



Prospects for Greek Rescue Plan Dominating

Prospects for a rescue plan for debt-ridden Greece is currently dominating forex trading. The euro picked up from its lows yesterday as hopes that a rescue is being planned and were fueled by news that the ECB President is returning early from a trip to Australia to attend Thursday's European Council meeting on the economy. It received a further boost in later trading after a senior German government source indicated that the eurozone governments had agreed in principal to help Greece.

The euro, though, trimmed its gains in later trading with uncertainty about whether any agreement has indeed been reached and with caution about the extent of the debt burdens, not only in Greece but other eurozone countries. News flow about a potential rescue plan looks set to dominate trading again today, though markets will also be looking to Bernanke's prepared testimony on the unwinding of the Fed's special funding and the implications of this on the economy.

The euro has also erased some of yesterday's gains versus sterling, which followed the release of a disappointing UK trade report for December, and the single currency is finding it difficult to make a sustained break through the Stg0.88p level in the face of ongoing concerns about eurozone sovereign risk. While there has been little reaction to a report yesterday from Fitch that the UK is the most vulnerable of the AAA rated sovereigns, sterling opens with a slightly softer tone against the dollar as markets await this morning's Bank of England's Quarterly Inflation Report. As well as updated growth and inflation forecasts, the report should provide further insights into last week's decision by the MPC to halt its quantitative easing programme.

Jenny Pollock, AIB Global Treasury

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.23	0.25	0.39	0.85
JPY	0.16	0.25	0.46	0.68
EUR	0.42	0.66	0.97	1.23
GBP	0.53	0.63	0.86	1.28

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.63	1.71
3 Years	2.00	2.32
4 Years	2.30	2.78
5 Years	2.58	3.11

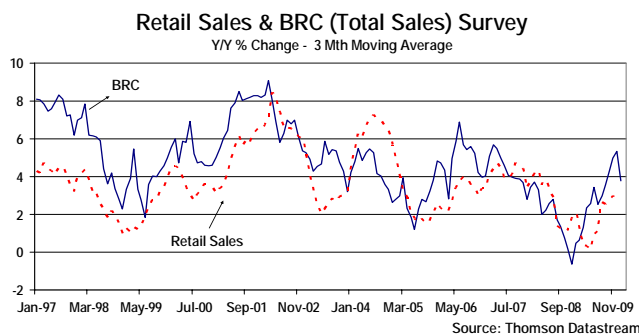
Euro S/Term interest rates Actual /360 : L/Term Actual Bond Basis

Today's Opening Rates (Mid-Rate)

USD/EUR	1.3772	NOK/EUR	8.1293
GBP/EUR	0.8781	CHF/EUR	1.4675
USD/GBP	1.5682	AUD/EUR	1.5695
JPY/USD	89.7	NZD/EUR	1.982
JPY/EUR	123.55	HKD/EUR	10.7016
SEK/EUR	10.0885	CAD/EUR	1.4699
DKK/EUR	7.4446	EUR/GBP	1.1385

Indices		Dow	10058.64	148.36	
FTSE	5111.84	19.51	ISEQ	2884.28	-24.01
Nikkei	10024.26	56.29	Nasdaq	2150.87	-2.23

Poor Start to the Year for UK Retailers



The UK BRC sales report for January showed like for like sales down 0.7% in the opening month of this year as compared with the same period in 2009. This was the weakest start to the year in the survey's 15 year history and the result was way down on the +4.2% increase seen in December. Bad weather was blamed for the fall in the value of sales, as was the hike in the VAT rate. The data show gains in food, clothing and footwear sales but this was not sufficient to offset the downturn seen in the home wares and furniture sectors. Looking at the correlation between the BRC survey and official retail sales (see graph above); the data suggest a poor start to the year for the UK's high street. This is likely to further raise concerns about the sustainability of any upswing in activity.

