

# Morning Comment

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AIB Global Treasury Services



## Sterling Broadly Lower

A benign interest rate outlook and increased risk appetite saw the dollar under pressure again in early trading yesterday. It fell to a fresh 15 month low against a basket of currencies pressured by Tuesday's remarks by Fed officials that the US economic recovery would be erratic, which bolstered the view that US interest rates remain on hold for some considerable time. Risk appetite was further supported by good economic data from China. The US currency, though, pulled up from these lows in later trading, in part on a technical rebound as it failed to fall through key support levels and also as stock prices dropped back from earlier highs. Indeed, the euro again failed to sustain a break above the \$1.50 level. However, while responding to a somewhat volatile stock market trend the dollar retains a generally negative tone, especially against the AUD, which jumped to a 15 month high against the USD overnight following strong Australian jobs data. In a relatively quiet day on the data front, Spanish Q3 GDP and eurozone industrial production are the main features today, along with the US weekly jobless numbers.

Meanwhile, there has been no respite for sterling overnight. It was broadly lower yesterday, falling against both the euro and the dollar on comments from BoE Governor, Mervyn King, following the release of the Bank's Quarterly Inflation Report. The report, itself, had a dovish tone, forecasting that inflation would remain below target in two years time even if UK rates rose gradually from mid-2010, in line with market expectations. Then, at the post release press conference, King failed to rule out the prospect of more quantitative easing while noting the favourable impact of a weaker sterling on exports and thus for the overall economy.

Jenny Pollock, AIB Global Treasury

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.24	0.27	0.53	1.11
JPY	0.16	0.32	0.52	0.74
EUR	0.43	0.72	0.99	1.23
GBP	0.51	0.61	0.83	1.20

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.73	1.88
3 Years	2.19	2.56
4 Years	2.51	3.02
5 Years	2.76	3.29

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

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

USD/EUR	1.499	NOK/EUR	8.3807
GBP/EUR	0.9049	CHF/EUR	1.5102
USD/GBP	1.6561	AUD/EUR	1.6031
JPY/USD	89.76	NZD/EUR	2.024
JPY/EUR	134.55	HKD/EUR	11.6173
SEK/EUR	10.211	CAD/EUR	1.5646
DKK/EUR	7.4406	EUR/GBP	8.3807

Indices		Dow	10246.9	23.96	
FTSE	5230.55	-4.63	ISEQ	2951.52	-61.23
Nikkei	9890.18	-33.95	Nasdaq	2151.08	3.84

### Smaller Than Expected Rise in UK Claimant Count in October

#### Claimant Count Unemployment

	Oct	Sept
Monthly Change	+12,900	+20,600
Unemployment Rate	5.1%	5.0%
Unemployment Level	1.639mln	1.6266mln

#### Average Earnings (3 month y-on-y % change)

	Sept	Aug
Headline Rate	1.2	1.6
Ex Bonus Rate	1.8	1.9

UK labour market data released yesterday showed a much smaller rise in the claimant count in October than markets had predicted. The number claiming unemployment benefit rose by 12,900 compared to forecasts for a rise of 20,000. This is well down on the respective rise of 20,600 and 20,000 seen in the two previous months. An increase of nearly 13,000 is also just a fraction of the rate of job losses seen at the beginning of the year, when the economy was going through the worst of the downturn. Despite the surprisingly good numbers for last month, the UK recession has hid the labour market hard. Reflecting the weakness in the labour market wage growth in the UK remains very weak, rising by just 1.2% in y-on-y terms in the three months to September.



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