



Dollar Remains Under Pressure

The Australian dollar continues to lead the way in a general US dollar sell off, with stronger than expected labour market data released overnight fuelling expectations of further rate increases from the Reserve Bank of Australia in the months ahead. On Tuesday, the RBA became the first G20 country to raise rates in this cycle, with the move leading to a general improvement in risk appetite and the demand for carry trades. With US data still somewhat mixed, the prospect of a rate increase from the Federal Reserve remains low, leaving the dollar under pressure as a funding currency of choice. With the dollar tumbling against a number of Asian currencies, intervention was seen from central banks in South Korea, Taiwan, and the Philippines as they seek to limit the damage to their export industries. There were also reports of other central banks also being active in the market.

Boosted by the general pick up in risk appetite both the euro and sterling are higher against the USD this morning, though cable is struggling to make much headway ahead of today's BoE rate announcement. We expect no policy changes though additional QE remains a possibility as minutes of the September meeting show that some MPC members still have a preference for further stimulus. The ECB also makes its rate announcement today. Again no change is expected but markets will be keeping a close eye on the post meeting press conference for any subtle changes in tone. We expect the central bank to remain in a cautious mood, indicating that policy will remain very accommodative for sometime yet. Forex markets will in particular be watching to see if Mr. Trichet uses the press conference as a fresh opportunity to bemoan dollar's weakness.

Geraldine Concagh, AIB Global Treasury

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.24	0.28	0.60	1.22
JPY	0.17	0.34	0.54	0.78
EUR	0.43	0.74	1.01	1.23
GBP	0.51	0.55	0.74	1.10

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.72	1.77
3 Years	2.13	2.40
4 Years	2.44	2.82
5 Years	2.68	3.08

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

Today's Opening Rates (Mid-Rate)

USD/EUR	1.4764	NOK/EUR	8.3375
GBP/EUR	0.9221	CHF/EUR	1.5175
USD/GBP	1.6013	AUD/EUR	1.6336
JPY/USD	88.26	NZD/EUR	1.992
JPY/EUR	130.32	HKD/EUR	11.4437
SEK/EUR	10.292	CAD/EUR	1.5553
DKK/EUR	7.4434	EUR/GBP	1.0841

Indices		Dow	9725.58	-0.11	
FTSE	5108.90	-29.08	ISEQ	3310.76	16.36
Nikkei	9750.24	-52.62	Nasdaq	2110.33	11.27

Details of Reuters Latest Forex Poll

The following are consensus forex forecasts as published yesterday by Reuters.

	1-Mth	3-Mth	6-Mth	12-Mth
USD/EUR	1.47	1.47	1.46	1.44
GBP/USD	1.60	1.62	1.62	1.65
GBP/EUR	0.91	0.91	0.89	0.87
USD/JPY	90	92	95	99
JPY/EUR	132	135	137	141
GBP/JPY	144	149	153	158
CHF/USD	1.03	1.04	1.05	1.08
CHF/EUR	1.52	1.53	1.54	1.56
CAD/USD	1.07	1.06	1.07	1.06
AUD/USD	0.88	0.89	0.88	0.88
NZD/USD	0.72	0.72	0.72	0.71

