



## Fragile Outlook Keeps Euro off \$1.50

The euro dipped below the \$1.49 level once again yesterday, with sentiment undermined by a spike in risk aversion on the back of a second day of selling on equity markets. It has since regained some ground but concerns that a rebound in the global economy could yet fizzle out are helping keep it off the \$1.50 level, with investors looking to safe haven assets like the USD and the yen. Meanwhile, the AUD and NZD retreated to two week lows as investors cut long positions ahead of a long weekend in Japan. European stock markets are expected to edge higher at the start of the day on bargain-hunting, which could help lift the euro, but any gains could prove fragile heading into the weekend amid mixed reviews of the global economic outlook.

For now, the USD/EUR rate looks to be in a \$1.48-1.50 range as markets await fresh signals on the economic front. In this regard there is little to provide direction today, with just German PPI and Italian industrial orders due for release. Markets will, however, be keeping a close eye on comments from the ECB's Trichet, who is due to speak later this morning. Providing yet further evidence to the fact that the bank of England remains open to the prospect of a further extension of its stimulus measures, MPC member Paul Fisher said yesterday that the central bank will consider all options when it next considers its bond purchasing programme at its February meeting. Such comments are likely to weigh on sterling, which has edged back towards the Stg0.90p level versus the euro, well off its weekly high of Stg0.8835p. Reflecting the pick up in risk aversion, cable has also slipped back from its weekly highs of \$1.6877 to trade around \$1.6620/50. There are no UK data due for release today, leaving the focus on equity markets.

**Geraldine Concagh, AIB Global Treasury**

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.24	0.27	0.49	1.03
JPY	0.16	0.31	0.51	0.73
EUR	0.43	0.72	0.99	1.22
GBP	0.51	0.61	0.83	1.21

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.68	1.77
3 Years	2.11	2.42
4 Years	2.44	2.86
5 Years	2.71	3.15

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

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

USD/EUR	1.4903	NOK/EUR	8.4108
GBP/EUR	0.8965	CHF/EUR	1.5114
USD/GBP	1.6622	AUD/EUR	1.622
JPY/USD	88.79	NZD/EUR	2.041
JPY/EUR	132.38	HKD/EUR	11.5514
SEK/EUR	10.302	CAD/EUR	1.5863
DKK/EUR	7.4411	EUR/GBP	1.1152

Indices		Dow	10426.31	0.04	
FTSE	5342.13	-3.80	ISEQ	2906.36	6.41
Nikkei	9691.86	-46.43	Nasdaq	2193.14	-6.73

## UK High Street Spending Holds Up

### Volume of Retail Sales

#### % Change

	Oct	Sept	Aug
Month -on-Month	0.4	0.4	0.0
Year-on-Year	3.4	2.9	2.1
3 Mth-on-3 Mth	1.1	1.1	1.1

Data released yesterday showed high street spending in the UK holding up reasonably well in October, with total sales volumes up 0.4% over the month. Sales for September were revised upwards from flat to 0.4% also. Compared to October last year sales were up 3.4%, the biggest annual rise in sales since May 2008.

The increase in spending last month was largely driven by a jump in the demand for textiles and clothing, with sales in this sector up 2.1% on the month and 10.7% in year on year terms. However, household goods and non-specialised and non-store sectors (which includes online sales) also showed gains.

Despite the resilience of the high street, total household expenditure (goods and services) remains weak having fallen by 3% in Q2. Total personal consumption is expected to remain weak, weighed down by strained household balance sheets, given a projected rising savings ratio and weak earnings growth, as well as a 13 year high unemployment rate.

