



Yen Rises as Risk Aversion Dominates

The Japanese yen is higher against the dollar, euro and sterling this morning as market sentiment remains generally shaky. Efforts by the Bank of Japan to stem the currency's rise are being considered inadequate, with co-ordinated intervention the only thing that is likely to have any real market impact at this stage. With the market currently biased towards further yen strength, the dollar is edging back towards recent 15-year lows versus the JPY, with some speculation of moves even beyond this level. Meanwhile, concerns about the outlook for the global economy also continue to dominate, despite recent assurances from leading central banks that they will do all that is necessary to support their respective economies. With risk aversion remaining high, the euro eased back versus the dollar over much of yesterday and overnight, showing little reaction to better than expected eurozone data. In yet another sign of risk aversion, the euro fell to new record lows versus the Swiss franc.

Today sees the release of a host of data that is likely to test investors' nerves, including US consumer confidence and the Chicago PMI for August. Also due for release are the minutes of the last FOMC policy meeting, which will be scrutinised for any fresh policy hints. Overnight we saw the release of UK consumer confidence for August. The Gfk's index unexpectedly rose 4 points, reversing some of the sharp drop seen last month as consumers reacted to the news of fiscal tightening. Sterling showed little reaction to the release, with international events instead dominating in terms of setting the tone. Nonetheless, the euro has recovered some ground versus the GBP overnight as it modestly out performs versus the USD. UK data to watch today include mortgage applications for July.

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Today's Opening Rates (Mid-Rate)

USD/EUR	1.2639	NOK/EUR	7.9986
GBP/EUR	0.8191	CHF/EUR	1.2933
USD/GBP	1.5423	AUD/EUR	1.4214
JPY/USD	84.13	NZD/EUR	1.807
JPY/EUR	106.34	HKD/EUR	9.8319
SEK/EUR	9.393	CAD/EUR	1.3411
DKK/EUR	7.4461	EUR/GBP	1.2205

Indices		Dow	10009.73	-135.85	
FTSE	5201.56	45.72	ISEQ	2668.33	-1.66
Nikkei	9141.45	179.59	Nasdaq	2119.97	-25.79

Eurozone Confidence Improves Again in August

	August	July
Overall Economic Sentiment	101.8	101.1
- Consumer Sentiment	-11	-14
- Industrial Sentiment	-4	-4
- Services Sentiment	+7	+6
Business Climate Index	0.61	0.63

According to data released yesterday by the European Commission, eurozone economic sentiment improved by more than expected in August with inflation expectations remaining muted. The Commissions survey showed sentiment in eurozone inching up to 101.8 this month from July's downwardly revised 101.1. The reading marks a further improvement from a trough of 64.6 seen in March 2009. Markets had expected an increase in economic sentiment to 101.7. The survey suggests that despite fears of a slowing in the rate of recovery going forward, the eurozone economy should continue to expand in Q3. Confidence amongst consumers improved markedly, amid a more upbeat outlook for the economy and less fear about employment prospects. However, consumers are still reluctant to spend, with the index measuring consumers' willingness to make major purchases over the next 12 months only edged up in August having fallen in July to its equal lowest level since May 2009.

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.26	0.30	0.50	0.86
JPY	0.15	0.23	0.44	0.67
EUR	0.62	0.89	1.14	1.42
GBP	0.57	0.73	1.02	1.47

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.24	1.27
3 Years	1.39	1.54
4 Years	1.54	1.82
5 Years	1.72	2.08

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

