93	66.03
	Carbon	0.63%	72	72.25
	Gold	25.40%	2626	3293
Inflation	EU Core	-0.10%	2.70%	2.60%
Gilts	IE 10-yr	0.21%	2.65%	2.87%
	GB 10-yr	0.05%	4.58%	4.63%
	US 10-yr	-0.11%	4.57%	4.46%



## Interest Rates: how much more can they fall?

*Table 2 – Interest Rates*

Metric	06/06/2025	01/01/2025	<u>2025</u> <u>high</u>	<u>2025</u> <u>low</u>	<u>2024</u> <u>high</u>	<u>2024</u> <u>low</u>
<b>3-m euribor</b>	1.9540%	2.7360%	2.7890%	2.1590%	3.9700%	2.6780%
<b>EUR 3-year</b>	2.1200%	2.1740%	2.4760%	2.1580%	3.2350%	1.9800%
<b>GBP 3-year</b>	4.0700%	4.3920%	4.6450%	4.0620%	4.8000%	3.7700%
<b>USD 3-year</b>	4.0000%	4.3092%	4.5380%	3.3648%	5.0000%	3.3800%

The 3-month Euribor rate has continued to fall in 2025 in line with actual/anticipated falls in the ECB Base Rate. The Base Deposit Rate has fallen from a peak of 4% in September 2023 to 2.00% currently with the ECB implementing an 8<sup>th</sup> rate cut since last year at the June 5<sup>th</sup> meeting. Market predictions for another two 25bp cuts this year have eased somewhat as a result of the “tone” of the ECB statement at the most recent meeting. ECB as a baseline see inflation under control and growth prospects as quite reasonable. The view on further interest rate cuts is somewhat qualified by the impact of tariffs and other “Trumpian” policies on inflation and economic growth.

The EUR 3-year fixed rate curve (before margin) is currently 5bp (0.05%) below its 2024 year end level. The decline from mid-October was reversed as the markets re-evaluated the likely pace of further rate cuts in 2025. Government yields are also on the rise as the prospect of issuing further debt in Europe is real.

Graph 1 – 3 Month Euribor 2025 Trend



Graph 2 – EUR 3 Year Swaps 2025 Trend





The UK is displaying similar patterns and trends albeit at higher levels.

*Graph 3 – GBP 3 Year Swaps 2025 Trend*



Bank of England Base Rate was cut by 25bps again in May to 4.25%. This is the second such cut in 2025. The vote for a cut was 5-4 with two members voting for a cut of 0.50% and another two looking to hold the rates as is. The continuing dilemma for the bank is that inflation remains well above the 2% target rate, forecast to hold at 3.7% in Q3 before easing thereafter, while economic growth forecasts are holding up. The UK tariffs deal with the US was trumpeted, if you pardon the pun, but still remains unclear in its final scope and scale. But high government debt inherited by the Labour government (UK Debt:GDP was almost 96% at the end of 2024), giving little wriggle room on fiscal policy.

## Currencies

**GBP** – stabilised again after a bumpy April.

Graph 4 – EUR/GBP 2025 Trend



2024 saw Sterling (GBP) have a good year versus the Euro (EUR) as it gradually strengthened over the course of the year. While it has regained some strength after the April period of weakness and the average for the year to date remains lower i.e. stronger than the 2024 annual average, the outlook for Eurozone right now looks better as lower levels of government debt in general accompanied by likely increases in government spending including on defence are supportive of the currency in the medium term. The currency pair remains in a long-term range of EUR/GBP0.8210 to EUR/GBP0.8650 and it has held for a number of years so a break out of this would be significant.



## USD - weakness as a result of tariffs has abated for now...but more to follow?

Having started the year strongly, USD threatening to test parity against EUR again, the subsequent initiation of the tariff plans weakened USD quickly with it hitting EUR/USD1.1573 in April. President Trump eased back on the pace and scale of tariffs by announcing “stays of execution” although these actions were mainly due to the bond market suggesting that his actions may be unwise. You may recall that we have previously spoken about the scale of the US government debt and ongoing deficits. As it happens foreigners (Europe, China, Japan) hold a substantial amount of such debt. If they stop investing in US bonds then the US has a problem, hence the row back on tariffs for now. This still has the potential to go to EUR/USD1.2000 in the event of renewed tariff aggression.

*Graph 5 - EUR/USD 2025 Trend*





## Other Items of Interest

- **The actions of the US President** continue to be the dominant factor on the economic front globally this year. Policies remain focused on populist ideas such as cutting taxes and clamping down on migrants.
- **Ongoing market focus surrounding the US deficit and ballooning US Government borrowings** has not been helped by the fact that while he may be seeking to reduce spending, he also wants to reduce taxes, thereby increasing rather than decreasing the deficit. Elon Musk has retreated from DOGE after failing to find anything like the scale of expenditure cuts that he promised. Additionally, the tax cuts appear to be focused on the rich rather than the working man or woman.
- **The right of the President to invoke emergency powers to sign executive orders** and the resultant legitimacy of the tariffs being imposed has now been challenged in the US courts. But for now, it doesn't appear that his use of such orders is decreasing.
- And while **Irish unemployment remains at 4%** and inflation hovers around 2%, Construction PMI dropped into contraction territory again.
- Overall, a more stable month on the economic front but with trade and tariffs discussions ongoing, we are by no means out of the woods yet.

Comments or queries to:

**Jennifer Brennan**  
**Corporate Finance Director**  
T: +353 (0)90 6480600  
E: [jrbrennan@rbk.ie](mailto:jrbrennan@rbk.ie)