

Morning Comment

Wednesday 4th November 2009 07.25 GMT

E-Mail: LetUsKnow@aib.ie : Internet: <http://www.fxcentre.com>

AIB Global Treasury Services



Markets on Edge Ahead of FOMC Announcement

The dollar saw one month highs against a basket of currencies, including the euro, yesterday with traders taking profits and consolidating positions ahead of key events later in the week. However, it failed to hold its gains over the day, with the euro moving back above the \$1.47 level as trading remained volatile. Today could prove to be a busy as well as volatile one for markets, with a host of key data due for release as well as the Fed's interest rate announcement. It is not anticipated that the Fed will announce any change in rates when it makes its announcement at 19.15 (Irish time).

Instead, markets will be looking for any subtle changes in tone in the language of its statement, amid some speculation that the FOMC will soften its reference to the "extended period" of accommodative policy. On the data front, numbers to watch over the day include the US ADP employment report for October, which should give some advance direction for Friday's official report, as well as the latest PMI and ISM services sector survey results.

The news that the UK government will force state-rescued banks RBS and Lloyds Banking Group to sell assets weighed heavily on sterling versus the dollar and euro yesterday, as UK banking shares came under pressure. Expectations that the BoE will extend its quantitative easing activities at tomorrow's policy meeting are also undermining the GBP. Data released by Natiowide overnight showed that UK consumer confidence was unchanged in October from a month earlier, though consumers remain concerned about the outlook for employment. Meanwhile, UK shop prices were steady year-on-year in October, after falling in the past 2 months.

Geraldine Concagh, AIB Global Treasury

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.24	0.28	0.56	1.18
JPY	0.16	0.32	0.53	0.75
EUR	0.43	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	1.83	2.02
3 Years	2.27	2.68
4 Years	2.57	3.11
5 Years	2.82	3.39

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

Today's Opening Rates (Mid-Rate)

USD/EUR	1.4749	NOK/EUR	8.4778
GBP/EUR	0.8954	CHF/EUR	1.5114
USD/GBP	1.6466	AUD/EUR	1.6298
JPY/USD	90.55	NZD/EUR	2.041
JPY/EUR	133.58	HKD/EUR	11.4313
SEK/EUR	10.4549	CAD/EUR	1.5682
DKK/EUR	7.4415	EUR/GBP	1.1161

Indices			Dow	9771.91	-15.56
FTSE	5037.21	-67.29	ISEQ	2811.73	-61.34
Nikkei	9785.28	-100.82	Nasdaq	2057.32	23.23

European Commission GDP Forecasts

Yesterday saw the European Commission release its latest macro economic projections for the region. Below are its projected GDP forecasts to 2011, with its previous forecasts (May and September) in brackets.

Annual % Change

	2009 (pvs)	2010 (pvs)	2011(pvs)
Belgium	-2.9 (-3.5)	+0.6 (-0.2)	+1.5
Germany	-5.0 (-5.1)	+1.2 (+0.3)	+1.7
Ireland	-7.5 (-9.0)	-1.4 (-2.6)	+2.6
Greece	-1.1 (-0.9)	-0.3 (+0.1)	+0.7
Spain	-3.7 (-3.7)	-0.8 (-1.0)	+1.0
France	-2.2 (-2.1)	+1.2 (-0.2)	+1.5
Italy	-4.7 (-5.0)	+0.7 (+0.1)	+1.4
Cyprus	-0.7 (+0.3)	+0.1 (+0.7)	+1.3
Luxembourg	-3.6 (-3.0)	+1.1 (+0.1)	+1.8
Malta	-2.2 (-0.9)	+0.7 (+0.2)	+1.6
Netherlands	-4.5 (-4.5)	+0.3 (-0.4)	+1.6
Austria	-3.7 (-4.0)	+1.1 (-0.1)	+1.5
Portugal	-2.9 (-3.7)	+0.3 (-0.8)	+1.0
Slovenia	-7.4 (-3.4)	+1.3 (+0.7)	+2.0
Slovakia	-5.8 (-2.6)	+1.9 (+0.7)	+2.6
Finland	-6.9 (-4.7)	+0.9 (+0.2)	+1.6
EU-16	-4.0 (-4.0)	+0.7 (-0.1)	+1.5
UK	-4.6 (-4.3)	+0.9 (+0.1)	+1.9
EU-27	-4.1 (-4.0)	+0.7 (-0.1)	+1.6



This publication is for information purposes only and is not an invitation to deal. The information is believed to be reliable but is not guaranteed.

Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission.

Allied Irish Banks p.l.c. is regulated by the Financial Regulator and is also regulated by the Financial Services Authority for the conduct of UK Business.