



Dollar Holds Its Nerve Ahead of Payrolls

The dollar's rebound looked to be on shaky ground yesterday, with disappointing preliminary Q2 GDP and weekly jobless claims data bringing some sellers back into the market. According to the GDP report, the US economy grew by an annual rate of 1.9% in Q2, which was in line with consensus forecasts and a pick up from Q1's growth rate. However, Q1 was revised down to 0.9%, while Q4 was revised down to a negative 0.2%. Meanwhile, the sharp jump in weekly jobless claims raised concerns ahead of this afternoon's non-farm payrolls report.

Nevertheless, in the event, the dollar proved surprisingly resilient in the face of the disappointing data, regaining its composure late in the day to move back though \$1.56. This leaves it well positioned ahead of the payrolls number but the data still pose downside risks as does the manufacturing ISM. Meanwhile, the euro seems to be struggling to regain the upper hand as markets increasingly focus on weak data from the eurozone. This includes this morning's release of weak German retail sales data. Inflation remains high, as was underlined by yesterday's flash HICP for July, showing inflation at a new record high of 4.1%. However, a slowing economy is pointing to steady rates over the coming months.

Sterling slipped against the euro early in the day after the release of poor UK house price and consumer confidence data undermined the currency. It did manage to recover some ground over the day but is vulnerable ahead of this morning's manufacturing PMI. The AUD came under pressure overnight on talk that rates could be on the way down. After two rate hikes earlier in the year, official interest rates are currently at a 12 year peak of 7.25% but there are increasing signs that the pace of economic activity is cooling.

Geraldine Concagh, AIB Global Treasury

SHORT TERM INTEREST RATES

Months	1	3	6	12
USD	2.46	2.79	3.08	3.25
JPY	0.64	0.90	1.00	1.16
EUR	4.48	4.97	5.16	5.37
GBP	5.39	5.78	5.98	6.17

LONG TERM INTEREST RATES

Term	EURO (Annual)	GBP
2 Years	5.00	5.61
3 Years	4.94	5.59
4 Years	4.89	5.57
5 Years	5.00	5.61

Euro S/Term interest rates Actual /360 : L/Term Actual Bond Basis

Today's Opening Rates (Mid-Rate)

USD/EUR	1.5562	NOK/EUR	8.0078
GBP/EUR	0.7851	CHF/EUR	1.6327
USD/GBP	1.9822	AUD/EUR	1.6596
JPY/USD	107.52	NZD/EUR	2.135
JPY/EUR	167.35	HKD/EUR	12.1441
SEK/EUR	9.4414	CAD/EUR	1.5934
DKK/EUR	7.4607	EUR/GBP	1.2734

Indices		Dow	11378.02	-199.97	
FTSE	5411.90	-8.80	ISEQ	4371.62	-70.37
Nikkei	13410.40	100.42	Nasdaq	2325.55	14.22

Average Exchange Rates & Cost of Funds for July 2008

GBP/EUR	0.7925	USD/EUR	1.5771
JPY/EUR	168.425	SEK/EUR	9.4510
DKK/EUR	7.4597	NOK/EUR	8.0445
CHF/EUR	1.6192	AUD/EUR	1.6376
NZD/EUR	2.0862	HKD/EUR	12.2976
CAD/EUR	1.5968	JPY/USD	106.80
USD/GBP	1.9895	EUR/GBP	1.2618

AVERAGE EURO COST OF FUNDS

	May '08	June '08	July '08
1 week	4.2213	4.2031	4.3380
1mth	4.3836	4.4724	4.4716
2mths	4.6771	4.7377	4.7477
3mths	4.8571	4.9405	4.9610
6mths	4.8960	5.0883	5.1482
9mths	4.9417	5.2299	5.2536
12mths	4.9887	5.3608	5.3932

