

Shift in Focus Away from Risk

The end of last week saw a change of tack for forex markets. Friday's better than expected US non-farm payrolls numbers saw a refocusing away from global risk sentiment towards prospects for economic recovery, leading to a broadly firmer dollar. The US currency has generally retained its gains over the weekend, though losing some ground against the yen which has been bolstered by buying by Japanese exporters.

It remains to be seen whether the dollar's inverse relationship with stock price movements has indeed been broken as markets look for more evidence that the global economy is emerging for its deep recession and that global risk is diminishing. However, key US data due this week are confined to the back end of the week leaving initial focus on Wednesday's FOMC statement. We expect the Fed to give a cautious welcome to signs that the economy is turning the corner but no indication of any change in policy stance or moves towards exit strategies.

Indeed, the only features on the economic calendar today are French industrial production and the eurozone Sentix investor confidence index. Key focus in the eurozone this week, though, will be the flash Q2 GDP report, which is due on Thursday and is preceded by the preliminary national GDP reports from Germany and France. While remaining in negative territory, the reports are expected to indicate that the trough of the recession passed in Q1. The main focus in the UK, meanwhile, will be Wednesday's release of the Bank of England's Quarterly Inflation Report, which will outline updated growth and inflation forecasts, as well as provide further insights into the MPC's decision to extend its QE activities at last week's policy meeting.

Jenny Pollock, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

USD/EUR	1.4186	NOK/EUR	8.6577
GBP/EUR	0.851	CHF/EUR	1.5348
USD/GBP	1.6665	AUD/EUR	1.6916
JPY/USD	97.25	NZD/EUR	2.111
JPY/EUR	137.95	HKD/EUR	10.996
SEK/EUR	10.1665	CAD/EUR	1.5374
DKK/EUR	7.4447	EUR/GBP	1.1747

Indices		Dow	9370.07	111.62	
FTSE	4731.56	41.03	ISEQ	2881.22	17.11
Nikkei	10365.71	122.08	Nasdaq	2000.25	3.25

SHORT TERM INTEREST RATES

Months	1	3	6	12
USD	0.28	0.46	0.91	1.51
JPY	0.21	0.41	0.64	0.83
EUR	0.52	0.88	1.13	1.35
GBP	0.57	0.86	1.07	1.39

LONG TERM INTEREST RATES

Term	EURO (Annual)	GBP
2 Years	2.04	2.31
3 Years	2.50	3.05
4 Years	2.80	3.48
5 Years	3.04	3.75

Economic Indicators this week . . .

(full listing on our "Weekly Market Brief" on www.fxcentre.com)

Date	G7	Time	Statistics	Previous	Forecast	Rank
Wed 12 Aug	UK	09.30	Claimant Count Unemployment (July)	+23,800	+25,000	High
Wed 12 Aug	UK	10.30	BoE Inflation Report (Q3)			High
Wed 12 Aug	US	13.30	International Trade Balance (June)	-\$25.96bn	-\$28.5bn	High
Wed 12 Aug	US	19.15	FOMC Rate Announcement	0 – 0.25%		High
Thur 13 Aug	EU-16	10.00	Flash GDP (Q2)	-2.5%(-4.9%)	-0.5%(-5.1%)	High
Thur 13 Aug	EU-16	11.00	CPI (July)	-0.3%(-5.4%)	-0.5%(-5.6%)	High
Thur 13 Aug	US	13.30	Retail Sales (July)	+0.6%	+0.6%	High
Fri 14 Aug	US	13.30	CPI (July)	+0.7%(-1.4%)	-0.0%(-2.0%)	High
Fri 14 Aug	US	14.55	Michigan Sentiment (August –Prelim)	66.0	68.5	High



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