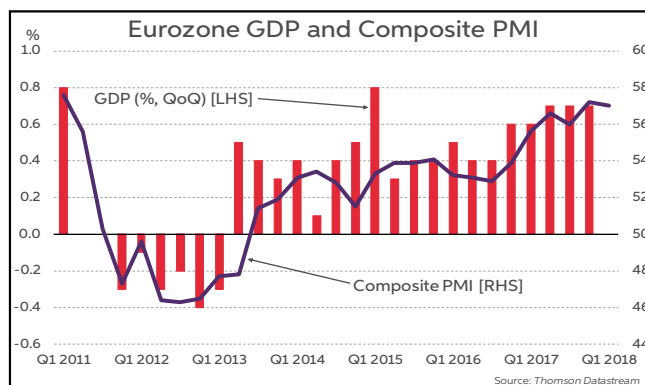


A Spring in Markets

- The coming week sees a number of key GDP releases for Q1 2018, which are expected to confirm a slowdown in the pace of growth (see below for more details). **Softer data in Q1 saw bond yields fall back in February and March, while equities came under pressure. Stock markets, though, have recovered some ground in the past fortnight, while bond yields have bolted higher in the past week.** This may be a sign that markets see growth regaining momentum, with most data in the US for March coming in on the strong side. Inflation is also ticking higher in the US, a reminder that the Fed is likely to remain on a steady rate tightening path. Ten year Treasury yields have risen from 2.75% at the start of the month to above 2.9%. However, as earlier in the year, the 3% level is likely to offer strong support to the market, although we expect that it will eventually give way.
- Somewhat ironically, **the Bank of England appears to be backing away from a rate hike next month**, following a marked fall in inflation and weak UK economic data in March. The weakening in activity, though, appears to be largely weather related and we would expect the economy to pick up momentum again in Q2, setting the stage for a rate hike later in the summer. Sterling has ebbed and flowed recently in line with market sentiment on UK rates. **The underlying direction for the currency will remain upwards in our view, as long as the UK stays on track for a soft Brexit.**
- **In the week ahead, there is a very busy calendar of data and events in the Eurozone. This includes the ECB meeting, with no immediate changes to policy anticipated.** The Governing Council dropped its easing bias at its last meeting in March. This was seen as another step towards finishing net asset purchases later this year. The ‘account’ of the March meeting showed that the ECB did not discuss an end date for QE. Thus, whether or not the Governing Council begins discussions this week will be the key issue occupying the minds of ECB watchers. The meeting statement and President Draghi’s post-meeting press conference will be closely followed for any updates on this.

- **Data-wise, we get our first look at Eurozone Q1 GDP this week, with data from France, Spain and Belgium due.** France, the currency bloc’s second largest economy, is forecast to have grown by 0.4% quarter-on-quarter, after Q4 2017’s strong 0.7% rise. Spain and Belgium are expected to have recorded 0.7% and 0.3% increases, respectively. Thus, the first reading of the Eurozone aggregate data (due May 2nd) should continue to show a solid pace of growth, though, it is likely to be slightly lower than in Q4.



- **In terms of timelier data, there is a raft of important Eurozone survey data for April due, providing a look at the economy at the start of Q2.** The key composite PMI fell sharply from 57.1 to 55.2 in March. It is expected to hold around this level in April. Meantime, the EC economic sentiment index also fell back in March, though more modestly. It looks set to have been broadly unchanged, remaining at a high level. The new German Ifo index (now includes services sector and is being rebased) will also be of interest, with a modest decrease anticipated.
- **Q1 GDP is also due in the UK, with 0.3% quarterly growth anticipated**, a slight slowdown compared to Q4’s 0.4% rise. Retail sales data for the quarter suggest this may be partly due to weaker consumer spending, with the extreme weather in March a headwind. In terms of monetary policy, **a speech by BoE Governor Carney on Tuesday will be closely analysed** following his ‘cautious’ comments with regard to a May rate hike last week.
- **The key release in the US is also Q1 GDP.** The economy grew by 2.9% (annualised) in Q4 2017, boosted by very strong consumer spending. However, a slower pace of spending in Q1 partly reflects the market expectation for 2% growth in the quarter. The employment costs index for Q1 (includes Fed’s preferred wage growth measure) will garner attention, while the flash PMIs for April will give an early read of the economy at the start of Q2.

	Interest Rate Forecasts			
	Current	End Q2 2018	End Q3 2018	End Q4 2018
Fed Funds	1.625	1.875	2.125	2.125
ECB Deposit	-0.40	-0.40	-0.40	-0.40
BoE Repo	0.50	0.50	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 2018	End Q3 2018	End Q4 2018
EUR/USD	1.2270	1.24	1.26	1.28
EUR/GBP	0.8747	0.86	0.85	0.84
EUR/JPY	132.18	133	132	132
GBP/USD	1.4028	1.44	1.48	1.52
USD/JPY	107.72	107	105	103

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	ECB Speakers:	Villeroy de Galhau (Tuesday); Draghi (Thursday)		
	Fed Speakers:	Harker (Tuesday)		
	BoE Speakers:	Carney (Tuesday)		
Mon 23rd	FRA:	08.00 Flash Markit Composite PMI (April)	56.3	55.9
	GER:	08.30 Flash Markit Composite PMI (April)	55.1	54.8
	EU-19:	10.00 Flash Markit Composite PMI (April)	55.2	54.9
		- Manufacturing / Services	56.6 / 54.9	56.1 / 54.6
	US:	13.30 Chicago Fed National Activity Index (March)	0.88	
	US:	14.45 Flash Markit Manufacturing PMI (April)	55.6	55.3
		- Services	54.0	54.3
	US:	15.00 Existing Home Sales (March)	+3.0% / 5.54m s.a.a.r.	+0.2% / 5.55m
Tue 24th	FRA:	07.45 INSEE Business Climate (April)	111	110
	GER:	09.00 Ifo Business Climate (April)	103.2	102.6
	ITA:	09.00 ISTAT Business Confidence (April)	109.1	108.5
	ITA:	09.00 Consumer Confidence (April)	117.5	116.9
	UK:	09.30 PSNB Ex-Intervention (March)	March'17: £2.31bn	£2.50bn
	UK:	11.00 CBI Industrial Orders Survey (April)	4	7
	US:	14.00 Case-Shiller House Prices (February)	+0.8% (+6.4%)	
	BEL:	14.00 NBB Leading Business Indicator (April)	0.1	0.7
	US:	15.00 Conference Board Consumer Confidence (April)	127.7	126.0
	US:	15.00 New Home Sales (March)	-0.6% / 0.618m s.a.a.r.	1.9% / 0.628m
Wed 25th	FRA:	07.45 Consumer Confidence (April)	100	100
Thurs 26th	GER:	07.00 Gfk Consumer Sentiment (May)	10.9	10.8
	UK:	11.00 CBI Distributive Trades Survey (April)	-8	5
	EU-19:	12.45 ECB Refi Rate Announcement	0.00%	0.00%
		- Deposit Rate	-0.40%	-0.40%
	EU-19:	13.30 ECB Press Conference		
	US:	13.30 Durable Goods (March)	+3.0%	+1.1%
	US:	13.30 Advanced Goods Trade Balance (March)	-\$75.9bn	
	US:	13.30 Initial Jobless Claims (w/e 21st April)	232,000	231,000
Fri 27th	JPN:	BoJ Interest Rate Announcement	-0.1% - 0%	-0.1% - 0%
	JPN:	00.01 Gfk Consumer Confidence (April)	-7	-7
	JPN:	00.30 Unemployment / Jobs:Applicants (March)	2.5% / 1.58	2.5% / 1.59
	FRA:	06.30 GDP (Q1: First Reading)	+0.7%	+0.4%
	UK:	07.00 Nationwide House Prices (April)	-0.2% (+2.1%)	
	FRA:	07.45 Consumer Spending (March)	+2.4%	+0.9%
	FRA:	07.45 Preliminary HICP (April)	(+1.7%)	(+1.7%)
	ESP:	08.00 GDP (Q1: First Reading)	+0.7% (+3.1%)	+0.7% (+3.0%)
	GER:	09.00 Unemployment (April)	5.3%	5.3%
	UK:	09.30 GDP (Q1: First Reading)	+0.4% (+1.4%)	+0.3% (+1.4%)
	EU-19:	10.00 EC Business Climate (April)	1.34	1.27
	EU-19:	10.00 EC Economic Sentiment (April)	112.6	112.0
		- Industrial / Services / Consumer	6.4 / 16.3 / 0.4	5.8 / 15.5 / 0.4
	IRL:	11.00 Retail Sales (March)	-0.2% (+2.0%)	-1.5% (+1.8%)
	US:	13.30 GDP (Q1: First Reading)	+2.9% s.a.a.r.	+2.0%
	US:	13.30 Employment Costs—Wages & Salaries (Q1)	(+2.6%)	
	BEL:	14.00 GDP (Q1: First Reading)	+0.5%	+0.3%
	US:	15.00 Final Michigan Consumer Sentiment (April)	101.4 / 97.8 (p)	98.0

◆ 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

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, plc and Allied Irish Banks (GB). In Northern Ireland it is distributed by First Trust Bank. In the United States of America it is distributed by Allied Irish Banks, plc. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and First Trust Bank are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI 018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.