



## Sentiment Remains Against Euro

The euro remains on the back foot versus the dollar and yen going into the weekend as concerns about the eurozone economy and its financial sector continue to undermine sentiment. Market confidence in the single currency was not helped by the news from Deutsche Bank that it needs to raise as much as €9 billion partly to help boost its capital ratios.

Meanwhile, the dollar has edged further off 15-year lows against the yen, trading through the Y84 level, aided by yesterday's rise in US treasury yields which lead to a widening in the US-Japan yield spread. The dollar was also helped by the announcement from Japan's government of a Y915 billion stimulus package aimed at fighting domestic deflation and the surging yen. Warning against a rapid or prolonged strengthening of the currency, it also threatened to intervene in forex markets when necessary. However, despite its move higher, the dollar is expected to struggle clear resistance around Y84.30 and indeed has already edged back from its best levels in early morning trade.

Sterling showed little reaction to yesterday's announcement from the Bank of England that it was leaving monetary policy on hold again this month. It was, however, undermined by the news of a weaker than expected UK external trade report for July and talk that the BoE will resort to further quantitative easing on growing evidence that the economy will slow in Q3. UK data due today include the PPI report for August, though this is not expected to have any major impact. There were rumours circulating overnight of a Chinese rate increase over the weekend, while data showed China's trade balance falling after a sharp rise in imports.

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### Today's Opening Rates (Mid-Rate)

USD/EUR	1.2678	NOK/EUR	7.8456
GBP/EUR	0.8237	CHF/EUR	1.2877
USD/GBP	1.5387	AUD/EUR	1.373
JPY/USD	83.87	NZD/EUR	1.748
JPY/EUR	106.34	HKD/EUR	9.8476
SEK/EUR	9.2205	CAD/EUR	1.3103
DKK/EUR	7.4452	EUR/GBP	1.2132

Indices		Dow	10415.24	27.10	
<b>FTSE</b>	5494.16	64.42	<b>ISEQ</b>	2780.6	22.42
<b>Nikkei</b>	9120.54	-74.26	<b>Nasdaq</b>	2236.2	-14.89

### UK Trade Sector Could Drag Growth Lower in Q3

According to data released yesterday, the UK's goods trade deficit with the rest of the world unexpectedly widened to a record high in July after imports of chemicals and oil surged and exports fell.

The total trade deficit, which includes services, also widened sharply to its highest in almost five years, further dashing hopes that the export sector will begin making a contribution to the economy, particularly as consumer and government is forecast to slow. Indeed, net trade could be a drag on GDP growth again in the third quarter.

The goods trade gap widened to Stg8.667 billion in July up from Stg7.532 billion in June. Markets had been expecting a broadly unchanged reading. Imports were up 3.1% on the month in value terms, driven by an increase in imports of organic chemicals, pharmaceuticals and oil, the latter due to maintenance work on North Sea oil rigs.

Exports, by contrast, fell 0.9%. Including services, the total trade gap widened to Stg4.916 billion from Stg3.932 billion, its widest since August 2005. The non-EU goods trade deficit also widened more than expected to Stg4.800 billion from Stg4.313 billion the previous month, its biggest since January.

SHORT TERM INTEREST RATES				
Months	1	3	6	12
<b>USD</b>	0.26	0.29	0.49	0.82
<b>JPY</b>	0.15	0.23	0.43	0.67
<b>EUR</b>	0.62	0.88	1.13	1.42
<b>GBP</b>	0.57	0.73	1.03	1.46

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
<b>2 Years</b>	1.37	1.32
<b>3 Years</b>	1.54	1.61
<b>4 Years</b>	1.72	1.90
<b>5 Years</b>	1.90	2.17

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

