



Sterling On The Back Foot

While yesterday was generally a quiet day on forex markets, sterling remains very much on the back foot and hit its low for the week against the dollar to trade below \$1.50. It was pressured in part by a warning from rating agency Fitch that the UK's sovereign profile had deteriorated. At the same time opinion polls continue to point to a hung parliament with the risk that this poses for the urgent action needed to tackle the UK's public finances. News of a widening in the UK trade deficit on a sharp drop in exports coming on top of disappointing housing market data before yesterday's open added to the negative sterling tone. Sterling maintains under pressure this morning ahead of today's January manufacturing production data which it is hoped will reflect at least some of the recovery seen in the sector's PMI, which hit a 15 year high at the start of the year.

Amongst other majors, the yen has a somewhat firmer tone on expectation of an increase in repatriation flows ahead of the Japanese financial year end. However, yen gains are being limited by speculation that the Bank of Japan may respond to government pressures and take additional measures to ease monetary policy to help stimulate the economy. Meanwhile, government debt concerns weigh somewhat on the euro with Fitch expressing concerns about debt levels of peripheral eurozone economies such as Spain and Portugal. Elsewhere, the AUD has been boosted overnight by news of strong Chinese trade data.

On the economic front, today sees another day light of top tier data. The eurozone, though does see news from the industrial sector with manufacturing output reports for January from France and Italy scheduled.

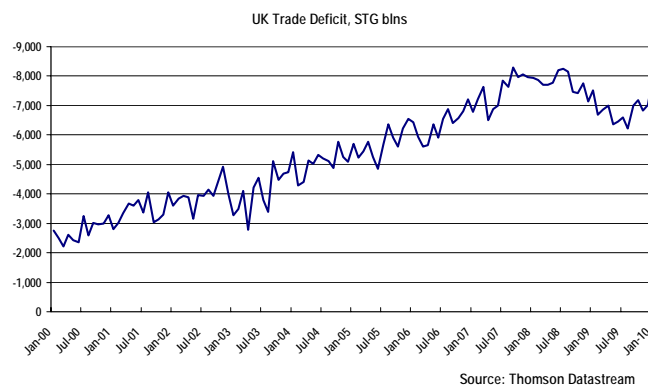
Jenny Pollock, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

USD/EUR	1.3566	NOK/EUR	8.0285
GBP/EUR	0.9088	CHF/EUR	1.462
USD/GBP	1.4925	AUD/EUR	1.4844
JPY/USD	90.04	NZD/EUR	1.926
JPY/EUR	122.16	HKD/EUR	10.5278
SEK/EUR	9.7029	CAD/EUR	1.3954
DKK/EUR	7.4408	EUR/GBP	1.0995

Indices		Dow	10564.38	12.14	
FTSE	5602.30	-4.42	ISEQ	3008.73	-6.22
Nikkei	10555.85	0.33	Nasdaq	2340.68	14.90

Unexpected Rise in UK Trade Gap in January



The UK global goods trade deficit widened unexpectedly in January to its largest level since August 2008, an indication that a much needed boost to the economy from the traded sector has not yet materialised. The global goods deficit grew to Stg8.0 billion in January from a downwardly revised Stg7.0 billion in December, thanks mainly to a sharp fall in exports.

Markets had been expecting the deficit to shrink in January, with the weaker pound supporting the market. However, there was little evidence of this as exports fell 6.9% to Stg19.5 billion, the sharpest monthly drop since July 2006. Imports, meanwhile, decreased 1.6% to Stg27.4 billion.

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.23	0.26	0.39	0.86
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	1.31

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.52	1.63
3 Years	1.87	2.18
4 Years	2.19	2.61
5 Years	2.45	2.94

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



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