



Dollar on Edge Ahead of Sales Data

Market sentiment remained on the defensive overnight though the dollar has eased back versus the euro as traders take to the sidelines ahead of this afternoon's release of the US retail sales report for February, as well as the preliminary Michigan consumer sentiment reading for March. A key barometer of the pace of recovery in household spending, retail sales are expected to fall following the very strong growth seen in January, which could hit sentiment going into the weekend. The news of a shrinking US trade deficit in January did provide a modest lift for the dollar yesterday, though this was driven more by a technical flight to quality than anything else. While the deficit did fall by more than expected, evidence of slowing imports at the beginning of the year intensified concerns about the sustainability of the upswing in the US economy.

Although off lows seen earlier in the week, sterling remains on the back foot versus the dollar and euro going into the weekend. The UK currency was helped by a survey from the Bank of England showing inflation expectations at a two year high. This dampened speculation in the marketplace that the central bank could expand its quantitative easing activities but upside momentum appears limited nonetheless. The news earlier in the week of a weaker than expected outturn for the manufacturing sector in January, as well as a poor trade report for the same month, continue to cast a shadow over sterling, as do political concerns ahead of this year's general election. There are no UK data due for release again today leaving the focus clearly on the US consumer spending data. The yen, meanwhile, dipped overnight dented by further talk that the Bank of Japan could relax monetary policy in the near term.

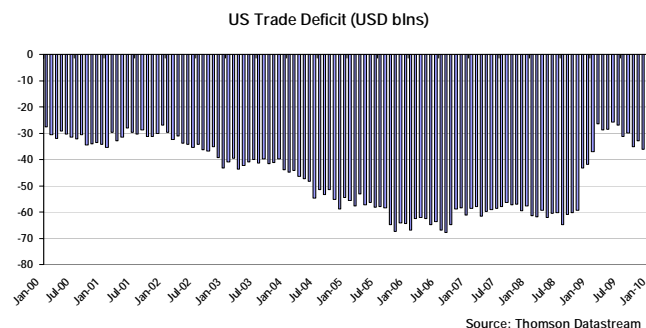
Geraldine Concagh, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

| | | | |
|---------|--------|---------|---------|
| USD/EUR | 1.3695 | NOK/EUR | 8.0151 |
| GBP/EUR | 0.9095 | CHF/EUR | 1.4618 |
| USD/GBP | 1.5056 | AUD/EUR | 1.4943 |
| JPY/USD | 90.62 | NZD/EUR | 1.953 |
| JPY/EUR | 124.13 | HKD/EUR | 10.6272 |
| SEK/EUR | 9.7189 | CAD/EUR | 1.4014 |
| DKK/EUR | 7.4408 | EUR/GBP | 1.0991 |

| Indices | | Dow | 10611.84 | 50.86 | |
|---------|----------|--------|----------|---------|-------|
| FTSE | 5617.26 | -23.31 | ISEQ | 3023.73 | 14.56 |
| Nikkei | 10777.49 | 36.96 | Nasdaq | 2368.46 | 17.35 |

Surprise Drop in US Trade Deficit in January



The US trade deficit narrowed to USD37.3 bln in January, a drop of 6.6%, largely as a result of a sharper than anticipated fall in the value of imports over the month. Markets had been expecting the deficit to rise. The value of exports from the US fell by 0.3% compared with the previous month but the value of exports fell by a larger 1.7%. In year-on-year terms, exports increased 15.1% in January 2010 over 2009, while imports increased by 11.9%. In other US data released yesterday, the decline in initial jobless claims to 462,000 last week from 468,000 the previous week, shows that while there was some improvement the labour market remains weak. It is generally considered that claims need to fall below 400,000 before sustained gains in payroll employment can be anticipated.

| SHORT TERM INTEREST RATES | | | | |
|---------------------------|------|------|------|------|
| Months | 1 | 3 | 6 | 12 |
| USD | 0.23 | 0.26 | 0.39 | 0.86 |
| JPY | 0.16 | 0.25 | 0.45 | 0.68 |
| EUR | 0.41 | 0.65 | 0.96 | 1.22 |
| GBP | 0.54 | 0.64 | 0.87 | 1.31 |

| LONG TERM INTEREST RATES | | |
|--------------------------|---------------|------|
| Term | EURO (Annual) | GBP |
| 2 Years | 1.58 | 1.63 |
| 3 Years | 1.94 | 2.19 |
| 4 Years | 2.25 | 2.63 |
| 5 Years | 2.52 | 2.97 |

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



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