



All Eyes on Greek Fiscal Plan

High yielders and risk sensitive currencies took to the sidelines overnight as markets await today's key events including the announcement of details of the EUs assessment of Greece's fiscal plans. Ranges for currency pairings were reported as tight, with the euro holding up just below the \$1.40 level versus the USD. The Commission is expected to endorse plans to get the budget deficit below the required ceiling of 3% of GDP by the end of 2012 but could add that further cuts in spending and higher taxes are still needed in addition to those outlined. The Commission is also due to release its latest set of economic forecasts, which will be closely watched by market. It is also a very busy day on the data front, starting with this morning's release of the eurozone's services PMI for January. Attention will turn to the US in the afternoon, with the services ISM and ADP employment report due for release. The labour market report should provide some direction ahead of Friday's official payrolls release.

Sterling continues to struggle with pre election jitters and concerns over the public finances but did find some support overnight versus the USD. Sentiment was boosted by fresh data which showed consumer confidence rising by more than anticipated in January. The Nationwide's index of consumer confidence currently stands at 73, almost twice the low of 39 recorded in the same month last year at which time the UK economy was deep in recession. This morning sees the release of the services PMI, with markets looking for a good number following the upside surprise seen in Monday's manufacturing activity survey. Versus the euro, sterling remains off recent highs as the single currency recovers some ground.

Geraldine Concagh, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

USD/EUR	1.3979	NOK/EUR	8.1431
GBP/EUR	0.8713	CHF/EUR	1.4747
USD/GBP	1.6037	AUD/EUR	1.5723
JPY/USD	90.34	NZD/EUR	1.961
JPY/EUR	126.27	HKD/EUR	10.856
SEK/EUR	10.0755	CAD/EUR	1.4756
DKK/EUR	7.4447	EUR/GBP	1.1472

Indices		Dow	10296.85	110.72
FTSE	5283.31	35.90	ISEQ	3015.32
Nikkei	10428.12	60.11	Nasdaq	2190.06
				18.40

ECB Set to Leave Interest Rates On Hold

The ECB makes its monthly interest rate decision tomorrow, with markets expecting that rates will be left on hold at 1.0%. Rates have been at this historically low level since May of last year. Markets will also be watching the tone of the post meeting press conference for any change in terms of the council's outlook. We expect a generally dovish tone with the central bank likely to signal that it will wait for some time yet before hiking rates.

The eurozone has emerged from recession with growth of 0.4% registered in Q3-2009 but the central bank is not in any hurry to start hiking rates, with the recovery in activity forecast to be at a moderate and uneven one. Inflation pressures are subdued as a result of the large amount of spare capacity that has built up with unemployment also very high.

Indeed, the Q3 growth data show little evidence of a sustainable recovery, with the 0.4% expansion all driven by a rise in inventories. Exports were up 3.1% over the quarter but that was almost entirely offset by an equally strong rise in imports. Household consumption and fixed investment remained weak, contracting by a respective 0.1% and 0.8%. Markets will also be looking to the ECB's press conference to see if there are any further remarks with regard to Greece's current fiscal problems.

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.23	0.25	0.38	0.84
JPY	0.16	0.25	0.46	0.68
EUR	0.43	0.67	0.97	1.23
GBP	0.52	0.62	0.84	1.26

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.70	1.78
3 Years	2.08	2.39
4 Years	2.37	2.84
5 Years	2.63	3.16

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



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