



Euro Under Fresh Pressure

The euro has fallen back well below the \$1.23 level versus the dollar, hit by a fresh wave of selling on the back of funding concerns in Europe and a general spike in risk aversion following a dip in US and Asian stocks. European inter bank rates hit their highest level in almost seven months yesterday as market get anxious ahead of the repayment of nearly half a trillion euros of one year funds to the ECB later this week. However, much of the funding is expected to be rolled over at shorter term maturities, which should leave a sufficient amount of liquidity in the system. Markets are also closely watching for the outcome of debt auctions by France and Spain later in the week after demand for Italy's sale of €7 billion of government bonds yesterday was described as lukewarm. Traders are also reluctant to place bets against the dollar ahead of Friday's release of the US non-farm payrolls report for June.

Meanwhile, the EUR hit an all time low versus the Swiss franc in early morning trade as investors moved funds into safe haven assets. Losses were also seen versus the yen, with Japanese exporters reported to be repatriating profits ahead of the half year end. Sterling traded as high as Stg0.8117 in early morning trade, its best level since November 2008 versus the single currency, as it continues to be supported by hopes for fiscal consolidation in the UK. This morning sees the release of the European Commission's closely watched business activity and sentiment surveys for June, which are expected to ease back. This could underline concerns about the pace of economic recovery in the eurozone, which would weigh further on the euro. Later in the day the attention will turn to the US where the Case Shiller House price index for April is due for release alongside consumer confidence for June.

Geraldine Concagh, AIB Global Treasury

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.35	0.53	0.75	1.18
JPY	0.16	0.25	0.44	0.68
EUR	0.47	0.75	1.04	1.30
GBP	0.57	0.73	1.02	1.46

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.35	1.43
3 Years	1.59	1.81
4 Years	1.82	2.16
5 Years	2.08	2.47

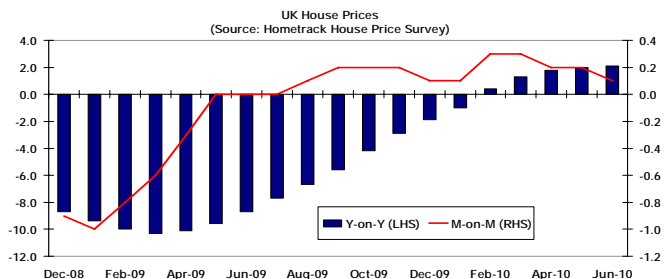
Euro S/Term interest rates Actual /360 : L/Term Actual Bond Basis

Today's Opening Rates (Mid-Rate)

USD/EUR	1.2231	NOK/EUR	7.9275
GBP/EUR	0.8121	CHF/EUR	1.3258
USD/GBP	1.5058	AUD/EUR	1.4171
JPY/USD	88.76	NZD/EUR	1.742
JPY/EUR	108.55	HKD/EUR	9.522
SEK/EUR	9.537	CAD/EUR	1.2726
DKK/EUR	7.446	EUR/GBP	1.2308

Indices		Dow	10138.52	-4.53	
FTSE	5071.68	25.21	ISEQ	2990.82	44.85
Nikkei	9758.91	-41.22	Nasdaq	2220.65	-6.78

Further Evidence that Rate of Increase in UK House Prices Easing



The latest survey on the UK housing market shows that prices continue to rise but the rate of appreciation appears to be cooling. According to property data company, Hometrack, house prices were up 0.1% over the month of June, down from a growth rate of 0.2% seen in the previous two months. However, this still left prices up 2.1% in year-on-year terms, the fastest annual growth rate since January 2008. The number of houses being put up for sale rose at a faster rate than the number of buyers, which could further limit price rises in the months ahead. At the same time, however, Hometrack believes that as recent legislative changes have reduced up-front marketing costs for sellers (Home Information Packs have been scrapped) this could mean that more of the new homes coming on to market may be from less committed vendors only willing to move if they get an unrealistically high price.

