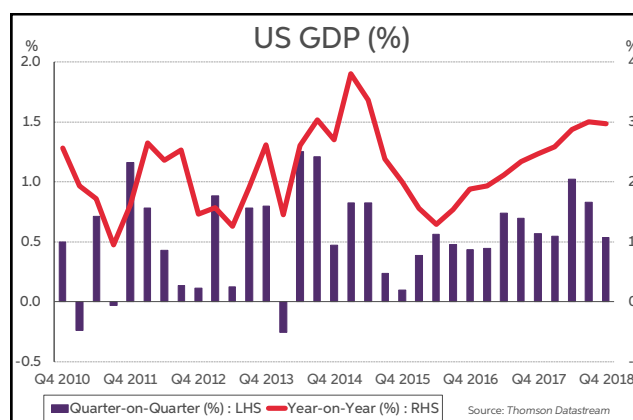


Hardy Bucks

- Despite relatively high US interest rates and the US economy continuing to outperform most others, the dollar has found it difficult to make further gains since the autumn.** The EUR/USD rate has largely traded in a \$1.12-1.15 range since last October, despite weak data from the Eurozone economy and an increasingly dovish ECB. Other currencies have also been very range bound against the dollar. Hence, the trade-weighted index of the dollar has been confined to a very narrow band over the past six months.
- The reason that the US currency has been unable to make further headway may be partly due to the fact that FX positioning has become extremely long the dollar.** Furthermore, the dollar is now at quite elevated levels against a range of currencies, which may be limiting further upside potential. The marked jump in the repatriation of funds following the cuts in US corporate taxes last year may also be starting to abate, lessening demand for the currency. Slower US economic growth is also expected in 2019-20, while the Fed has turned much more cautious about further rate increases. Indeed, the market has come to the view that US rates have peaked and expects them to be cut in the first half of next year.
- Meanwhile, the persistence of very low interest rates elsewhere is making it difficult for other currencies to make any ground against the dollar.** The euro has been pinned down recently around \$1.12-1.13. There would probably need to be a renewed pick-up in activity in Europe and elsewhere that would put monetary tightening back on to the agenda globally in 2020 for currencies to start to make ground against the dollar. Until this happens, the major currencies could remain range bound, with the dollar upside capped, but other currencies unable to make ground against it.
- Turning to the week ahead, the highlight of what is a very sparse global data schedule is the first reading of US GDP for the opening quarter of 2019.** While the economy continues to perform solidly, the pace of economic activity has slowed since the autumn as the boost to activity from last year's tax cuts fades. In Q1, the impact of the partial federal government shutdown, severe weather and the usual seasonal adjustment issues are expected to see growth slow to 1.8% in annualised terms, down from 2.2% in the final quarter of 2018.
- The GDP report will also contain the Q1 reading of core-PCE, the Fed's preferred measure of price pressures.** In spite of stronger wage growth in recent months, core inflation may have held at the 1.8% annualised rate recorded in Q4 2018. Meanwhile, an update on the manufacturing sector will be provided in the form of the durable goods orders report for March. Having fallen back by 1.6% in February, orders are expected to have risen by 0.4%.
- In the Eurozone, the only release of note is flash consumer confidence for April.** It is envisaged that while sentiment improved in the month, it will remain well below 2018 levels, as the weaker outlook for growth in the region continues to act as a headwind. **On a national level, we get the French INSEE and German Ifo measures of business confidence.** In what is a welcome development, given the recent poor performance of the Eurozone economy, the expectation is that the Ifo edged up for a second consecutive month in April. This follows on from last week's slightly more encouraging PMI data. Similarly, the INSEE is forecast to have recorded an improvement in the month.
- Meanwhile, in the UK, CBI survey data for April are the main highlights of what is a very light calendar.** In spite of ongoing Brexit related uncertainty, industrial orders are forecast to have increased slightly. **Elsewhere, the BoJ is meeting this week.** Given continued weak Japanese inflation figures, as well as the uncertain economic outlook, it is unlikely that any changes to policy will be announced.



	Interest Rate Forecasts			
	Current	End Q2 2019	End Q3 2019	End Q4 2019
Fed Funds	2.375	2.375	2.375	2.625
ECB Deposit	-0.40	-0.40	-0.40	-0.40
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 Q2 2019	End Q3 2019	End Q4 2019
EUR/USD	1.1246	1.13	1.14	1.15
EUR/GBP	0.8643	0.86	0.86	0.86
EUR/JPY	125.86	125	125	125
GBP/USD	1.3010	1.31	1.33	1.34
USD/JPY	111.92	111	110	109

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
This Week:	ECB Speakers:	de Guindos (Thursday); Rehn (Friday)		
Mon 22nd	IRL/UK/Most EU:	Easter Monday (Market Holiday)		
	US: 15.00	Existing Home Sales (March)	+11.8% / 5.51m	-2.3% / 5.3m
Tue 23rd	US: 15.00	New Home Sales (March)	+4.9% / 0.667m	-2.5% / 0.65m
	EU-19: 15.00	Flash EC Consumer Confidence (April)	-7.2	-7.0
Wed 24th	FRA: 07.45	INSEE Business Climate (April)	102	103
	GER: 09.00	Ifo Business Climate (April)	99.6	99.9
	UK: 09.30	PSNB Ex-Interventions (March)	£0.20bn	\$0.45bn
Thurs 25th	JPN: 03.00	BoJ Interest Rate Announcement	-0.10%	-0.10%
	UK: 11.00	CBI Industrial Orders Index (April)	1	2
	US: 13.30	Durable Goods Orders (March)	-1.6%	+0.4%
	US: 13.30	Initial Jobless Claims (w/e 15th April)	192k	
Fri 26th	JPN: 00.30	Unemployment / Jobs: Applicants (April)	2.3% / 1.63	
	JPN: 00.30	Preliminary Industrial Output (March)	+0.7%	
	FRA: 07.45	Consumer Confidence (April)	96	
	UK: 11.00	CBI Distributive Trades (April)	-18	-2
	US: 13.30	GDP (Q1: First Reading)	+2.2% s.a.a.r.	+1.8% s.a.a.r.
	US: 13.30	Advance Core PCE Prices (Q1)	+1.8% s.a.a.r.	+1.8% s.a.a.r.
	US: 15.00	Final Michigan Consumer Sentiment (April)	96.9	96.9

◆ 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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