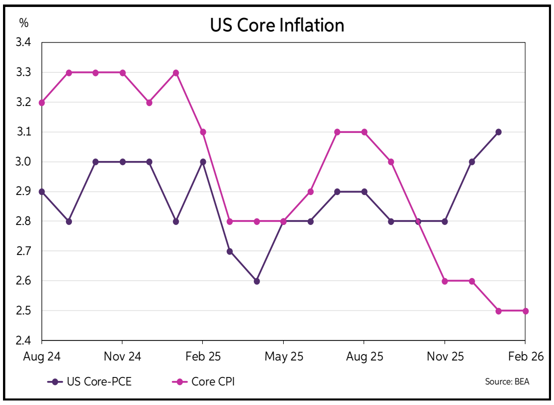
Weekly Market Brief

AIB Treasury Economic Research Unit

6th – 10th April 2026

Chokepoint

- **As markets begin to price in a longer-lasting disruption from the Middle East conflict and the closure of the Strait of Hormuz, governments are dusting off playbooks used in 2020 and 2022 to support households and firms through the current shock.** However, the key difference today is many countries, particularly in Europe, lack the fiscal capacity to match the largesse of previous crises, with the notable exception of Ireland. According to the OECD, in the median G20 economy, government gross debt has risen by close to 40% of GDP since 2007, immediately prior to the global financial crisis, with a significant chunk of this debt built up since 2020. Other spending demands have also recently emerged, such as rising defence expenditure, and are now adding to fiscal pressures from longer-term trends, including ageing populations and climate change.
- **With many European governments running substantial fiscal deficits, the question remains whether bond markets might baulk at a fresh wave of supply in the coming months.** Both short and long-end rates are structurally higher than at the start of the Ukraine war, implying the “r-g” snowball effect (interest rate minus nominal growth) could quickly resemble an avalanche if we see a greater stagflationary shock than in 2022. For now, bond markets appear well-enough behaved, but the trickle of early commitments by governments has tested markets, notably in the UK, where the 10-year gilt yield has tested 5% in recent weeks.
- **Two key lessons from the measures adopted post-Ukraine were the poor targeting of supports, and the design flaw in policies that did not preserve incentives to save energy.** On both counts, most countries failed, with the OECD, in its recent economic outlook, calling out Canada and Germany as notable exceptions in designing partially effective policies. This time around, bond markets will likely compel governments to implement more targeted support schemes.
- **In 2022-23, analysis by the IMF showed European governments spent on average, nearly 3% of GDP on energy support packages.** In the UK, the figure was 4.5% of GDP, while in Ireland a similar 4.5% of GNI* package was spent across both years, equivalent to about €12bn. These sums are unlikely to be repeated. That means the private sector will likely pick up a larger tab, while windfall taxes on energy companies could also feature more prominently.
- **Although fiscal capacity is lacking in many countries, Ireland is actually in a stronger position than four years ago.** Debt-to-GNI* has fallen from 84% of GNI* in 2022 to 62% in 2025, alongside an ongoing annual fiscal surplus of 3-4% of GNI*. The Government has also built-up a substantial war chest of over €70bn in its various sovereign wealth funds. This expanded capacity does not mean the Government should repeat some of its previous scattergun supports, many of which were only recently ended. Instead, any new supports should be tightly targeted and preserve incentives to reduce Ireland’s reliance on fossil fuels, which remains among the highest in the developed world.
- **Turning to the week ahead, the focus will remain on developments in the Middle East.** At the same time, US inflation data for February/March will garner close attention. Core-PCE inflation has been trending higher in recent months. Having troughed at 2.6% last April, it printed in a narrow 2.7-2.9% range between May-November. However, it rose to 3.0% in December, and again to 3.1% in January, its highest level since March 2024. In contrast, both the headline and core rates of CPI inflation declined to 2.4% and 2.5%, respectively, in January, and stayed at that level in February also. However, an increase in the headline rate is expected in March, given the recent surge in oil prices. A 10% rise in West Texas Intermediate (the US crude benchmark), typically adds between 0.2-0.3% to headline inflation, given its weighting in the index. Market participants will also be assessing the data for any signs of second-round inflation effects. The consensus is for the headline rate to jump to 3.3%, and for the core rate is to rise to 2.7%.



- **Further updates on the consumer side of the US economy are also due next week.** Personal consumption expanded throughout last year, supported by a solid rise in personal income. However, more recently, consumption growth has slowed despite income growth remaining robust. Indeed, incomes rose by 0.4% per month throughout the winter, while consumption slowed to just 0.1% m/m over the same period. In terms of more timely updates, the Michigan measure of consumer sentiment for March will be released. The index has been stuck at quite weak levels for the past year, and it is expected to remain muted once again in the month. On the monetary policy front, the meeting minutes from the March FOMC will garner some attention.
- **Elsewhere, the EU Sentix reading for April will feature.** The index ended a run of three successive improvements in March, in the initial aftermath of the emergence of the war in the Middle East, and it is likely to deteriorate further this month. Meanwhile, Eurozone retail sales are forecast to rebound in February, having declined by 0.1% in January. **On the home front, the Irish services PMI, Exchequer Returns and CPI inflation reading (all March) will be released.**

Interest Rate Forecasts

	Current	End Q2 2026	End Q3 2026	End Q4 2026
Fed Funds	3.625	3.625	3.625	3.375
ECB Deposit	2.00	2.00	2.00	2.00
BoE Repo	3.75	3.75	3.75	3.75
BoJ OCR	0.75	0.75	1.00	1.00

Current Rates Reuters, Forecasts AIB's ERU

Exchange Rate Forecasts (Mid-Point of Range)

	Current	End Q2 2026	End Q3 2026	End Q4 2026
EUR/USD	1.1552	1.17	1.19	1.19
EUR/GBP	0.8721	0.87	0.88	0.88
EUR/JPY	184.03	185	186	186
GBP/USD	1.3243	1.34	1.35	1.35
USD/JPY	159.32	158	156	156

Current Rates Reuters, Forecasts AIB's ERU

AIB

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ECONOMIC DIARY

Monday 6th - Friday 10th April

Date	*UK & Irish Time (GMT+1)*		*Release*	*Previous*	*Forecast*
This Week:	**ECB Speakers:**		Cipollone (Mon)		
	BoE Speakers:				
	Fed Speakers:		Goolsbee (Tue)		
Mon 6th	**EU-21/UK:**		**Easter Monday (Market Holiday)**		
	EU-21:	09:30	EU Sentix Index (April)	-3.1	
	US:	15:00	Non-manufacturing Ism (March)	56.1	55.0
Tue 7th	***IRE:***	***01:01***	***AIB Irish Services PMI (March)***	***51.8***	
	ITA:	08:45	Final HCOB Composite PMI (March)	52.1	52.1
	FRA:	08:50	Final HCOB Composite PMI (March)	48.3	48.3
	GER:	08:55	Final HCOB Composite PMI (March)	51.9	51.9
	EU-21:	09:00	Final HCOB Composite PMI (March)	50.5	50.5
			- Final HCOB Services PMI	50.1	50.1
	UK:	09:30	Final S&P Composite PMI (March)	51.0	51.0
			- Final S&P Services PMI	51.2	51.2
	US:	13:30	Durable Goods (February)	+0.0%	
			- Ex-Transport	+0.4%	
			- Ex-Defence	+0.5%	
	IRE:	***16:30***	***Exchequer Returns (March)***	***Mar'25: +€4.1bn***	***-€1.0bn***
Wed 8th	**GER:**	07:00	Industrial Orders (February)	-11.1%	
	FRA:	07:45	Trade Balance (February)	-€1.8bn	
			- Exports	€53.4bn	
	EU-21:	10:00	Producer Prices (February)	+0.7% (-2.1%)	
	EU-21:	10:00	Retail Sales (February)	-0.1% (+2.0%)	
	US:	18:00	Fed FOMC Meeting Minutes (17-18th March)		
Thu 9th	**GER:**	07:00	Industrial Output (February)	-0.5% (-1.1%)	
	GER:	07:00	Trade Balance (February)	+€21.2bn	
			- Exports	-2.3%	
	IRE:	***11:00***	***CPI Inflation (March)***	***+0.9% (+2.7%)***	***+1.8% (+3.8%)***
			- HICP Inflation	***Flash: +1.8% (+3.6%)***	***+1.8% (+3.6%)***
	US:	13:30	Personal Income / Consumption (February)	+0.4% / +0.4%	
	US:	13:30	PCE Prices (February)	+0.3% (+2.8%)	
			- Core-PCE Prices	+0.4% (+3.1%)	
	US:	13:30	GDP (Q4: Final Reading)	+0.7% S.a.a.r.	+0.6% S.a.a.r.
	US:	13:30	Initial jobless Claims (w/e 30th March)	+,000	
Fri 10th	**GER:**	07:00	Final HICP Inflation (March)	+1.2% (+2.8%)	+1.2% (+2.8%)
	ITA:	09:00	Industrial Output (February)	-0.6% (-0.6%)	
	US:	13:30	CPI Inflation (March)	+0.2% (+2.5%)	+0.9% (+3.3%)
			- Core-CPI Inflation	+0.3% (+2.4%)	+0.3% (+2.7%)
	US:	13:30	Preli. Uni. Michigan Consumer Sentiment (Mar)	53.3	

♦ *Month-on-month changes (year-on-year shown in brackets)*