



Sterling Makes Further Ground

The positive tone to sterling evident since the end of October has continued this week. Yesterday, the UK currency hit a two month high against the euro, moving to around the 88.5 pence level, which compares with a recent low of 92p towards end October. Meanwhile, cable has risen to around the \$1.68 level compared to \$1.63 a few weeks ago.

The latest gains in sterling were triggered by comments by BoE policymaker Andrew Sentence that the UK economy was moving into a recovery phase. Combined with data yesterday showing that UK inflation picked up from 1.1% to 1.5% in October, it all suggests that the BoE may be nearing the end of its quantitative easing.

Further gains by sterling will be difficult, though, with big hurdles to be overcome at 88p versus the euro and \$1.70 against the dollar. The markets will be keenly awaiting the minutes of the November MPC meeting this morning. However, these may not be sterling friendly as the MPC increased quantitative easing at this meeting.

Meanwhile, the dollar has been quite volatile recently against the euro with the greenback finding firm support at the \$1.50 level. It rallied yesterday, helped by supportive remarks from key central bankers.

Weak US industrial production data and signs of a retreat from riskier assets by investors on continuing doubts about the durability of the global upturn also aided the dollar. Overall, though, the US has still to show clear signs of ending its downtrend. However, central bankers seem anxious to stem its decline. The focus today will be on US inflation and housing starts data.

Geraldine Concagh, AIB Global Treasury

| SHORT TERM INTEREST RATES | | | | |
|---------------------------|------|------|------|------|
| Months | 1 | 3 | 6 | 12 |
| USD | 0.24 | 0.27 | 0.51 | 1.06 |
| JPY | 0.16 | 0.31 | 0.52 | 0.73 |
| EUR | 0.43 | 0.72 | 0.99 | 1.22 |
| GBP | 0.52 | 0.61 | 0.84 | 1.21 |

| LONG TERM INTEREST RATES | | |
|--------------------------|---------------|------|
| Term | EURO (Annual) | GBP |
| 2 Years | 1.69 | 1.85 |
| 3 Years | 2.13 | 2.51 |
| 4 Years | 2.45 | 2.94 |
| 5 Years | 2.72 | 3.22 |

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

Today's Opening Rates (Mid-Rate)

| | | | |
|---------|--------|---------|--------|
| USD/EUR | 1.4891 | NOK/EUR | 8.3416 |
| GBP/EUR | 0.8859 | CHF/EUR | 1.5114 |
| USD/GBP | 1.6803 | AUD/EUR | 1.6016 |
| JPY/USD | 89.14 | NZD/EUR | 1.995 |
| JPY/EUR | 132.76 | HKD/EUR | 11.541 |
| SEK/EUR | 10.221 | CAD/EUR | 1.5677 |
| DKK/EUR | 7.4405 | EUR/GBP | 1.128 |

| Indices | | Dow | 10437.42 | 32.65 | |
|---------|---------|---------|----------|---------|--------|
| FTSE | 5345.93 | -36.74 | ISEQ | 2899.81 | -57.54 |
| Nikkei | 9723.23 | -104.65 | Nasdaq | 2203.78 | 13.66 |

Rightmove Shows UK House Prices Up 1.6% Y/Y

According to property website Rightmove* asking prices for homes in England and Wales were 1.6% higher in year-on-year terms in November, the biggest annual rise since May 2008. On a month-on-month basis prices fell by 1.6% in what was described as likely to be the start of a seasonal slowdown, with low stock and some improvement in mortgage availability failing to reverse normal market trends. This leaves the average asking price at Stg226,440, compared to Stg230,184.

"While the market has recovered from some dreadful lows, this month's price fall proves that it does not yet have the strength of buck seasonal trends," said Miles Shippside, Rightmove's commercial director. "We expect three months of asking price falls before a tentative recovery in early Spring, likely followed by pre election jitters."

Seven out of ten regions surveyed show prices in positive territory now (year-on-year) with the recovery in the market spreading north. The number of properties coming to market is now similar to the level recorded at the same time last year, though it is still some 30% below the volumes seen in 2007.

*Rightmove.co.uk is the UK's number one property website, advertising properties in England and Wales.

