



All Eyes on US Payrolls Data and ECB

While off yesterday's best levels at \$1.42, the euro has started the day trading above \$1.41 versus the dollar following positive moves in stocks on the back of some better than expected US data. At the same time though, upside is seen as limited, with markets on edge ahead of this afternoon's release of the all important US non-farm payrolls reports for June, which is out a day early this month due to the Independence Day holiday. Yesterday's ADP employment report came in much weaker than expected, causing many in the marketplace to revise upwards their expectations for the number of job losses in the official report.

Comments from Fed official continue to suggest that interest rates will remain at ultra low levels for sometime, with Chicago president Evans saying that there is no timeframe for an exit strategy from the current accommodative policy regime. Comments from the ECB ahead of today's policy meeting also show caution in terms of the outlook for the eurozone, with Weber stating that the economy will not return to growth before mid-2010. The central bank is expected to leave rates on hold at 1.0% today, with markets focusing instead on the tone of the post meeting press conference.

Sterling slid against the euro yesterday, undermined by concerns about the UK economy following Tuesday's sharp downward revision to Q1 GDP growth estimates. It remains within sight of recent highs, however, with little to commend the eurozone economy at the moment either. Meanwhile, versus the dollar, appetite for risk continues to dominate direction. There are no UK data due for release today, leaving the focus very much on the US jobs numbers at 1.30pm.

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Today's Opening Rates (Mid-Rate)

USD/EUR	1.4113	NOK/EUR	8.9663
GBP/EUR	0.8592	CHF/EUR	1.5211
USD/GBP	1.6424	AUD/EUR	1.7556
JPY/USD	96.63	NZD/EUR	2.208
JPY/EUR	136.37	HKD/EUR	10.9372
SEK/EUR	10.725	CAD/EUR	1.6204
DKK/EUR	7.4454	EUR/GBP	1.1637

Indices		Dow	8504.06	56.53	
FTSE	4340.71	91.50	ISEQ	2691.41	-10.59
Nikkei	9889.34	61.88	Nasdaq	1845.72	-0.40

Irish Economy Contracts by 8.5% in Q1

Data released on Tuesday showed that the Irish economy contracted by 8.5% in year-on-year terms in the first quarter of this year. On a GNP basis the economy contracted by 12.0% in year-on-year terms.

Broad based weakness was evident in the data, with consumer spending down 9.1%, fixed investment down 34.1% and exports down 3.0%. However, a much larger 11.7% drop in imports, due to the fall off in domestic demand, ensured that the trade sector made a positive contribution to the economy again in Q1. The fall off in Irish exports has also been much more modest than that seen in some of the major economies, as reflected in balance of payments data for the same period, which was also released Tuesday.

The Irish central bank also released its latest lending data on Tuesday. The numbers show that the demand for private sector credit continues to fall, declining by almost €1 billion over the month, compared to a drop of €1.8 billion in April.

The annual rate of increase in credit growth slowed to 0.8% in May, compared to a revised 1.6% in April, the lowest annual rate of growth since the series began. Growth in mortgage lending, meanwhile, dropped to 2.6%, again an historical low.

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.31	0.59	1.09	1.59
JPY	0.23	0.45	0.70	0.87
EUR	0.74	1.09	1.30	1.50
GBP	0.65	1.18	1.40	1.69

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.80	2.34
3 Years	2.27	3.03
4 Years	2.61	3.45
5 Years	2.89	3.72

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



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