



Euro Comes Under Further Pressure

The euro came under further pressure versus the dollar yesterday, sinking to seven month lows below \$1.38 as comments at the ECB press conference further convinced markets that the central bank will not be tightening policy anytime soon as Trichet repeated that rates are at an appropriate level. Hitting its lowest level in more than seven months, the euro was also sold as mounting concerns over fiscal problems in Europe were extended to Spain and Portugal, as well as a general surge in the dollar. Although it has steadied versus the USD, with reports of CHF buying by the Swiss Central Bank (SNB) providing some support, this morning's break of \$1.37 has left the EUR vulnerable going into the weekend.

Other currencies such as sterling, the AUD and NZD also came under downward pressure versus the USD as markets positioned themselves ahead of this afternoon's key non-farm payrolls report for January. December's number proved to be a disappointing one but at the same time did indicate that labour market conditions are stabilising. This is likely to be further confirmed by today's release. Markets are anticipating a rise of 5,000, with a good number likely to further cement the dollar's position. The dollar is also benefiting from a spike in risk aversion with stocks and commodities falling, as the group of G7 finance ministers and central bankers gather this weekend in Canada, with China's currency and Greece's debt on the agenda. While falling against the dollar, sterling remained relatively steady versus the euro as the Bank of England announced that it was putting its programme of quantitative easing or bond purchases on hold as expected. However it left the door open for more QE if the economy were to disappoint.

Geraldine Concagh, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

USD/EUR	1.371	NOK/EUR	8.176
GBP/EUR	0.8713	CHF/EUR	1.4704
USD/GBP	1.5736	AUD/EUR	1.5816
JPY/USD	89.76	NZD/EUR	1.990
JPY/EUR	123.06	HKD/EUR	10.6548
SEK/EUR	10.1819	CAD/EUR	1.4709
DKK/EUR	7.4446	EUR/GBP	1.1475

Indices		Dow	10002.18	-270.94	
FTSE	5139.31	-113.84	ISEQ	2951.3	-73.95
Nikkei	10162.34	-78.54	Nasdaq	2125.43	-50.96

ECB Leaves Rates On Hold

At its policy meeting today, the European Central Bank again left its refi rate unchanged at 1% for the ninth month running. It also continued to give the strong impression that rates will not be increased anytime soon. The ECB expects the recovery in activity to be moderate and uneven, leaving the economy with a large amount of spare capacity for a prolonged period. Thus, price pressures are expected to remain very subdued. The weak growth of monetary indicators also points to continuing low inflation rates. It is for this reason that the ECB is not in any hurry to tighten monetary policy.

Recent data support the ECB's cautious view. While leading activity indicators such as PMIs and EU Commission sentiment surveys continue to pick up, real economic data have been less impressive. The 0.4% growth in GDP in Q3 was more than accounted for by a rise in inventories. The expectation is that GDP growth is unlikely to have exceeded this level in Q4. Retail sales, in particular, were weak in the final quarter of last year. Meanwhile, the unemployment rate reached 10% in December, while inflation is running at 1%.

For full details of our outlook for eurozone rates see www.fxcentre.com.

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.23	0.25	0.39	0.85
JPY	0.16	0.26	0.46	0.68
EUR	0.42	0.67	0.97	1.23
GBP	0.52	0.62	0.85	1.27

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.59	1.65
3 Years	1.97	2.26
4 Years	2.27	2.73
5 Years	2.54	3.05

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



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