



## Overnight Data Help Lift Sentiment

Market sentiment got a lift overnight, with risk appetite picking up on the back of news of faster than expected growth in Australia's economy (the economy grew at its fastest rate in three years in Q2) and a rebound in China's manufacturing PMI index last month. This saw the yen fall back versus other majors and high yielders, with losses extended on comments from Ichiro Ozawa, who is challenging PM Kan in a party leadership vote, that he would implement steps including intervention if the yen rose sharply. Strong gains in regional shares markets also helped lift the mood overnight, though given the lingering concerns about the health of the world's economy, the yen is not expected to slip back too far, particularly ahead of Friday's release of the key non-farm payrolls report in the US.

Meanwhile, last night's release of the minutes of the last FOMC meeting offered no great surprises, though the report did highlight the prospects of a slowing US economy, which is likely to weigh on the dollar. Helped by the improvement in risk appetite both the euro and sterling are higher versus the dollar this morning but remain within familiar ranges as yen activity dominates. The GBP/EUR rate, meanwhile, has started the day well above Stg0.82p following yesterday's jump in the euro on reports of strong European month-end demand. The focus for European and US markets today will be the release of manufacturing PMI/ISM data from the US, UK and eurozone as markets continue to watch for signs of a slowing in the recovery rate of developed economies. All indices are expected to slip back but remain above the key 50 level. Also due for release is the US ADP employment report, which should provide some advance indication ahead of Friday's official payrolls report.

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

USD/EUR	1.2714	NOK/EUR	7.973
GBP/EUR	0.825	CHF/EUR	1.2921
USD/GBP	1.5408	AUD/EUR	1.413
JPY/USD	84.4	NZD/EUR	1.808
JPY/EUR	107.34	HKD/EUR	9.8875
SEK/EUR	9.343	CAD/EUR	1.3502
DKK/EUR	7.4437	EUR/GBP	1.2119

Indices		Dow	10014.72	8.30	
FTSE	5225.22	23.66	ISEQ	2703.86	35.03
Nikkei	8998.80	7.81	Nasdaq	2114.03	4.27

### Mixed News on US Economy

Yesterday brought a mixed bag of news on the US economy. The Case Shiller house price index showed that prices rose 1.0% in June. This translates into a 4.2% yearly gain, beating market expectations for a 3.5% increase. Meanwhile, May's data was revised up to show a 1.3% monthly rise, from an earlier 0.5% figure. However, the index is constructed as a 3-month moving average, suggesting that June's figures are still showing the positive impact on prices from tax credits, which expired at the end of April. More recent data point to a sharp slowdown in demand as the tax breaks ended and foreclosures continue.

In other news, the Conference Board Consumer Confidence Index, which had declined in July, improved moderately in August. The Index now stands at 53.5, up from 51.0 in July. The Present Situation Index decreased to 24.9 from 26.4. The Expectations Index increased to 72.5 from 67.5 last month. Expectations about future business and labour market conditions have brightened somewhat, but overall, consumers remain apprehensive about the future. Finally the Chicago PMI was the latest indicator to point to a slowing in the recovery in the manufacturing sector. The index fell to 56.7% from 62.3% in July. The drop was in line with forecasts. Production fell to its lowest level since September 2009, dropping to 46.5 from 50.8 in July.

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.26	0.30	0.50	0.84
JPY	0.15	0.23	0.44	0.67
EUR	0.62	0.89	1.14	1.41
GBP	0.57	0.73	1.02	1.46

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.24	1.24
3 Years	1.38	1.50
4 Years	1.56	1.78
5 Years	1.74	2.06

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

