



Monday, 16th October 2000

market comment

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Euro Under Pressure

The euro remains under pressure as the dollar benefits from the tensions in the Middle East and from the rebound in US equities last Friday. The Dow Jones industrial average index rose 1.6% while the Nasdaq composite index was up 7.9%. The dollar has also gained against sterling with cable back at around \$1.45.

The markets now await the outcome of the special Middle East summit in Egypt, which will be chaired by US president, Bill Clinton. The risk of escalation of the tensions in the Middle East will keep the dollar in demand and continue to keep downward pressure on the euro.

The euro is also likely to be tested following comments by the President of the European Central Bank, Wim Duisenberg. In an interview with the Times newspaper, he said that it would be inappropriate for the G7 to step into the foreign exchange markets when external events lead to exchange rate volatility. Asked whether it would make sense for central banks to intervene if war in the Middle East triggered sharp movements in exchange rates, he replied "I wouldn't think so". His remarks were interpreted as ruling out any immediate support for the euro. However, he was asked about a scenario which is not yet at hand in the Middle East and foreign exchange markets have not been too volatile. The markets will remain wary therefore of some limited intervention.

This week sees the release of Irish and eurozone CPI data. The Irish CPI is likely to rise to a year-on-year rate of about 6.4% in September, up from 6.2% in August. Euro area inflation should also accelerate from 2.3% in August to 2.7% in September.

John Beggs, Chief Economist, Group Treasury

Today's Opening Rates (Mid-Rate)

GBP/IEP	0.7480	GBP/EUR	0.5890
USD/IEP	1.0849	USD/EUR	0.8544
JPY/IEP	117.10	JPY/EUR	92.21
SEK/IEP	10.7998	SEK/EUR	8.5059
DKK/IEP	9.4560	DKK/EUR	7.4468
NOK/IEP	10.1614	NOK/EUR	8.0046
CHF/IEP	1.9185	CHF/EUR	1.5109
AUD/IEP	2.0603	AUD/EUR	1.6225
NZD/IEP	2.7248	NZD/EUR	2.1458
HKD/IEP	8.4591	HKD/EUR	6.6617
CAD/IEP	1.6371	CAD/EUR	1.2893
USD/GBP	1.4505	EUR/GBP	1.6978
DEM/GBP	3.3205	DEM/USD	2.2893
JPY/USD	107.9400	FRF/GBP	11.1367

Dow	10192.18	+157.60	FTSE	6209.60	+77.7
Nikkei	15512.32	+182.01	ISEQ	5605.80	
Nasdaq				3316.77	+242.09

SHORT TERM INTEREST RATES

Months	1	3	6	12
USD	6.60	6.72	6.72	6.72
JPY	0.38	0.62	0.55	0.55
IEP	4.87	5.05	5.12	5.22
EUR	4.80	4.98	4.99	5.15
GBP	6.07	6.18	6.25	6.30

Prime Rate = 5.3750%

LONG TERM INTEREST RATES

Term	EURO (Annual)	IEP (Semi-Annual)	GBP
2 Years	5.37	5.30	6.32
3 Years	5.44	5.37	6.33
4 Years	5.52	5.44	6.32
5 Years	5.60	5.53	6.31

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

IEP : Actual / 365

As at 07.40am

Economic indicators to look forward to this week

Date	GMT	G7	Statistics	Forecast	Previous	Rank
17 Oct.	10.00	EUR	Harmonised CPI (Sept.)	2.7%	2.3%	High
17 Oct.	10.00	IRL	CPI (Sept)	6.4%	6.2%	High
18 Oct.	08.30	UK	Average Earnings Aug.	3.8%	3.9%	High
18 Oct	08.30	UK	Unemployment (Sept.)	-15 K	-18 K	High
19 Oct	08.30	UK	Retail Sales (Sept.)	-0.2%	0.6%	High
20 Oct.	08.30	UK	Q3 '00 GDP	0.8%	0.9%	High