

Modest Rally for Euro on Bank Results

As it turned out Friday's release of the results of the EU bank stress testing exercise proved not to be the event that would push the dollar/euro rate out of its recent range, with a move through the \$1.30 level still eluding the single currency. While the results have brought some stability to the market, thus providing a bit of a lift for the euro, many are sceptical of now stringent the tests actually were, given that only a handful out of the total 91 banks failed. Eurozone sovereign debt concerns remain, while banks still have funding problems and these are likely to continue weighing on the euro. While the euro kept to a tight range versus the dollar overnight, it did see gains versus the yen, supported by a rally in stocks and some general evidence of a pick-up in demand for risk sensitive currencies.

With the banking exercise out of the way, the focus is likely to switch to fundamentals, which could leave the dollar vulnerable following last week's string of disappointing US data. The main focus will be Friday's release of the first estimate of Q2 GDP, which is expected to show growth of 2.5% (annualised), a modest slowing from 2.7% in the previous period. Meanwhile, indicators such as the Conference Board's measure of consumer confidence and July Chicago PMI could provide further evidence of a loss of momentum. Markets will also be keeping a close eye on the tone of Wednesday's Beige Book, which will form the basis for discussion at the August FOMC meeting.

Sterling has started the week on a firm note versus the dollar, helped by the rise in risk appetite as well as Friday's better than expected Q2 GDP report, hitting three month highs close to \$1.55 in early morning trade. It is also holding onto much of its gains versus the euro, with the growth numbers improving the outlook for the UK economy.
Geraldine Concagh, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

USD/EUR	1.2938	NOK/EUR	7.97
GBP/EUR	0.8359	CHF/EUR	1.3606
USD/GBP	1.5473	AUD/EUR	1.4405
JPY/USD	87.43	NZD/EUR	1.772
JPY/EUR	113.1	HKD/EUR	10.0467
SEK/EUR	9.4335	CAD/EUR	1.3392
DKK/EUR	7.4521	EUR/GBP	1.1956

Indices		Dow	10424.62	103.46
FTSE	5312.62	-1.19	ISEQ	2918.08
Nikkei	9380.12	4.60	Nasdaq	2269.47
				35.13

SHORT TERM INTEREST RATES

Months	1	3	6	12
USD	0.33	0.49	0.70	1.07
JPY	0.16	0.24	0.44	0.67
EUR	0.63	0.89	1.13	1.40
GBP	0.57	0.74	1.03	1.47

LONG TERM INTEREST RATES

Term	EURO (Annual)	GBP
2 Years	1.41	1.48
3 Years	1.67	1.87
4 Years	1.93	2.22
5 Years	2.17	2.51

Economic Indicators this week . . .

(full listing on our "Weekly Market Brief" on www.fxcentre.com)

Date	G7	Time	Statistics	Previous	Forecast	Rank
Tue 27 July	UK	11.00	CBI Distributive Trade (July)	-5	0	High
Tue 27 July	US	15.00	Consumer Confidence (July)	52.9	51.0	High
Thur 29 July	UK	07.00	Nationwide House Prices (July)	+0.1%(+8.7%)	-0.2%(+7.0%)	High
Thur 29 July	UK	09.30	Mortgage Applications (June)	49,815	49,000	High
Thur 29 July	EU-16	10.00	Business Climate (July)	0.37	0.39	High
Thur 29 July	EU-16	10.00	Economic Sentiment (July)	98.7	99.0	High
Fri 30 July	EU-16	10.00	HICP Flash (July)	(+1.4%)	(+1.7%)	High
Fri 30 July	US	13.30	GDP (Q2)	+2.7% <i>s.a.a.r.</i>	+2.5%	High
Fri 30 July	US	14.45	Chicago PMI (July)	59.1	55.8	High

