



RBA Raises Rates but Signals Caution

In a week dominated by central bank meetings, all eyes were on the Reserve Bank of Australia overnight as markets awaited its monthly policy announcement. As expected it hiked interest rates by another 0.25% to 3.50% but a note of caution in its policy statement suggested that we may not see another increase in December. The market had fully priced in another rise next month but after the announcement pulled back in terms of its expectations, which undermined the AUD versus the USD and the euro.

At the same time, however, risk appetite remained relatively strong as gains in stocks and data showing further evidence of a global economic recovery underpinned demand for riskier assets. Yesterday's round of manufacturing PMIs/ISM reinforced hopes offered further hope that a budding economic recovery would be maintained, with the US index actually rising to its highest level in over three years last month. As a result, the USD is on the backfoot versus the euro this morning, with the yen also coming under some selling pressure in a volatile market. However, with activity volatile, the euro is struggling to break through the \$1.48 level as investors debate how much risk to take on ahead of key central bank meetings later in the week.

Sterling slipped versus the dollar and euro yesterday, ending a five day winning streak as traders being to take to the sidelines ahead of Thursday's BoE policy announcement. A surprisingly big jump in the manufacturing PMI for October had little impact, with markets also nervous ahead of today's reported Lloyds and RBS revamp announcement. This morning also sees the release of the European Commission's autumn macro economic forecasts.

Geraldine Concagh, AIB Global Treasury

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.24	0.28	0.57	1.20
JPY	0.16	0.32	0.53	0.75
EUR	0.42	0.72	1.00	1.24
GBP	0.51	0.60	0.82	1.18

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.80	1.95
3 Years	2.23	2.61
4 Years	2.53	3.03
5 Years	2.78	3.30

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

Today's Opening Rates (Mid-Rate)

USD/EUR	1.4761	NOK/EUR	8.528
GBP/EUR	0.9029	CHF/EUR	1.5101
USD/GBP	1.6345	AUD/EUR	1.6436
JPY/USD	90.09	NZD/EUR	2.055
JPY/EUR	132.99	HKD/EUR	11.4401
SEK/EUR	10.4325	CAD/EUR	1.5935
DKK/EUR	7.4421	EUR/GBP	1.1077

Indices		Dow	2867.1	-6922.34	
FTSE	5104.50	59.95	ISEQ	2873.07	5.97
Nikkei	9903.77	27.90	Nasdaq	2049.2	1.78

Average Exchange Rates & Cost of Funds for October 2009

GBP/EUR	0.9147	USD/EUR	1.4815
JPY/EUR	133.80	SEK/EUR	10.2953
DKK/EUR	7.4434	NOK/EUR	8.3563
CHF/EUR	1.5137	AUD/EUR	1.6338
NZD/EUR	2.0052	HKD/EUR	11.4825
CAD/EUR	1.5618	JPY/USD	90.2959
USD/GBP	1.6197	EUR/GBP	1.0933

AVERAGE EURO COST OF FUNDS

	AUG '09	SEPT '09	OCT '09
1 week	0.3481	0.3421	0.3511
1mth	0.5092	0.4560	0.4297
2mths	0.6955	0.6217	0.5788
3mths	0.8625	0.7730	0.7375
6mths	1.1171	1.0435	1.0167
9mths	1.2405	1.1657	1.1433
12mths	1.3358	1.2622	1.2426

