Morning Comment

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AIB Global Treasury Services

Euro Recovery Falters

The euro fell back against the dollar and yen overnight, with traders taking profits on recent moves ahead of key meetings between the US and Greece. Greek PM Papandreou was said to be seeking support from the Obama administration to rein in market speculation he blames for driving up Greece's borrowing costs. Although the euro had started the week on a strong note largely on the back of a spike in risk aversion, the overnight moves suggest that the market fears regarding sovereign risk have not fully dissipated as yet.

Under pressure once again at the $1.50 level, sterling's recovery versus the dollar has also faltered, with the UK currency also slipping back towards 0.91p versus the euro. The RICS survey released overnight showed its house price balance at the lowest level since August, with the amount of property coming onto the market exceeding the number of new buyers. The survey added further to the growing view that the recovery in UK house prices seen over much of the second half of last year is losing momentum.

Sterling was also hit by comments from the Moody's rating agency that the UK faces a difficult balancing act in terms of deciding when and how to reduce its level of financial support for the banking sector. A reasonably strong BRC retail sales report for February, which showed like for like sales up 2.2% compared to a drop of 0.6% in January, failed to offer much in the way of support and sterling looks set to remain on the back foot, with the BRC saying that the stronger performance came against a weak outturn for last February. Today sees the release of UK trade data for January, which could also weigh on the GBP.

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SHORT TERM INTEREST RATES				
Months	**1**	**3**	**6**	**12**
USD	0.23	0.25	0.40	0.87
JPY	0.16	0.25	0.45	0.68
EUR	0.41	0.65	0.96	1.22
GBP	0.54	0.65	0.87	1.31

LONG TERM INTEREST RATES		
Term	**EURO (Annual)**	**GBP**
2 Years	1.53	1.67
3 Years	1.88	2.24
4 Years	2.19	2.68
5 Years	2.47	3.02

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

Today's Opening Rates (Mid-Rate)

USD/EUR	1.3605	NOK/EUR	8.0446
GBP/EUR	0.9079	CHF/EUR	1.4629
USD/GBP	1.4981	AUD/EUR	1.4944
JPY/USD	89.93	NZD/EUR	1.945
JPY/EUR	122.36	HKD/EUR	10.5562
SEK/EUR	9.703	CAD/EUR	1.3979
DKK/EUR	7.4414	EUR/GBP	1.1005

Indices			Dow	10552.52	-11.26
FTSE	5606.72	6.96	**ISEQ**	3015.84	4.81
Nikkei	10567.32	47.80	**Nasdaq**	2332.21	5.96

Eurozone Data Show Subdued Start to 2010

According to the latest Sentix index, sentiment amongst eurozone investors and analysts edged up this month as economic expectations brightened. The headline index rose to -7.5 in March from -8.2 in February, which is better than what the market had been predicting and was a welcome result following last month's surprise dip. The sub index of expectations rose to 4.5 from 3.75. Despite the improvement in the eurozone index, the index lags behind that of other regions as concerns about sovereign risk continue to weigh.

Other eurozone data released yesterday showed industrial production in Germany rising 0.6% in January, which was a little below forecasts for a 1.0% rise. December's drop in output was revised down sharply from 2.6% to 1.0%. Excluding the construction sector, which recorded a massive 14.3% fall over the month (this is likely due to bad weather), output rose by 0.9%.

While the inventory cycle and a pick up in external demand should provide some support, output is likely to be impacted by weather related factors again in February, suggesting that the first quarter of this year may not show significant improvement on the final three months of last year. Over the course of this week we will get further data in terms of industrial output in the eurozone at the beginning of the year.