Morning Comment

Monday 16th November 2009 7.27am GMT

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AIB Global Treasury Services

Markets Look to US Retail Sales for Direction

The euro has started the week just below the $1.50 level versus the US dollar, with the USD starting the week with a generally softer tone as rhetoric regarding China's forex policy weighed on gains seen at the back end of last week. Better than forecast Japanese quarter three GDP data also weighed on the USD. However, selling was reported to be muted and $1.50 continues to be a tough hurdle for the EUR, particularly ahead of this afternoon's release of US retail sales data for October. The total value of retail sales are expected to rise 0.9% on the month, going someway towards making up for last month's 1.5% fall resulting from a slump in auto sales as government sponsored incentives (cash for clunkers) ended. Core sales (ex autos) meanwhile, are forecast to rise by 0.4%, though there is some talk in the market that the data could disappoint. Federal Reserve Chairman Ben Bernanke is scheduled to speak later today and his comments could also set the tone for the dollar going into the week.

Data released overnight by Rightmove showed asking prices for UK homes up 1.6% in year-on-year terms in November (the best outcome since May 2008), but down 1.6% on the month. This was the first monthly decline since April of this year. The agency said the monthly drop was mostly in line with the seasonal trends and indeed it expects three months of decline before a tentative recovery in the Spring. Sterling bounced higher on the release trading around $1.675 versus the USD, though survey news from the BCC that business confidence remains fragile could limits attempts to the upside. Equity markets and US retail sales are likely to set the tone for cable today, though markets will also be keeping an eye on comments from the BoE's Tucker and Sentence. Sterling/euro, meanwhile, remains in a tight range below Stg0.90p.

Geraldine Concagh, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

USD/EUR	1.4986	NOK/EUR	8.3355
GBP/EUR	0.8951	CHF/EUR	1.509
USD/GBP	1.6744	AUD/EUR	1.6024
JPY/USD	89.53	NZD/EUR	2.011
JPY/EUR	134.23	HKD/EUR	11.6154
SEK/EUR	10.1749	CAD/EUR	1.567
DKK/EUR	7.4405	EUR/GBP	1.117

Indices			Dow	10270.47	72.62
FTSE	5296.38	19.88	ISEQ	2987.18	36.30
Nikkei	9784.14	-22.88	Nasdaq	2167.88	11.20

SHORT TERM INTEREST RATES

Months	1	3	6	12
USD	0.24	0.27	0.52	1.09
JPY	0.16	0.31	0.52	0.73
EUR	0.43	0.71	0.99	1.22
GBP	0.52	0.61	0.83	1.21

LONG TERM INTEREST RATES

Term	EURO (Annual)	GBP
2 Years	1.72	1.93
3 Years	2.17	2.61
4 Years	2.51	3.04
5 Years	2.79	3.34

Economic Indicators this week . . . (full listing on our "Weekly Market Brief" on www.fxcentre.com)

Date	G7	Time	Statistics	Previous	Forecast	Rank
Mon 16 Nov	JPN		GDP (Q3)	+0.6%/+2.3% s.a.a.r.	+0.7%/+2.9%	High
Mon 16 Nov	US	13.30	Retail Sales (October)	-1.5%	+0.9%	High
Tue 17 Nov	UK	09.30	CPI (October)	+0.0%(+1.1%)	+0.1%(1.5%)	High
Tue 17 Nov	US	13.30	PPI (October)	-0.6%(-4.8%)	+0.5%(-1.8%)	High
Tue 17 Nov	US	14.15	Industrial Production (October)	+0.7%	+0.4%	High
Wed 18 Nov	UK	09.30	BoE Monetary Policy Committee – Minutes of 4th 5th November Meeting			High
Wed 18 Nov	US	13.30	CPI (October)	+0.2%(-1.3%)	+0.2%(-0.3%)	High
Thur 19 Nov	UK	09.30	Retail Sales (October)	+0.0%(2.4%)	+0.5%(+2.9%)	High
Thur 19 Nov	US	15.00	Philly Fed Business Survey (November)	11.5	12.9	High