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# market comment

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## Middle East Tensions Support Dollar

It will be more of the same this week for the euro as Middle East tensions underpin the US dollar and exert downward pressure on the euro. The market will also focus on the behaviour of US equities, though their unsettled performance to date has had no significant impact on the dollar. The euro hovers around the \$0.84 level this morning, unchanged from its close last Friday. The euro also opens marginally weaker against sterling and the yen. The market will remain somewhat wary of central bank intervention to support the euro. However, as we get closer to the US Presidential election, the chances of intervention will diminish and the market may be prepared to push the euro lower.

Sterling starts the week trading well above \$1.45. There are no major UK statistics due this week. Sterling may benefit from tensions in the Middle East, particularly if there is a knock-on effect on oil prices.

The main focus this week on the statistics front will be the US employment cost index on Thursday and the advance estimate of US GDP for Q3 '00 on Friday. These figures are potential market movers. The cost index is a critical indicator for future US interest rate policy, while Friday's GDP will be important to the US dollar/euro relationship. US economic growth is expected to slow down to an annualised rate of about 3.5%. This would be close to the rate of economic growth in the euro area.

With the ECB firmly focused on the risks to inflation in the euro area, money supply figures for September, due this week, will be awaited with much interest.

**John Beggs, Chief Economist, Group Treasury**

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

GBP/IEP	0.7343	GBP/EUR	0.5781
USD/IEP	1.0682	USD/EUR	0.8412
JPY/IEP	116.35	JPY/EUR	91.62
SEK/IEP	10.7821	SEK/EUR	8.4897
DKK/IEP	9.4490	DKK/EUR	7.4408
NOK/IEP	10.1230	NOK/EUR	7.9720
CHF/IEP	1.9091	CHF/EUR	1.5036
AUD/IEP	2.0206	AUD/EUR	1.5911
NZD/IEP	2.6628	NZD/EUR	2.0968
HKD/IEP	8.3299	HKD/EUR	6.5595
CAD/IEP	1.6148	CAD/EUR	1.2716
USD/GBP	1.4547	EUR/GBP	1.7297
DEM/GBP	3.3820	DEM/USD	2.3249
JPY/USD	108.9250	FRF/GBP	11.3462

<b>Dow</b>	10226.59	+83.61	<b>FTSE</b>	6276.30	+57.4
<b>Nikkei</b>	15128.16	-70.57	<b>ISEQ</b>	5659.27	
<b>Nasdaq</b>		3483.14			+64.54

### SHORT TERM INTEREST RATES

Months	1	3	6	12
<b>USD</b>	6.60	6.68	6.60	6.68
<b>JPY</b>	0.38	0.55	0.55	0.55
<b>IEP</b>	4.92	5.11	5.18	5.29
<b>EUR</b>	4.85	4.98	5.11	5.22
<b>GBP</b>	6.00	6.14	6.20	6.22

Prime Rate = 5.3750%

### LONG TERM INTEREST RATES

Term	EURO (Annual)	IEP (Semi-Annual)	GBP
<b>2 Years</b>	5.42	5.36	6.28
<b>3 Years</b>	5.50	5.42	6.30
<b>4 Years</b>	5.57	5.50	6.29
<b>5 Years</b>	5.64	5.56	6.28

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

IEP : Actual / 365

As at 07.30am

### Economic indicators to look forward to this week

Date	GMT	G7	Statistics	Forecast	Previous	Rank
24 Oct.	08.30	UK	Global Trade (Aug)	-£2.8 bln	-£3.0 bln	High
25 Oct.	10.00	IRL	Real GDP (Q1 '00)	N/A	N/A	High
25 Oct.	14.00	US	Existing Home Sales (Sept)	5.10 m	5.27m	High
26 Oct.	12.30	US	Employment Cost Index (Q3 '00)	1.0%	0.9%	High
27 Oct.	12.30	US	Real GDP (Q3 '00)	3.4%	5.9%	High