

Dollar Rallies on Surprise Payrolls Data

Friday's better than expected non-farm payrolls report sparked a round of dollar buying that has resulted in the euro starting the week back well below \$1.50. With the data forcing markets to reassess how quickly the Fed could move to raise interest rates, there was a rush to cover short USD positions, with gains also seen versus sterling, the yen and a host of other majors. The announcement that the US payrolls fell by just 11,000 last month, compared to expectations for a 140,000 drop was certainly good news, with the influential labour market report also showing significant upward revisions to the two previous months data. The unemployment rate, meanwhile, dropped back to 10.0% from 10.2%. However, the dollar's rally already appears to be running out of steam with the euro bouncing off Friday's low of \$1.4822 to see modest gains overnight. Many see it as too early to call an end to the dollar bear market, with the Fed likely to remain cautious in terms of its outlook for the time being. The data, however, will increase the focus on the tone of the Fed's statement after its meeting next week. In the meantime, markets will be looking to this week's US retail sales and consumer sentiment data for direction, as well as how Wall Street reacts to the payrolls numbers.

This is also an important week for sterling, with the BoE meeting to discuss monetary policy. While recent communication would indicate that it is too soon to rule out the prospect of even further support to the UK economy, this week's meeting is unlikely to result in any policy changes. This week also sees the release of the UK's pre Budget Report, with markets looking for any details of plans to rein in the spiralling deficit. Growth and inflation projections should also be updated, with sterling likely to remain on the back foot in the run up to the event.

Geraldine Concagh, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

USD/EUR	1.4876	NOK/EUR	8.4569
GBP/EUR	0.9042	CHF/EUR	1.5108
USD/GBP	1.6446	AUD/EUR	1.6262
JPY/USD	89.77	NZD/EUR	2.077
JPY/EUR	133.55	HKD/EUR	11.5284
SEK/EUR	10.3825	CAD/EUR	1.5698
DKK/EUR	7.441	EUR/GBP	1.1054

Indices		Dow	10388.90	20.33	
FTSE	5322.36	9.36	ISEQ	2987.24	70.71
Nikkei	10131.90	3.35	Nasdaq	2194.35	-9.40

SHORT TERM INTEREST RATES

Months	1	3	6	12
USD	0.23	0.26	0.48	1.03
JPY	0.17	0.28	0.49	0.70
EUR	0.48	0.72	1.00	1.24
GBP	0.52	0.61	0.84	1.23

LONG TERM INTEREST RATES

Term	EURO (Annual)	GBP
2 Years	1.84	1.85
3 Years	2.23	2.44
4 Years	2.50	2.86
5 Years	2.75	3.14

Economic Indicators this week . . .

(full listing on our "Weekly Market Brief" on www.fxcentre.com)

Date	G7	Time	Statistics	Previous	Forecast	Rank
Tue 8 Dec	UK	00.01	BRC Retail Sales (November)	(+3.8%)		High
Tue 8 Dec	UK	09.30	Industrial Production (October)	+1.6%(-10.3%)	+0.4%(-7.7%)	High
Wed 9 Dec	UK	12.30	Chancellor Presents Pre-Budget Report			High
Wed 9 Dec	IRL	15.45	Budget 2010			High
Thur 10 Dec	IRL	11.00	CPI (November)	-0.2%(-6.6%)	0.0%(-5.7%)	High
Thur 10 Dec	UK	12.00	BoE Interest Rate Announcement	0.5%	0.5%	High
Thur 10 Dec	US	13.30	International Trade Balance (October)	-\$36.47bn	-\$36.8bn	High
Fri 11 Dec	US	13.30	Retail Sales / Ex Autos (November)	-\$1.4%/-0.2%	+0.6%/+0.4%	High
Fri 11 Dec	US	14.55	Michigan Sentiment (December Prelim)	67.4	68.5	High



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