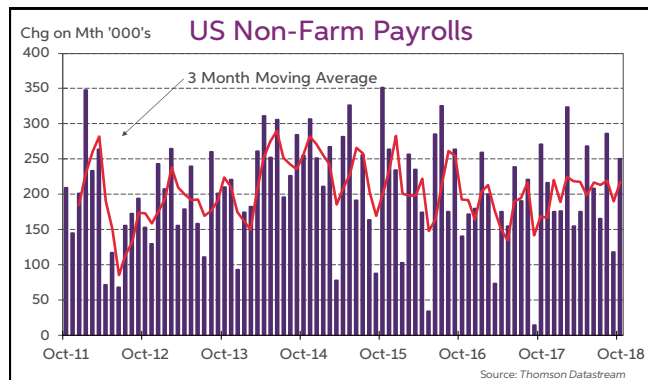


## Last Stand for Hard Brexit?

- The pressure is mounting on UK politicians to avoid a no-deal hard Brexit.** The analysis published by the Bank of England on the impact of a disorderly exit from the EU on the UK economy was particularly stark: GDP 8% lower, inflation at 6.5%, the unemployment rate rising to 7.5%, sterling falling a further 25% and the Bank rate going to 5.5%. Furthermore, the effects are very much front-loaded in the first couple of years after leaving the EU, unlike most other studies which looked at the impact over a much longer time period.
- The Prime Minister is continuing her efforts to sell the Withdrawal Agreement to a sceptical nation and House of Commons.** It will almost certainly be defeated in Parliament when the vote on the matter, scheduled for December 11th, is taken. However, that will not be the end of it. **There is an expectation that the Agreement will be re-submitted to Parliament for approval in the New Year.** With the clock ticking towards the departure date, a majority of MPs may support it then to avoid the dreaded hard Brexit.
- The momentum is with the Remain side, given that opinion polls are showing growing support for staying in the EU. A majority of MPs are also Remainers.** They might be more inclined to support the Withdrawal Agreement if the subsequent trade talks aimed to achieve a Norway style trade deal for the UK – the softest of Brexits. It all leaves Brexiteers in a dilemma. The more they oppose the Withdrawal Agreement, the greater the risk that the UK ends up with an even softer Brexit, or indeed, that there is a second referendum in which the UK votes to remain. Thus, they may come on board to support the Withdrawal Agreement early next year as it becomes clear that this is the best Brexit deal they are going to get.
- Turning to the week ahead, from a data perspective the main focus will be on the bumper US release schedule, the highlight of which is the US employment report for November.** Non-farm payrolls are forecast to have increased by 200k in the month. While this represents a moderation on October's 250k rise, that reading was somewhat distorted by a rebound from extreme weather events in early autumn. Meantime, the unemployment rate looks set to have held at the near 40-year low level of 3.7%. The tightness of the labour market is reflected in the consensus expectation that the growth rate of average hourly earnings remained above 3.0% in November.



- Elsewhere, the US diary also contains the release of the ISMs for November.** It is envisaged that the non-manufacturing index will fall back slightly in the month, while the manufacturing ISM is expected to be broadly unchanged. This would leave both indices at levels consistent with strong economic growth. Meantime, on the monetary policy front, the Fed beige book is also due and will be looked to for an update on the economy's performance ahead of December's policy meeting. Finally, the preliminary reading of the Michigan measure of consumer sentiment for December rounds off the week in the US. While confidence is judged likely to have edged downwards for a third consecutive month, it remains elevated.
- In the UK, PMIs for November are the only noteworthy releases in what is a very light data calendar.** The UK economy has lost some momentum recently. However, this trend may have been somewhat reversed in November, with both the manufacturing and service's PMIs expected to have increased in the month.
- Similar to the UK, the macro agenda in the Eurozone is very sparse.** Indeed, the main releases of note are October industrial production figures from the region's two largest economy—Germany and France. The sector has struggled in recent months, in part due to delays in car production associated with new emissions standards. However, output is anticipated to have recovered slightly in both countries in October. Meanwhile, Eurozone retail sales figures for October are forecast to register a marginal increase.

	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2018	2019	2019
Fed Funds	2.125	2.375	2.625	2.875
ECB Deposit	-0.40	-0.40	-0.40	-0.40
BoE Repo	0.75	0.75	0.75	1.00
BoJ OCR	-0.10	-0.10	-0.10	-0.10

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q4	End Q1	End Q2
		2018	2019	2019
EUR/USD	1.1337	1.14	1.15	1.17
EUR/GBP	0.8897	0.88	0.87	0.86
EUR/JPY	128.75	129	129	130
GBP/USD	1.2741	1.30	1.32	1.36
USD/JPY	113.56	113	112	111

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
<b>This Week:</b>	<b>BoE Speakers:</b>	Haldane (Monday); <b>Carney</b> , Vlieghe (Tuesday)		
	<b>Fed Speakers:</b>	Quarles, Williams (Monday); Williams (Tuesday); <b>Powell</b> , Quarles (Wednesday); Bostic (Thursday)		
	<b>ECB Speakers:</b>	<b>Draghi</b> , Coeure (Monday); de Guindos (Tuesday); <b>Draghi</b> , Lautenschlager (Wednesday); de Guindos (Thursday)		
<b>Mon 3rd</b>		<b>G-20 Summit Concludes</b>		
	<b>CHINA:</b> 01.45	Caixin Manufacturing PMI (November)	50.1	50.0
	<b>EU-19:</b> 09.00	Final Markit Manufacturing PMI (November)	52.0 / 51.5 (p)	51.5
	<b>UK:</b> 09.30	CIPS/Markit Manufacturing PMI (November)	51.1	51.5
	<b>US:</b> 14.45	Final Markit Manufacturing PMI (November)	55.7 / 55.4 (p)	55.4
	<b>US:</b> 15.00	Construction Spending (October)	+0.0%	+0.4%
	<b>US:</b> 15.00	Manufacturing ISM (November)	57.7	57.8
	<b>US:</b> 20.30	Total Vehicle Sales (November)	17.57m	17.30m
<b>Tue 4th</b>	<b>UK:</b> 00.01	BRC Retail Sales (November)	(+1.3%)	
	<b>AUS:</b> 03.30	RBA Interest Rate Announcement	1.5%	1.5%
	<b>UK:</b> 09.30	CIPS/Markit Construction PMI (November)	53.2	52.6
	<b>EU-19:</b> 10.00	PPI (October)	(+4.5%)	(+4.5%)
	<b>IRL:</b> 11.00	<b>Unemployment (November)</b>	<b>5.5%</b>	<b>5.4%</b>
	<b>IRL:</b> 16.30	<b>Underlying Exchequer Balance (November)</b>	<b>Nov'17: €1.16bn</b>	<b>€1.6bn</b>
<b>Wed 5th</b>	<b>CHINA:</b> 01.45	Caixin Services PMI (November)	50.8	
	<b>FRA:</b> 08.50	Final Markit Composite PMI (November)	54.1 / 54.0 (p)	54.0
	<b>GER:</b> 08.55	Final Markit Composite PMI (November)	53.4 / 52.2 (p)	52.2
	<b>EU-19:</b> 09.00	Final Markit Composite PMI (November)	53.1 / 52.4 (p)	52.4
		- Services	53.7 / 53.1 (p)	53.1
	<b>UK:</b> 09.30	CIPS/Markit Services PMI (November)	52.2	52.5
	<b>EU-19:</b> 10.00	Retail Sales (October)	+0.0% (+0.8%)	+0.2% (+1.8%)
	<b>US:</b> 14.45	Final Markit Composite PMI (November)	54.9 / 54.4 (p)	54.4
		- Services	54.8 / 54.4 (p)	54.4
	<b>US:</b> 15.00	Non-Manufacturing ISM (November)	60.3	59.7
		- Business Activity	62.5	62.6
	<b>CAN:</b> 15.00	BoC Interest Rate Announcement	1.75%	1.75%
	<b>US:</b> 19.00	Fed Beige Book Published		
<b>Thurs 6th</b>	<b>GER:</b> 07.00	Industrial Orders (October)	+0.3%	-0.4%
	<b>IRL:</b> 11.00	<b>Live Register (November)</b>	<b>-1,700/210,700</b>	<b>-1,700/209,000</b>
	<b>US:</b> 13.30	Initial Jobless Claims (w/e 25th November)	234,000	220,000
	<b>US:</b> 13.30	International Trade Balance (October)	-\$54.0bn	-\$54.9bn
	<b>US:</b> 15.00	Factory Orders (October)	+0.7%	-2.0%
<b>Fri 7th</b>	<b>JPN:</b> 05.00	Leading Indicators Index (October)	-0.2	
	<b>GER:</b> 07.00	Industrial Output (October)	+0.2%	+0.3%
	<b>FRA:</b> 07.45	Industrial Output (October)	-1.8%	+0.8%
	<b>FRA:</b> 07.45	Trade Balance (October)	-€5.66bn	
		- Exports	-1.8%	
	<b>UK:</b> 08.30	Halifax House Prices (November)	+0.7%	+0.5%
	<b>ITA:</b> 09.00	Retail Sales (October)	-0.8%	
	<b>EU-19:</b> 10.00	GDP (Q3: Third Reading)	(+1.7%)	(+1.7%)
	<b>US:</b> 13.30	Non-Farm Payrolls (November)	250,000	200,000
		- Unemployment	3.7%	3.7%
		- Average Hourly Earnings	(+3.1%)	(+3.1%)
	<b>US:</b> 15.00	Prelim' Michigan Consumer Sent' (December)	97.5	97.0

◆ Month-on-month changes (year-on-year shown in brackets)

All forecasts AIB ERU, historical data in the Economic Diary derived from publicly available sources

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