



Sentiment Remains Against the Dollar

While movements amongst the majors yesterday and overnight have been relatively modest, sentiment remains against the dollar. Yesterday saw the latest in a string of disappointing US economic data with an unexpected fall in durable goods orders adding to fears about the fragility of the US economic recovery. This was followed by the release of the Fed Beige Book, which summarises current economic conditions as the backdrop for the early August FOMC meeting, which also indicated that the US recovery may be running out of steam. Finally, Governor Schwarzenegger, has declared a state of emergency over California's finances.

However, despite the negative dollar sentiment, the euro has been locked in a tight range against the US currency. It is starting today, though with a stronger tone, again targeting the \$1.3050 resistance level in early morning trade. Weak risk sentiment, with stocks trading lower, meanwhile has helped pull the yen somewhat higher against the dollar.

Sterling sentiment, meanwhile, remains robust after recent strong UK economic data. Yesterday saw it hit a fresh 5 month high to the dollar despite some relative dovish comments from BoE Governor Mervyn King to Parliament's Treasury Select Committee and the earlier warning from the NIESR that economic recovery would be slower than the government believed. Nationwide house price data this morning, though, has confirmed other recent data pointing to a slide in house prices.

As expected, rates in New Zealand were hiked by 0.25% to 3.0%. However, the RBNZ indicated that further rate hikes would be slower than markets had anticipated leading to a sharp fall in the NZD.

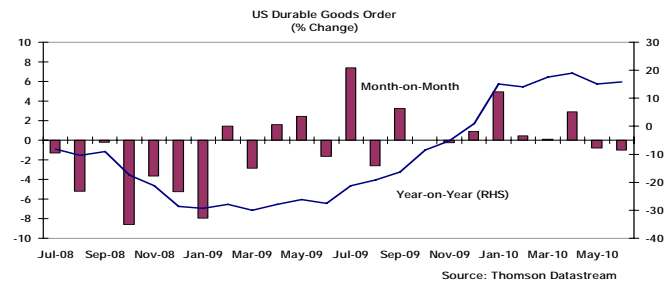
Jenny Pollock, AIB Global Treasury

Today's Opening Rates (Mid-Rate)

USD/EUR	1.3018	NOK/EUR	7.997
GBP/EUR	0.8336	CHF/EUR	1.3719
USD/GBP	1.5613	AUD/EUR	1.4486
JPY/USD	87.31	NZD/EUR	1.794
JPY/EUR	113.65	HKD/EUR	10.1113
SEK/EUR	9.4885	CAD/EUR	1.3456
DKK/EUR	7.4511	EUR/GBP	1.1991

Indices		Dow	10497.88	-39.13	
FTSE	5319.68	-45.99	ISEQ	2911.52	-29.01
Nikkei	9614.47	-15.82	Nasdaq	2264.56	-20.06

US Durable Goods Orders Disappoint



Markets expected that US durable goods orders (or orders for long lasting manufactured goods) would bounce back in June, with consensus forecasts showing a 1.0% rise over the month. However, yesterday's durable goods report for last month proved to be the latest in a string of disappointing US numbers, adding to the evidence of a cooling in the rate of economic recovery in the second half of the year. Orders in fact were down 1.0% on the month, their largest decline since last August. Orders for May were revised down from -0.6% to -0.8%. Orders had been expected to rise as Boeing Co received 49 orders for civilian aircraft in June compared to only five in May. However, non-defence aircraft orders tumbled 25.6 percent in June after falling 30.2 percent the prior month. Overall orders were also pulled down by bookings for computers and electronic products, which saw their largest decline since October. Orders for machinery recorded their biggest decline in 14 months, while those for primary metals fell by the most since March 2009.

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.32	0.48	0.69	1.06
JPY	0.16	0.24	0.44	0.67
EUR	0.64	0.90	1.14	1.42
GBP	0.57	0.74	1.03	1.48

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.48	1.49
3 Years	1.71	1.91
4 Years	1.97	2.27
5 Years	2.19	2.58

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

