



Markets Cautious Ahead of Payrolls

The euro received an initial modest boost yesterday from a strong Greek bond auction. However, once again attempts to the upside proved to have little momentum, with the currency retreating as the ECB affirmed that official interest rates in the eurozone are set to remain at low levels for some considerable time. A weak US pending home sales report did weigh on the USD but at the same time dollar/euro is trading back below \$1.36 this morning as markets await this afternoon's release of the February US non-farm payrolls report.

There have been increasing reports in the market in the run up to release that it will be a bad number, with forecasts showing a range of job losses from 50,000 to 150,000, mainly as a result of bad weather. The unemployment rate, meanwhile, is forecast to have edged higher again to 9.8%. A weak number could hit the dollar going into the weekend as it would further enforce the view that the Federal Reserve will not increase interest rates for some time yet. In other news overnight, comments from the Japanese Finance Minister Naoto Kan's that yen rises will be subdued gave some speculators an excuse to sell the yen against the dollar and euro.

While sterling found some support versus the euro yesterday it failed to build on recent gains as ongoing concerns about UK economic conditions and political uncertainties continue to weigh on the currency. There was little reaction to yesterday's decision by the Bank of England to leave interest rates on hold and to make no changes to its quantitative easing programme, with both decisions in line with market expectations. UK PPI data are the main economic focus in the region today but are not expected to have a major impact.

Geraldine Concagh, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

USD/EUR	1.3573	NOK/EUR	8.0474
GBP/EUR	0.9042	CHF/EUR	1.4626
USD/GBP	1.5006	AUD/EUR	1.5066
JPY/USD	89.37	NZD/EUR	1.974
JPY/EUR	121.3	HKD/EUR	10.5383
SEK/EUR	9.7057	CAD/EUR	1.4002
DKK/EUR	7.4416	EUR/GBP	1.1056

Indices		Dow	10444.14	47.61	
FTSE	5527.16	-6.05	ISEQ	2965.4	25.37
Nikkei	10254.61	-109.97	Nasdaq	2292.31	9.74

ECB In No Rush to Raise Rates with Recovery Moderate and Uneven

At its policy meeting today, the European Central Bank again left its refi rate unchanged at 1% for the tenth month running. It also continued to give the strong impression that rates will not be increased anytime soon.

While the recession has proved very deep, 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 raise interest rates.

Indeed, the latest ECB's staff quarterly economic forecasts were published today also. These see the eurozone economy expanding by just 0.8% in 2010 and 1.5% in 2011, following a sharp decline of 4.0% in GDP in 2009. The staff forecasts see inflation averaging 1.2% in 2010 and 1.5% in 2011, well below the key 2% level.

Meanwhile, while indicating that that it will continue to provide enhanced credit support to the banking system, the ECB also detailed today further measures it is taking regarding the gradual phasing-out of extraordinary liquidity measures that are no longer needed to the same extent as in the past. Notably, the three month refinancing operations will revert to a variable rate tender from April.

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	0.65	0.96	1.22
GBP	0.54	0.64	0.87	1.30

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.51	1.67
3 Years	1.88	2.24
4 Years	2.19	2.67
5 Years	2.47	3.00

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



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