



Markets Remain in Optimistic Mood

Markets remain in an optimistic mood going into the weekend with stocks having another strong day on the back of some solid earnings reports. Sentiment was also helped by upbeat comments from the Bank of Canada that its recession is virtually over, as well as remarks from Japan that the worst has passed for its economy. All of this optimism helped lift the euro to weekly highs of \$1.4291 yesterday but as \$1.43 continues to prove elusive it has since fallen back about a cent, with some talk of profit taking going into the weekend.

Markets could also have turned cautious on the euro ahead of this morning's release of the flash PMI survey results for July, which are expected to show a continuation of the gradual recovery from the lows seen late last year, though still remaining in recession territory and indicating that the eurozone will lag other majors in terms of the recovery cycle. Other key data to watch today from the eurozone include the German Ifo survey. Meanwhile, in the US, the Michigan survey will provide the latest insight in terms of consumer confidence.

Sterling was lifted versus the dollar and euro by yesterday's news that high street spending was stronger than anticipated in June. Retail sales were up a solid 1.2% on the month, compared to forecasts for a 0.4% rise. Stronger than expected bank lending data also raised hopes of an economic recovery. This morning sees the release of provisional Q2 GDP data, which should provide fresh direction for the UK currency. The data are expected to indicate a marked slowing in the rate of contraction in the economy. GDP is forecast to fall by 0.3% following a record drop of 2.4% in the first three months of the year.

Geraldine Concagh, AIB Global Treasury

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.29	0.50	0.95	1.47
JPY	0.21	0.42	0.65	0.83
EUR	0.56	0.93	1.18	1.38
GBP	0.59	0.93	1.15	1.47

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.80	2.28
3 Years	2.27	2.99
4 Years	2.63	3.44
5 Years	2.91	3.73

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

Today's Opening Rates (Mid-Rate)

USD/EUR	1.4193	NOK/EUR	8.898
GBP/EUR	0.8588	CHF/EUR	1.5212
USD/GBP	1.6524	AUD/EUR	1.7393
JPY/USD	94.68	NZD/EUR	2.164
JPY/EUR	134.36	HKD/EUR	10.998
SEK/EUR	10.6316	CAD/EUR	1.5469
DKK/EUR	7.4443	EUR/GBP	1.1641

Indices		Dow	9069.29	186.98	
FTSE	4559.80	66.07	ISEQ	2827.87	96.66
Nikkei	9712.10	80.37	Nasdaq	1973.6	48.64

UK Retail Sales Surprise Once Again

% Change in UK Retail Sales

	M/M	Y/Y	3 Mth/3 Mth
April	0.8	2.6	-2.0
May	-0.9	-2.0	0.2
June	1.2	2.9	0.7

Official data on UK retail sales continue to confound expectations with the latest numbers indicating that consumer spending remains pretty resilient. Stronger than anticipated household spending should thus contribute to the more modest rate of contraction pencilled in for the economy in Q2.

The data released yesterday showed that sales in June were much stronger than expected, rising by 1.2% over the month compared to the 0.4% increase anticipated by the market. The good news was partly overshadowed by the announcement that the previous month's sales were revised down from -0.6% to -0.9% but in year on-year terms the growth in sales still picked up from a contraction of -0.2% in May to +2.9% last month. Sales were helped by good weather with clothing sales up by a robust 4.6% over the month.

