



AUD Shines on Rate Hike Talk

Following a strong start to the week, the yen has fallen across the board, weakening against all majors after Japan's Finance Minister said that intervention is possible under extreme circumstances, backtracking from the weekend's remarks that he was comfortable with the yen's recent appreciation. The euro, meanwhile, is trading in a relatively tight range against the dollar as markets await today's release of the European Commissions monthly sentiment and activity surveys as well as US house prices and consumer confidence.

It was the AUD, however, that was in the spotlight overnight, as investors bought the currency on growing speculation that interest rates will start rising as soon as November. Talk of monetary policy tightening was boosted by comments from the RBA's Governor about the risk of a house price bubble if interest rates were left low for too long. Markets are now pricing in a 75% chance of a rate hike at the RBA's November meeting and are fully pricing in another rise in December. With rates in Australia already relatively high at 3.0%, such increases would make the AUD an attractive investment choice at a time of very low rates internationally.

Sterling has regained some of its composure versus the dollar and euro, pulling back from yesterday's lows with corporate demand and profit taking providing some support. However, it remains vulnerable to further losses, as sentiment continues to be undermined by last week's comments from the BoE's King who said that a weakening in sterling was helping in rebalancing the economy. UK data of note today include final Q2 GDP numbers, alongside mortgage applications for August and the CBI's distributive trades survey for September.

Geraldine Concagh, AIB Global Treasury

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.25	0.28	0.64	1.26
JPY	0.18	0.35	0.55	0.80
EUR	0.44	0.74	1.02	1.24
GBP	0.50	0.54	0.73	1.08

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.68	1.82
3 Years	2.12	2.53
4 Years	2.46	3.00
5 Years	2.72	3.29

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

Today's Opening Rates (Mid-Rate)

USD/EUR	1.462	NOK/EUR	8.514
GBP/EUR	0.9188	CHF/EUR	1.5097
USD/GBP	1.5909	AUD/EUR	1.6705
JPY/USD	90.09	NZD/EUR	2.027
JPY/EUR	131.72	HKD/EUR	11.331
SEK/EUR	10.183	CAD/EUR	1.5827
DKK/EUR	7.4431	EUR/GBP	1.0879

Indices		Dow	9789.36	126.13	
FTSE	5165.70	83.50	ISEQ	3331.74	21.73
Nikkei	10136.24	-129.47	Nasdaq	2130.74	28.82

Hometrack Shows UK House Prices Up for Second Month Running

According to the Hometrack house price survey, the annual drop in house prices in England and Wales eased to 5.6% in September from 6.7% in August, the slowest annual rate of decline since August 2008. The estate agents surveyed by Hometrack said that property prices rose by 0.2% over the month of September to give an average price of £156,100. This was the fastest rate of monthly increase since June 2007 and follows a monthly rise of 0.1% in August.

According to the company's director "while a lack of housing for sale is providing a support to prices, talk of a general improvement in property and equities is leading to increased market confidence." However, like others closely connected to the market Hometrack remains cautious about how sustainable price rises will prove to be given that the UK market faces a seasonal slowdown over the autumn and winter months.

Furthermore, much of the recent increased activity has been driven by "bargain hunters" and those that are "less affordability-constrained". There also continues to be a regional supply/demand element to the recovery in the market, with the Greater London area showing the strongest monthly price rise at 0.4%.

