



Sentiment Lifted Again by Strong Data

The euro saw further modest gains versus the dollar yesterday to see weekly highs of \$1.2855, though it failed to hold this level overnight. With risky assets and high yielders already trading higher on the back of reports of a sharp rise in Australia GDP in Q2, sentiment was further boosted by yesterday afternoon's news that the US manufacturing sector expanded at a faster than anticipated pace in August. The ISM index rose to 56.3 from 55.5 in July, compared to expectations that it would fall back a couple of points. Of particular note was the rise in the employment sub index. The data have helped ease some of the concerns about the outlook for the US economy, though much uncertainty remains.

Improved investor sentiment is also keeping the yen off recent highs though these levels remain within its sights, with markets reluctant to take on big positions ahead of today's ECB meeting and tomorrow's US non-farm payrolls report for August. Indeed, some modest gains were seen in the yen overnight as traders squared up positions ahead of the key events and reacted to news of a weaker than expected Australian trade balance report for July. The ECB is not expected to make any changes to official rates but the post meeting press conference will be watched for any changes in tone.

Sterling was hit by yesterday's weaker than expected manufacturing PMI for August, which suggests a slow down in the pace of recovery in the UK economy in the second half of the year. This helped push the euro through the Stg0.83p level to see its highest level in three weeks. Nationwide house price data overnight also disappointed. Improved investor sentiment, however, is proving some support for the GBP versus the US dollar.
Geraldine Concagh, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

| | | | |
|---------|--------|---------|--------|
| USD/EUR | 1.2812 | NOK/EUR | 7.9208 |
| GBP/EUR | 0.831 | CHF/EUR | 1.2955 |
| USD/GBP | 1.5414 | AUD/EUR | 1.4109 |
| JPY/USD | 84.12 | NZD/EUR | 1.794 |
| JPY/EUR | 107.79 | HKD/EUR | 9.96 |
| SEK/EUR | 9.3296 | CAD/EUR | 1.3478 |
| DKK/EUR | 7.4444 | EUR/GBP | 1.2028 |

| Indices | | Dow | 10269.47 | 253.46 | |
|---------|---------|---------|----------|---------|-------|
| FTSE | 5366.41 | 141.19 | ISEQ | 2760.73 | 67.62 |
| Nikkei | 8833.32 | -174.74 | Nasdaq | 2176.84 | 34.09 |

Average Exchange Rates & Cost of Funds for August 2010

| | | | |
|---------|--------|---------|---------|
| GBP/EUR | 0.8237 | USD/EUR | 1.2896 |
| JPY/EUR | 110.08 | SEK/EUR | 9.4168 |
| DKK/EUR | 7.4491 | NOK/EUR | 7.9279 |
| CHF/EUR | 1.3402 | AUD/EUR | 1.4320 |
| NZD/EUR | 1.8035 | HKD/EUR | 10.0197 |
| CAD/EUR | 1.3416 | JPY/USD | 85.3541 |
| USD/GBP | 1.5650 | EUR/GBP | 1.2140 |

AVERAGE EURO COST OF FUNDS

| | JUNE'10 | JULY'10 | AUG '10 |
|--------|---------|---------|---------|
| 1 week | 0.3730 | 0.5273 | 0.5439 |
| 1mth | 0.4445 | 0.5833 | 0.6400 |
| 2mths | 0.5515 | 0.6685 | 0.7264 |
| 3mths | 0.7257 | 0.8488 | 0.8955 |
| 6mths | 1.0104 | 1.1042 | 1.1472 |
| 9mths | 1.1507 | 1.2453 | 1.2902 |
| 12mths | 1.2801 | 1.3734 | 1.4210 |

| 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 | 1.13 | 1.41 |
| GBP | 0.57 | 0.73 | 1.02 | 1.46 |

| LONG TERM INTEREST RATES | | |
|--------------------------|---------------|------|
| Term | EURO (Annual) | GBP |
| 2 Years | 1.27 | 1.25 |
| 3 Years | 1.44 | 1.54 |
| 4 Years | 1.60 | 1.82 |
| 5 Years | 1.78 | 2.09 |

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

