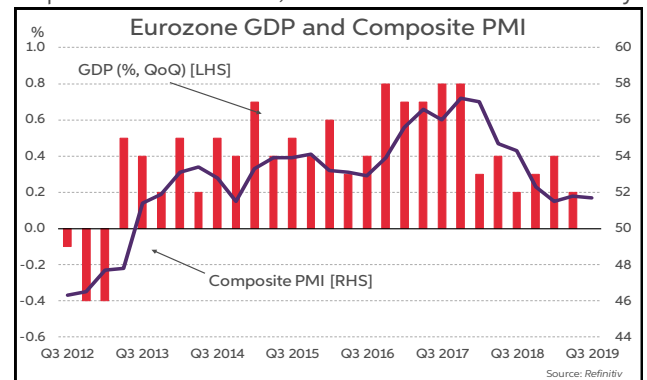


## Time Will Tell

- The market reaction to the past week's batch of central bank meetings (Fed, BoJ and BoE) was more muted than to the ECB meeting the previous week.** This week's meetings went along expected lines, with a widely anticipated 25bps cut to 1.875% in the Fed funds rate and the BoJ and BoE keeping policy unchanged. By contrast, the markets had an array of policy easing announcements from the ECB to digest last week. Thus, it has proved a quieter week in markets, following big moves in previous weeks. Notably, though, the S&P 500 came close to hitting a new all-time high amid a continuing improvement in investor risk appetite.
- Markets moved in early September to take a more cautious view on the likely scale of policy easing by central banks.** They may have to scale back interest rate cut expectations even further if the Fed's projected interest rate path (dot-plot) is close to the mark. The most that FOMC members expect in terms of further policy easing is one more 25bps reduction to 1.625%, possibly before the end of this year. Futures contracts, though, indicate that markets expect three more 25bps cuts from the Fed, taking the fed funds rate down to 1.125%. Indeed, the FOMC is badly split about the need for even one further rate cut. **Virtually half of FOMC members expect rates to be hiked by 25bps in the next year.** The median Fed forecast, then, is for rates to be kept on hold at 1.875%.
- The divergence of views within the FOMC reflects the heightened degree of uncertainty at present about the economic outlook.** This point was fully acknowledged by FOMC Chairman Powell who commented that when the direction is relatively clear, it's relatively easy to reach unanimity on the FOMC. However, this is a time of "difficult judgements", giving rise to "disparate perspectives". Thus, Chair Powell was careful not to box the Fed into a corner, indicating that if the economy does turn down, then a sequence of further rate cuts could be appropriate. **Fed rate decisions are now going to be "highly data dependent" he stated.** The Fed's view is for a soft landing for the US economy, with growth settling at close to 2% in the next couple of years, and core PCE inflation nudging up to its 2% target level. The market is not so sanguine in the face of significant downside risks to growth, and is expecting a less benign outcome. Time will tell and as Chair Powell stated, the data will decide.
- Turning to the week ahead, there is a raft of Eurozone survey data for September due.** First up are the important flash PMIs, with the composite index forecast to be unchanged at 51.9, a level consistent with sluggish growth. In terms of the underlying breakdown, the manufacturing PMI is projected to have improved in the month, but remain well below the key 50 level. In contrast, the services PMI looks to have moved marginally lower to a still solid 53.3. It is anticipated that the EC sentiment indices will reaffirm the PMIs, with the headline economic sentiment index expected to have held roughly constant at 103. On a national level, no significant changes are expected in the German Ifo, French INSEE or Italian ISTAT measures of business confidence.
- Flash PMIs are also set to feature in the US.** It is envisaged that the manufacturing index held just above the key 50 level in September. At the same time, the expectation is that the services PMI moved up to 51.5, from 50.7. As a result, the composite PMI likely improved in the month. Meanwhile, the Conference Board measure of consumer confidence is also due. A small dip in sentiment is anticipated, though the index should remain at a level consistent with strong growth in consumer spending.
- In terms of hard data, the US calendar also includes the August print of the Fed's preferred measure of price pressures, core-PCE.** Having been weighed down by a number of technical factors in the year-to-date, inflation is projected to have picked up to 1.8%, from 1.6%. This is still below the central bank's inflation target of 2%. The same report will also give us August consumption figures, with a solid increase in consumer spending of 0.3% forecast. On the output side, August durable goods orders will attract some attention. Having risen by a strong 2% in July, the consensus is for a 1.2% decline.
- In the UK, the schedule has a barren look to it.** Indeed, the only data due of any note are August public finance figures and September CBI industrial orders. The UK Supreme Court will also issue its decision early in the week on whether to uphold a Scottish Court's ruling that PM Johnson's proroguing of Parliament was "unlawful".



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
	2019			
Fed Funds	1.875	1.875	1.625	1.625
ECB Deposit	-0.50	-0.50	-0.60	-0.60
BoE Repo	0.75	0.75	0.75	0.75
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
	2019			
EUR/USD	1.1011	1.12	1.13	1.14
EUR/GBP	0.8824	0.89	0.89	0.89
EUR/JPY	118.93	119	119	121
GBP/USD	1.2475	1.26	1.27	1.28
USD/JPY	107.99	106	105	106
Current Rates Reuters, Forecasts AIB's ERU				

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
<b>This Week:</b>	<b>BoE Speakers:</b>	Saunders (Friday)		
	<b>ECB Speakers:</b>	<b>Draghi</b> , Lane (Monday) de Guindos (Tuesday); Coeure, Lautenschlager (Wednesday); de Guindos, <b>Draghi</b> , Knot, de Cos (Thursday); de Guindos (Friday)		
	<b>Fed Speakers:</b>	Bullard, Daly, Williams (Monday); Evans, George, Kaplan (Wednesday); Barkin, Bullard, Daly, Kashkari, Kaplan (Thursday); Harker, Quarles (Friday)		
<b>Mon 23rd</b>	<b>FRA:</b>	08.15 Flash Markit Composite PMI (September)	52.9	52.7
	<b>GER:</b>	08.30 Flash Markit Composite PMI (September)	51.7	51.4
	<b>EU-19:</b>	09.00 Flash Markit Composite PMI (September)	51.9	51.9
		- Manufacturing / Services	47.0 / 53.5	47.3 / 53.3
	<b>US:</b>	13.30 Flash Markit Composite PMI (September)	50.7	
		- Manufacturing / Services	50.3 / 50.7	50.3 / 51.5
<b>Tue 24th</b>	<b>JPN:</b>	01.30 Jibun Bank Manufacturing PMI (September)	49.3	
	<b>FRA:</b>	07.45 INSEE Business Climate (September)	102	102
	<b>GER:</b>	09.00 Ifo Business Climate (September)	94.3	94.5
	<b>UK:</b>	09.30 PSNB Ex-Interventions (August)	-£1.32bn	+£7.2bn
	<b>UK:</b>	11.00 CBI Industrial Orders (September)	-13	-13
	<b>US:</b>	14.00 Case-Shiller House Prices (July)	(+2.1%)	(+2.2%)
	<b>US:</b>	15.00 Conference Board Consumer Confidence (Sept.)	135.1	133.8
<b>Wed 25th</b>	<b>FRA:</b>	07.45 Consumer Confidence (September)	102	102
	<b>UK:</b>	11.00 CBI Distributive Trades (September)	-49	-26
	<b>US:</b>	15.00 New Home Sales (August)	-12.8% / 0.64m	+3.1% / 0.66m
<b>Thurs 26th</b>	<b>GER:</b>	07.00 GfK Consumer Sentiment (October)	9.7	9.7
	<b>EU-19:</b>	09.00 M3 Money Supply (August)	(+5.2%)	(+5.0%)
	<b>US:</b>	13.30 GDP (Q2: Final)	+2.0% s.a.a.r.	+2.0%
	<b>US:</b>	13.30 Advance Goods Trade Balance (August)	-\$72.5bn	
	<b>US:</b>	13.30 Initial Jobless Claims (w/e 16th September)	208,000	212,000
	<b>US:</b>	13.30 Pending Home Sales (August)	-2.5% / 105.6	+1.0% / 106.7
<b>Fri 27th</b>	<b>UK:</b>	00.01 GfK Consumer Confidence (September)	-14	-14
	<b>FRA:</b>	07.45 Consumer Spending (August)	+0.4%	-0.1%
	<b>FRA:</b>	07.45 Preliminary HICP (September)	(+1.3%)	(+1.3%)
	<b>ITA:</b>	09.00 ISTAT Business Climate (September)	99.7	100.0
	<b>EU-19:</b>	10.00 Business Climate (September)	0.11	0.11
	<b>EU-19:</b>	10.00 Economic Sentiment Index (September)	103.1	103.0
		- Industrial / Services / Consumer	-5.9 / 9.3 / -6.5	-5.7 / 9.1 / -6.5
	<b>IRL:</b>	<b>11.00 Retail Sales (August)</b>	<b>-4.3% (-4.4%)</b>	<b>+2.0% (-1.3%)</b>
	<b>US:</b>	13.30 Personal Income / Consumption (August)	+0.1% / +0.6%	+0.4% / +0.3%
		- Core PCE Prices	(+1.6%)	(+1.8%)
	<b>US:</b>	13.30 Durable Goods (August)	+2.0%	-1.2%
	<b>US:</b>	15.00 Final Michigan Consumer Sentiment (Sept.)	92.0	92.0

◆ 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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