

## Dollar Slips as Fed Signals No Change

The dollar fell versus most currencies overnight as the Fed left monetary policy on hold as expected and said that it intends to keep interest rates low for an "extended period". There has been some speculation in the marketplace that the central bank would drop the word "extended", signalling that it was preparing for a withdrawal of its extensive support to the economy. The unchanged tone has left the dollar vulnerable versus higher yielding currencies like the EUR, though the euro failed to hold gains beyond the \$1.49 level as traders remain in a relatively cautious mood ahead of tomorrow's non-farm payrolls report.

The focus will switch to European monetary policy today with the ECB and the Bank of England making interest rate announcements later. First up is the BoE, which is widely expected to leave UK rates on hold at their historically low level of 0.5% but extend its quantitative easing activities by at least another Stg25bln. Such a move is likely to weigh on sterling, which has started the day off yesterday's highs (seen following the release of a much better than expected services PMI for October) versus the dollar and euro. Today also sees the release of UK industrial production for September, as well as the NIESR GDP estimate for the 3 months to October.

The ECB, meanwhile, is also expected to leave rates on hold at 1.0% when it makes its announcement at 12.45 (Irish time) but markets will be closely watching the tone of Trichet's comments at the post meeting press conference. A recent run of more upbeat economic data suggests scope for some optimistic but the central bank is still likely to indicate that rates are set to remain on hold for some time yet.

Geraldine Concagh, AIB Global Treasury

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.24	0.28	0.56	1.19
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	1.19

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.82	2.04
3 Years	2.27	2.71
4 Years	2.57	3.14
5 Years	2.83	3.42

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

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

USD/EUR	1.4818	NOK/EUR	8.4718
GBP/EUR	0.8993	CHF/EUR	1.5094
USD/GBP	1.6474	AUD/EUR	1.6396
JPY/USD	90.34	NZD/EUR	2.068
JPY/EUR	133.88	HKD/EUR	11.485
SEK/EUR	10.4983	CAD/EUR	1.5795
DKK/EUR	7.4415	EUR/GBP	1.1116

Indices		Dow	9802.14	34.84	
FTSE	5107.89	70.68	ISEQ	2923.82	114.05
Nikkei	9803.50	59.03	Nasdaq	2055.52	-12.04

### 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	1.48	1.49	1.47	1.44
GBP/USD	1.62	1.62	1.64	1.65
GBP/EUR	0.91	0.91	0.90	0.87
USD/JPY	90	92	95	98
JPY/EUR	134	135	138	141
GBP/JPY	147	148	154	158
CHF/USD	1.03	1.02	1.05	1.07
CHF/EUR	1.52	1.52	1.53	1.55
CAD/USD	1.07	1.06	1.06	1.06
AUD/USD	0.908	0.92	0.91	0.90
NZD/USD	0.72	0.73	0.72	0.71



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