



## Recovery Hopes Weigh on Dollar

Hopes for the global economic recovery have seen the US dollar hit lows for the year against risk currencies such as the euro and the AUD while also recording a fresh yearly low against a basket of currencies. Risk sentiment was bolstered by yesterday's better than expected US industrial production data and improvement in house builders sentiment and by a positive Japanese business survey overnight. A strong rally on Wall Street was carried through into better Asian markets keeping the pressure on the dollar.

Markets will now be looking to see whether the euro can maintain its breach of key resistance of the \$1.4720 level, with some concerns that it may have appreciated too far too fast. With global recovery the main theme, traders will be looking initially at today's UK retail sales and CBI industrial trends survey and then to US data (housing stats and permits data, weekly jobless numbers and the Philadelphia Fed index) for direction.

The yen hit a seven month high to the dollar yesterday, taking support from comments from Japan's incoming foreign minister that a strong yen has advantages for the Japanese economy, suggesting that the new administration may not be as keen to interfere in the forex market as the previous one had been. However, it is off these highs possibly reflecting ongoing concerns about the Japanese economy. As expected, Japanese rates were kept on hold at the ultra low 0.1%.

Sterling, meantime, continues to struggle as Tuesday's dovish comments from BoE Governor, King, continue to weigh on sentiment. UK labour market data were broadly in line with expectations and as such provided some modest support for sterling in that the numbers were not as bad as some had feared.

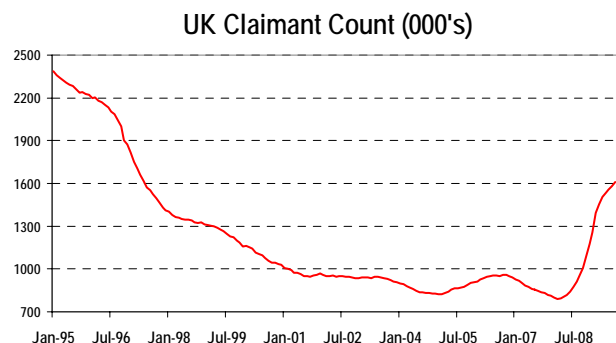
**Jenny Pollock, AIB Global Treasury**

### Today's Opening Rates (Mid-Rate)

USD/EUR	1.476	NOK/EUR	8.5826
GBP/EUR	0.892	CHF/EUR	1.5182
USD/GBP	1.6543	AUD/EUR	1.6823
JPY/USD	90.89	NZD/EUR	2.062
JPY/EUR	134.14	HKD/EUR	11.4385
SEK/EUR	10.0805	CAD/EUR	1.5661
DKK/EUR	7.4417	EUR/GBP	1.1211

Indices		Dow	9683.41	56.99	
FTSE	5042.13	23.28	ISEQ	3309.13	35.51
Nikkei	10288.72	-38.11	Nasdaq	2102.64	12.31

### UK Unemployment at 13 year High



Data released yesterday showed the unemployment rate in the UK hitting a 13 year high of 7.9% as the downturn in economic activity continues to take its toll. While the overall numbers are bleak, the rate of increase in the claimant count, however, has eased with last month's rise of 24,400 broadly in line with the increase of the previous three months.

Indeed, the rate of increase is about one third of what it was at the beginning of the year. Weak labour market conditions are evident in average earnings growth, which stood at 1.7% in July (3mth y/y % change), the lowest growth rate since the current series began in 2001.

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.24	0.29	0.68	1.27
JPY	0.18	0.35	0.56	0.80
EUR	0.45	0.77	1.04	1.25
GBP	0.50	0.59	0.80	1.13

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.72	1.90
3 Years	2.18	2.61
4 Years	2.53	3.06
5 Years	2.80	3.35

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



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