



Euro Sees 11 Week Highs Versus Dollar

Continuing to benefit from a run of better than expected eurozone data, as well as the fact that investors are turning their attention from the eurozone sovereign debt crisis to worries that the US economic recovery may be losing steam, the euro saw 11-week highs of \$1.304 versus the dollar late yesterday. It has since slipped back from these levels, with market sentiment hit by yesterday's disappointing US consumer confidence report. In light of the concerns about the US, markets will be keeping a very close eye on this evening's release of the Fed's Beige Book. Forming the basis for discussion at the next FOMC meeting (10th August), the report is likely to point to the many headwinds the economy continues to face as indicators suggest that the pace of recovery is slowing.

Sterling sentiment was further lifted by the news that, according to the CBI distributive trades survey, UK retail sales posted their strongest growth for more than three years in July, as discounting, World Cup purchases and fine weather continued to boost high street activity. The survey results were well above market expectations, helping the GBP to trade at five month highs versus the USD. Hitting the \$1.56 level overnight, some caution has crept into the market ahead of Governor King's testimony before the Treasury Select Committee later this morning but sentiment remains generally positive. Meanwhile, versus the euro, sterling also saw gains following the strong data, starting the day around the Stg0.834p level. Welcome though the numbers were, the likelihood is that consumer spending will fall back in the coming months as tighter fiscal conditions begin to impact. UK data due for release today include mortgage application and consumer credit details for June.

Geraldine Concagh, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

USD/EUR	1.302	NOK/EUR	8.0125
GBP/EUR	0.834	CHF/EUR	1.3794
USD/GBP	1.5611	AUD/EUR	1.4514
JPY/USD	87.85	NZD/EUR	1.776
JPY/EUR	114.41	HKD/EUR	10.1122
SEK/EUR	9.476	CAD/EUR	1.342
DKK/EUR	7.4515	EUR/GBP	1.1984

Indices		Dow	10537.69	12.41	
FTSE	5365.67	14.55	ISEQ	2943.83	-3.42
Nikkei	9512.67	-17.07	Nasdaq	2288.25	-18.37

US Consumer Confidence Falls in July

Data released yesterday showed that US consumer confidence (the Conference Board measure) fell in July to its lowest level since February of this year. Respondents to the survey were mostly concerned about the outlook for the labour market, with the "jobs hard to get" index increasing to 45.8 over the past month from 43.5 in June. The "jobs plentiful" index was unchanged.

Meanwhile, the Conference Board's headline index fell to 50.4 from a revised 54.3 in June. This was below market expectations, with the data once again raising concerns about the prospects for the US economy in the second half of the year. The present situation index fell to 26.1 in July from 26.8 previously. Consumer expectations for economic activity over the next six months fell sharply to 66.6 from 72.7 in June.

Other US data released yesterday showed a stronger than expected rise in the price of US single family homes in May. According to the Case Shiller index, prices were up 0.5% over the month, compared to an upwardly revised 0.6% gain in April, with the market at that point still influenced by homebuyer tax credits. This was the second straight monthly rise after declines in the prior two months.

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.32	0.48	0.69	1.07
JPY	0.16	0.24	0.44	0.67
EUR	0.64	0.89	1.14	1.41
GBP	0.57	0.74	1.03	1.48

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.52	1.55
3 Years	1.77	1.96
4 Years	2.01	2.31
5 Years	2.24	2.61

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

