Weekly Market Brief

AIB Treasury Economic Research Unit

AIB

30th March – April 3rd 2026

Dire Straits

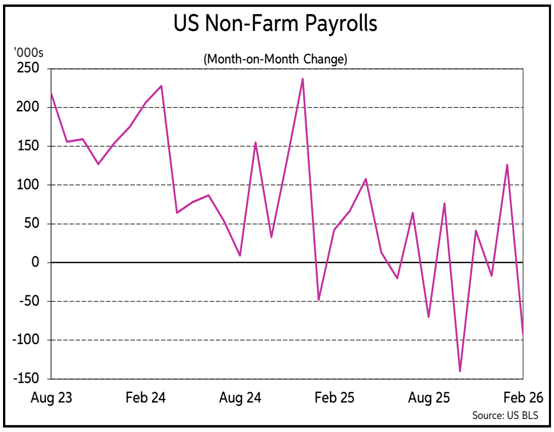
- **Following a further week of uncertainty in relation to the Middle East conflict, including hints of a ceasefire deal, markets have continued to grind lower, and oil prices move higher.** While energy futures markets continue to price in a quick fall in oil prices on the back of a cessation in hostilities, the reality of the infrastructure damage in the Middle East is beginning to emerge.

- **This week, the French Government indicated that 30-40% of Gulf refining capacity has been damaged or destroyed by Iran's retaliatory strikes, leaving a shortage of 11 million barrels a day on global oil markets.** The French Finance Minister, Roland Lescure warned it could take up to three years to restore damaged facilities, and several months to restart those that were shut down since the beginning of the war. This loss is equivalent to c.10% of global oil demand, and does not include the oil and gas capacity, which is undamaged, but not operational due to the closure of the Strait of Hormuz at present. Other key export markets are also severely disrupted, including fertiliser and natural gas derivatives which feed into production processes in diverse sectors such as agriculture, pharmaceuticals and microchips. **The first signs of the shock in the survey data also emerged this week,** with the release of the flash PMIs and consumer sentiment surveys which showed a sharp downturn in economic confidence, alongside a surge in input price inflation for businesses in Europe to the highest rate since early 2023.

- **Nevertheless, futures market continues to price in oil falling to $84/barrel by end-2026 and $72 by end-2027.** This terminal price level in 2027 is little changed from the beginning of March and suggests some market complacency regarding the potential economic impact from the current conflict. However, interest rate markets tell a very different story, with 2-year swaps sharply higher since the beginning of the month, by c.80bps in euro rates and 100bps in UK rates. This indicates that, interest rate futures are pricing in a very different inflation and central bank rate scenario to the one embedded in the oil and gas curves. The dichotomy between the two may reflect investor's view that central banks could take a heavy-handed approach to head-off second round inflation effects from emerging, following the recent experience in the initial aftermath of the Russia-Ukraine war, but only time will tell if this is correct.

- **Overall, the truth could lie somewhere in between the scenarios suggested by current energy and interest rate market pricing, but it is worth noting that the economy is in a very different cyclical position compared to 2022.** Today, inflation is close to the 2% target, base rates in the main advanced economies are largely restrictive or neutral, while medium term inflation expectations are well anchored at the 2% level. In February 2022, inflation was already at 6%, base rates were zero, and expectations had become unanchored, as the global economy faced its first significant inflation shock since the 1980's. This time however, the global economy and central banks face the current crisis in a relatively robust starting position.

- **Turning to the week ahead, the focus will remain centred on developments in the Middle East. Meantime, the main data highlight of a busy US data schedule will be the labour market report for March.** Recently, conditions in the labour market have softened. Payrolls fell for the first time since end-2020 last June, and contracted three more times in the second half of 2025. Overall, the pace of payroll expansion slowed to just 12k per month in 2025, compared to 168k during 2024. Payrolls have remained volatile at the start of 2026, rising by 126k in January before falling by 92k in February. The consensus is for a modest rise of 54k in March. Meanwhile, the unemployment rate is currently at 4.4%, up from 4.0% last January. It is forecast to remain at 4.4% at the end of Q1. Despite this though, average earnings growth has held relatively steady. It stood at +3.8% y/y in February, just a touch below the +3.9% y/y rate seen throughout Q4 2025. Furthermore, wage growth is projected to stay at +3.8% y/y in March.



- **Elsewhere in the US, retail sales data for February are due.** Headline retail sales contracted by 0.2% in January, following a strong final quarter of 2025, but the control group measure, a key underlying sales metric, expanded by 0.3% in the month. Both metrics are expected to rise in February, by 0.4% and 0.2%, respectively. In terms of some timelier data, the manufacturing and non-manufacturing ISMs are projected to stay in expansion territory for a third consecutive month in March. However, the Conference board measure of consumer confidence is set to remain moribund in March, deteriorating to 88.0.

- **In the Eurozone, the flash reading of HICP inflation for March will be in focus.** As mentioned above, price pressures in the Eurozone appeared to be relatively stable ahead of the oil shock. Headline inflation averaged just 2.1% last year, and stood at 1.9% in February. Meanwhile, core inflation was at just 2.3% in February. However, expectations are for the headline rate to jump to 2.6% in March, reflecting the recent surge in energy prices. Core inflation is set to stay at 2.3%. Elsewhere, the EC sentiment indices are forecast to deteriorate in March. A slight uptick to 6.2% is pencilled in for the unemployment rate in February.

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	1.1528	1.17	1.19	1.19
EUR/GBP	0.8660	0.87	0.88	0.88
EUR/JPY	184.34	185	186	186
GBP/USD	1.3309	1.34	1.35	1.35
USD/JPY	159.87	158	156	156

Current Rates Reuters, Forecasts AIB's ERU

ECONOMIC DIARY

Monday 30th March - Friday 3rd April

AIB Treasury Economic Research

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Date	*UK & Irish Time (GMT+1)*		*Release*	*Previous*	*Forecast*
This Week:	**ECB Speakers:**		Cipollone (Wed)		
	BoE Speakers:				
	Fed Speakers:		**Powell,** Williams (Mon); Goolsbee, Barr, Bowman (Tue); Musalem, Barr (Wed)		
Mon 30th	**UK:**	09:30	Mortgage Approvals (February)	59,999	62,000
	EU-21:	11:00	EC Business Climate (March)	-0.36	
	EU-21:	11:00	EC Economic Sentiment (March)	98.3	96.8
			- Consumer / Industrial / Services	-16.3 / -7.1 / 5.0	-16. / -8.0 / 3.7
	IRE:	***11:00***	***Flash HICP Inflation (March)***	***+0.9% (+2.5%)***	
	GER:	13:00	Flash HICP Inflation (March)	+0.2% (+1.9%)	+1.1% (+2.8%)
Tue 31st	**JPN:**	00:30	Tokyo CPI Inflation (March)	(+1.6%)	
			- Ex-Fresh Food	(+1.8%)	(+1.8%)
	JPN:	00:50	Jobs Applicants Ratio (February)	1.18	1.18
	JPN:	00:50	Unemployment Rate (February)	2.7%	2.7%
	JPN:	00:50	Retail Sales (February)	(+1.8%)	(+0.8%)
	GER:	07:00	Retail Sales (February)	-0.9% (+1.2%)	+0.2%
	UK:	07:00	GDP (Q4: Final Reading)	+0.1% (+1.0%)	+0.1% (+1.0%)
	FRA:	07:45	Flash HICP Inflation (March)	+0.7% (+1.1%)	(+1.9%)
	GER:	07:00	Unemployment Rate (March)	6.3%	6.3%
	EU-21:	10:00	Flash HICP Inflation (March)	+0.6% (+1.9%)	+1.3% (+2.7%)
			- Ex-Food & Energy	(+2.3%)	(+2.3%)
			- Ex-Food, Energy, Alcohol & Tobacco	(+2.4%)	(+2.4%)
	ITA:	10:00	Flash HICP Inflation (March)	+0.5% (+1.5%)	
	US:	14:00	Case-Shiller House Prices (January)	+0.5% (+1.4%)	
	US:	15:00	Conference Board Consumer Confidence (Mar)	91.2	88.0
	US:	15:00	JOLTS Job Openings (February)	6.95m	6.85m
Wed 1st	***IRE:***	***01:01***	***AIB Irish manufacturing PMI (March)***	***53.1***	
	EU-21:	09:00	Final HCOB Manufacturing PMI (March)	51.4	51.4
	UK:	09:30	Final S&P Manufacturing PMI (March)	51.4	51.4
	EU-21:	10:00	Unemployment Rate (February)	6.1%	6.2%
	IRE:	***11:00***	***Unemployment Rate (March)***	***4.6%***	
	US:	13:30	Retail Sales (February)	-0.2%	+0.4%
			- Ex-Autos	+0.0%	+0.2%
			- Control Group	+0.3%	+0.2%
	US:	14:45	Final S&P Manufacturing PMI (March)	52.4	52.4
	US:	15:00	Manufacturing ISM (March)	52.4	52.3
Thu 2nd	**US:**	13:30	International Trade (February)	-$54.5bn	-$59.4bn
	US:	13:30	Initial Jobless Claims (w/e 23rd March)	+210,000	+215,000
Fri 3rd	***IRE / EU-21 / UK:***		***Good Friday (Bank Holiday)***		
	JPN:	01:30	Final S&P Composite PMI (March)	52.5	
	US:	13:30	Non-Farm Payrolls (March)	-92,00	+54,000
			- Unemployment Rate	4.4%	4.4
			- Average Earnings	+0.4% (+3.8%)	+0.3% (+3.8%)
	US:	14:45	Final S&P Composite PMI (March)	51.4	51.4
			- Final S&P Services PMI	51.1	51.1

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