

Morning Comment

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AIB Global Treasury Services



Euro Fails to Conquer \$1.50

The euro touched off \$1.50 yesterday but it remains a tough level to break through, with fresh jitters on stock markets taking it back from its highs in overnight trade. Although sentiment remains generally bearish on the interest rate view, expectations of a sell off in equities today has helped lift the dollar off its lows. Traders also looked to close out USD short positions ahead of Thursday's Thanksgiving holiday in the US. Sterling has also slipped back versus the dollar, reflecting general moves on forex markets, while also remaining on the back foot versus the euro following last week's release of the minutes of the November MPC meeting.

Yesterday's release of the flash eurozone PMI's for November saw a further increase in the headline indices. However, some of the subcomponents, including those for new orders, eased back, indicating that the pace of the upturn in activity may have peaked already. Data released in the US also raised concerns about the sustainability of economic recovery, with the Chicago Fed Index slipping further into negative territory in October.

It's a busy day for markets and the focus this morning will be on the eurozone with the closely watched German Ifo survey due for release alongside French business confidence and consumer spending. The main focal point of the day, however, is likely to be this afternoon's release of the second estimate of US GDP for Q3. A downward revision is forecast, though the move is not expected to be significant. US consumer confidence and house prices are also due for release, with markets also paying close attention to the publication of the minutes of the last FOMC meeting on 3/4th November.

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SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.24	0.26	0.49	1.02
JPY	0.16	0.30	0.51	0.72
EUR	0.43	0.72	0.99	1.23
GBP	0.52	0.61	0.83	1.21

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.74	1.76
3 Years	2.18	2.42
4 Years	2.48	2.85
5 Years	2.74	3.14

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

Today's Opening Rates (Mid-Rate)

USD/EUR	1.4896	NOK/EUR	8.3805
GBP/EUR	0.901	CHF/EUR	1.5116
USD/GBP	1.6532	AUD/EUR	1.6301
JPY/USD	88.7	NZD/EUR	2.061
JPY/EUR	132.15	HKD/EUR	11.5448
SEK/EUR	10.3401	CAD/EUR	1.5843
DKK/EUR	7.4409	EUR/GBP	1.1095

Indices		Dow	10318.16	-9.75	
FTSE	5251.41	-16.29	ISEQ	2875.92	8.76
Nikkei	9460.21	-142.39	Nasdaq	2146.04	0.97

Eurozone PMI's Rise Again In November

	Flash Nov	Oct
Composite PMI	53.7	53.0
Services PMI	53.2	52.6
- Services New Business	51.2	52.7
Manufacturing PMI	51.0	50.7
- Manufacturing Orders	53.6	53.7

Data released yesterday showed further improvement in the eurozone PMI's in November, with the closely watched indices now well off their cyclical lows of 33.5 and 39.2. Both the manufacturing and services indices are now well above the key 50 breakeven level, with the index for the dominant services sector actually rising to its best level in two years. However, while the headline indices continue to rise and are supportive of recovery hopes, some of the subcomponents eased back, indicating that the pace of the upturn in activity may have peaked already.

The new business index of the services PMI eased to 51.2 from 52.7 previously, while the manufacturing new orders index dipped moderately to 53.6 compared to 53.7. This is the first time that the new orders index has fallen since it bottomed out in February of this year and the move highlights the fragility of the recovery. Job losses also continue with employment indices remaining below 50.



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