



Euro Recovery Lacks Momentum

The euro was lifted versus the dollar and yen following yesterday's announcement from Greece that it plans to introduce a further €4.8 billion austerity plan. Plans include a rise in the VAT rate, as well as a cut in public sector salary bonuses. However, while the moves were welcomed by the markets, many remain skeptical over whether the latest initiatives will be sufficient to win over support from European colleagues and in particular Germany. Indeed, after touching off two week highs, the euro's recovery already seems to be running out of steam, with traders moving to take profits overnight.

As well as revised Q4 GDP data, eurozone monetary policy will be the focus of attention today, with the ECB making an announcement at noon. No change in official rates is expected but markets will be closely watching the post meeting press conference. We expect the ECB to remain dovish, which could weigh on the euro, with markets also watching for any comments on sovereign risk. The ECB is also due to release its latest economic projections. On the basis of recent data we do not expect to see any revisions to GDP forecasts.

The Bank of England also makes a policy announcement today. Again no policy changes are anticipated, though the MPC could indicate once again that it has left the door open to a resumption of its quantitative easing activities should the outlook warrant it, which could further weigh on an already pressured sterling. Although off recent lows versus the dollar and euro, with February's better than expected services PMI offering some support, downside risks remain. Other events to watch today include the release of US pending homes sales for January, with a number of Fed members also scheduled to speak.

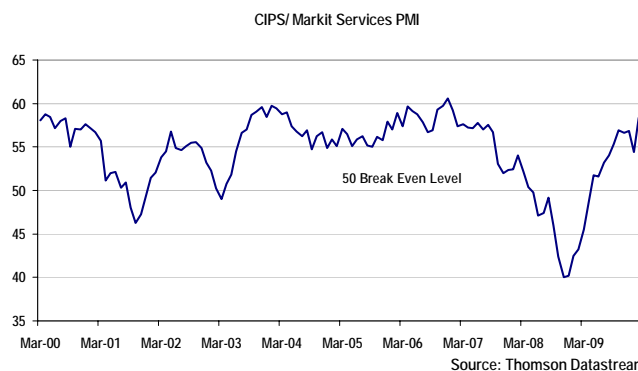
Geraldine Concagh, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

USD/EUR	1.3664	NOK/EUR	8.0733
GBP/EUR	0.9076	CHF/EUR	1.4629
USD/GBP	1.5053	AUD/EUR	1.5178
JPY/USD	88.27	NZD/EUR	1.983
JPY/EUR	120.61	HKD/EUR	10.6076
SEK/EUR	9.7899	CAD/EUR	1.4107
DKK/EUR	7.442	EUR/GBP	1.1013

Indices		Dow	10396.76	-9.52	
FTSE	5533.21	49.15	ISEQ	2940.03	7.36
Nikkei	10255.69	59.19	Nasdaq	2280.68	-4.14

UK Services PMI Bounces Back



The impact of severe weather conditions on the UK's services sector seems to have faded last month with the services PMI index bouncing back after January's disappointing fall. Rising to a three year high of 58.4, the increase in the index more than made up for the drop seen in the previous month. The rise was also well ahead of market expectations. The new business index rose to 57.5, its highest level since September 2007, after slowing to a five month low of 53.4 in January. The business expectations index meanwhile rose to 72.8. The headline reading of 58.4 is consistent with stronger growth in the sector than the 0.4% rise seen in the closing months of 2009. However, real data have lacked survey evidence so we would be cautious about getting overly carried away by the good news.

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.23	0.25	0.38	0.83
JPY	0.16	0.25	0.45	0.68
EUR	0.41	0.66	0.96	1.21
GBP	0.54	0.64	0.87	1.30

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.49	1.66
3 Years	1.85	2.22
4 Years	2.19	2.66
5 Years	2.48	3.00

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



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