

Euro Starts the Week on the Defensive

The euro has started the week on the back foot versus the US dollar as it continues to be weighed down by growing concerns about the eurozone's fiscal problems, despite the weekend's reassurances from the weekend's G7 meeting about support for reforms in Greece. Meanwhile, the euro, pound and dollar are all lower against the yen in response to the lower Asian stock markets. Risk appetite was also hit by talk of a global tax on banks, with such initiatives appearing to find support at the meeting of leading central bankers and finance ministers. Although off Friday's low of \$1.3586, its weakest level in over 8 months versus the USD, the euro remains vulnerable to fresh selling over the coming days as the focus remains on the headwinds that the eurozone is facing.

The dollar is also taking support from Friday's non-farm payrolls report, which although weaker than expected in terms of the headline number did show the unemployment rate falling back to 9.7%. However, the economy continued to shed jobs and indeed detailed revisions painted a bleaker picture for 2009 than had been initially indicated, so there is still some way to go before we see a real recovery in labour market conditions. Thus, the data have not changed the markets view that the Fed will leave interest rates on hold for some time to come.

So sovereign risk looks set to remain the main theme again this week but markets will also be looking to the Bank of England's inflation report on Wednesday, as well as some key data from the US and eurozone. Events on the earnings calendar worth watching this week include updates from Walt Disney and Coca-Cola, which are amongst a host of S&P 500 companies reporting.

Geraldine Concagh, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

USD/EUR	1.3639	NOK/EUR	8.173
GBP/EUR	0.8759	CHF/EUR	1.4671
USD/GBP	1.5568	AUD/EUR	1.5747
JPY/USD	89.36	NZD/EUR	1.984
JPY/EUR	121.88	HKD/EUR	10.6016
SEK/EUR	10.178	CAD/EUR	1.4583
DKK/EUR	7.4441	EUR/GBP	1.1412

Indices		Dow	10012.23	8.54	
FTSE	5060.92	-78.39	ISEQ	2890.11	-61.19
Nikkei	10007.47	-105.25	Nasdaq	2141.12	9.20

SHORT TERM INTEREST RATES

Months	1	3	6	12
USD	0.23	0.25	0.39	0.84
JPY	0.16	0.26	0.46	0.68
EUR	0.42	0.66	0.97	1.22
GBP	0.52	0.62	0.85	1.27

LONG TERM INTEREST RATES

Term	EURO (Annual)	GBP
2 Years	1.58	1.63
3 Years	1.95	2.28
4 Years	2.25	2.69
5 Years	2.51	3.07

Economic Indicators this week . . .

(full listing on our "Weekly Market Brief" on www.fxcentre.com)

Date	G7	Time	Statistics	Previous	Forecast	Rank
Tue 9 Feb	UK	00.01	BRC Retail Sales (January)	(+4.2%)		High
Tue 9 Feb	UK	09.30	Trade Balance (December)	-£6.784bn	-£6.6bn	High
Wed 10 Feb	UK	09.30	Industrial Production (December)	+0.4%(-6.0%)	+0.2%(-4.1%)	High
Wed 10 Feb	UK	10.30	BoE Quarterly Inflation Report	-	-	High
Wed 10 Feb	US	13.30	International Trade Balance (December)	-\$36.4bn	-\$35.5bn	High
Thur 11 Feb	US	13.30	Retail Sales (January)	-0.3%	+0.3%	High
Fri 12 Jan	GER	07.00	Flash GDP (Q4)	+0.7%(-4.7%)	+0.3%(-2.2%)	High
Fri 12 Jan	EU-16	10.00	Flash GDP (Q4)	+0.4%(-4.0%)	+0.3%(-1.9%)	High
Fri 12 Jan	US	14.55	Michigan Sentiment (February Prelim)	74.4	75.0	High



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