



## Euro Fails to Hold Post FOMC Gains

Wednesday's dovish outlook from the Fed continues to weigh on the dollar, with the euro looking to push towards the \$1.32 level yesterday. The Fed's projections for interest rates (as outlined in the chart opposite) show that the majority of FOMC members believe that interest rates should not be increased until well into 2014, which is later than some many had anticipated. However, the euro stalled ahead of \$1.319 and indeed gave up some of its gains overnight, hit by a fall in general market sentiment, with traders also on alert as Greece prepares to meet again with private sector investors to try and hammer out a debt restructuring deal.

A statement issued by the creditors committee showed "some progress was realised" after a first day of meetings in Athens yesterday but no deal had been reached. The main stumbling block continues to be differences over the interest rate on the new bonds. Germany's government and the International Monetary Fund have been pushing creditors to accept a rate below 3.5%, while the creditors have indicated 4% as the minimum they could accept under a voluntary deal.

Sterling fell to a four week low against the euro yesterday, undermined by the general bounce in the single currency as well as concerns about the outlook for the UK economy. It has since regained some momentum, though remains off recent highs. Data released this week has underlined the fragile nature of the UK's economic recovery. As well as poor Q4 GDP numbers earlier in the week, yesterday saw the release of the CBI distributive trades survey for January. This painted a bleak picture of UK retail activity in the opening weeks of 2012. There are no UK data today. Instead markets will be focusing on the first estimate of US Q4 GDP, which is expected to show above trend growth.

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### SHORT TERM INTEREST RATES

Months	1	3	6	12
USD	0.27	0.55	0.79	1.10
JPY	0.14	0.20	0.34	0.55
EUR	0.73	1.14	1.44	1.77
GBP	0.77	1.09	1.40	1.90

### LONG TERM INTEREST RATES

Term	EURO (Annual)	GBP
2 Years	1.17	1.23
3 Years	1.24	1.26
4 Years	1.42	1.38
5 Years	1.63	1.52

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

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

USD/EUR	1.3106	NOK/EUR	7.6488
GBP/EUR	0.8352	CHF/EUR	1.2061
USD/GBP	1.5691	AUD/EUR	1.2327
JPY/USD	77.08	NZD/EUR	1.593
JPY/EUR	101.04	HKD/EUR	10.1691
SEK/EUR	8.8884	CAD/EUR	1.314
DKK/EUR	7.4326	EUR/GBP	1.1967

Indices		Dow	12756.96	83.33	
FTSE	5723.00	-28.90	ISEQ	2982.64	-5.08
Nikkei	8890.49	41.68	Nasdaq	2818.31	15.08

## Interest Rate Projections FOMC January 2012

