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market comment

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Euro Hit by Friendly Fire

The euro clawed its way back from its lowest levels yesterday to reach \$0.85 at the close of European business. However, it opens below \$0.85 this morning. The euro was adversely affected by the reported comments of Wim Duisenberg, the ECB President, who appeared to rule out intervention during periods of market volatility caused by major events such as the crisis in the Middle East. The basis of his argument is that in times of international conflict, investors tend to buy the US dollar. Intervention under those circumstances may have little or no effect. As such, he is probably correct in this assessment, though he was unwise to speak his mind. Yesterday, the BUBA President, Ernst Welteke, declined to comment on the possibility of central bank intervention. Yesterday also witnessed comments from several eurozone officials expressing confidence in the euro, with little effect.

Tensions in the Middle East will continue to benefit the dollar. The Summit in Egypt has made no progress and will continue today.

Today sees the release of inflation data from the euro area. The Harmonised Index of Consumer Prices (HICP) for the zone is expected to show a year-on-year rise of about 2.8% in September, up from 2.3% in August. With the weakness of the euro and the high price of oil, the latest inflation data will be of concern to the ECB and raise market expectations of another rise in interest rates before the end of the year. The Irish CPI is also due this morning. The year-on-year rate in September is forecast at about 6.4%, up from 6.2% in August.

John Beggs, Chief Economist, Group Treasury

Today's Opening Rates (Mid-Rate)

GBP/IEP	0.7449	GBP/EUR	0.5867
USD/IEP	1.0772	USD/EUR	0.8483
JPY/IEP	116.47	JPY/EUR	91.71
SEK/IEP	10.8023	SEK/EUR	8.5065
DKK/IEP	9.4557	DKK/EUR	7.4461
NOK/IEP	10.1662	NOK/EUR	8.0126
CHF/IEP	1.9159	CHF/EUR	1.5085
AUD/IEP	2.0626	AUD/EUR	1.6242
NZD/IEP	2.7308	NZD/EUR	2.1505
HKD/IEP	8.3998	HKD/EUR	6.6146
CAD/IEP	1.6352	CAD/EUR	1.2876
USD/GBP	1.4461	EUR/GBP	1.7045
DEM/GBP	3.3339	DEM/USD	2.3055
JPY/USD	108.1250	FRF/GBP	11.1805

Dow	10238.80	+46.62	FTSE	6285.70	+76.1
Nikkei	15396.59	-115.73	ISEQ	5671.29	
Nasdaq		3290.28			-26.49

Quarterly Economic Focus : Autumn 2000

Our **Quarterly Economic Focus** for Autumn 2000 is published today on our websites, **fxcentre.com** and **johnbeggs.com**. With inflation now running at over 6%, doubts are growing about how long the Irish economy can sustain its strong growth performance. The long period of high growth accompanied by low inflation appears to have ended. The question has been posed "Is the Celtic Tiger Heading for Bubble Trouble?"

The latest Quarterly Economic Focus addresses the risks and uncertainties surrounding Ireland's economy outlook. Growth is expected to remain very strong in the short term. Real GDP is forecast to rise by 10.5% in 2000. However, the risks of overheating are increasing. A period of slower growth lies ahead. We believe that we can arrive at this position by way of a soft landing over the next two to three years.

The Quarterly Economic Focus also looks at the outlook for interest rates and exchange rates up to end 2001. Medium term forecasts are also provided for planning purposes.

John Beggs, Chief Economist

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	6.61	6.75	6.73	6.76
JPY	0.37	0.56	0.56	0.57
IEP	4.88	5.06	5.13	5.26
EUR	4.81	4.99	5.06	5.19
GBP	6.06	6.14	6.25	6.34

Prime Rate = 5.3750%

LONG TERM INTEREST RATES			
Term	EURO (Annual)	IEP (Semi-Annual)	GBP
2 Years	5.39	5.32	6.33
3 Years	5.46	5.39	6.34
4 Years	5.53	5.46	6.32
5 Years	5.61	5.53	6.30

Euro S/Term interest rates Actual /360 : L/Term Actual Bond Basis
IEP : Actual / 365

All rates as at 07.20am