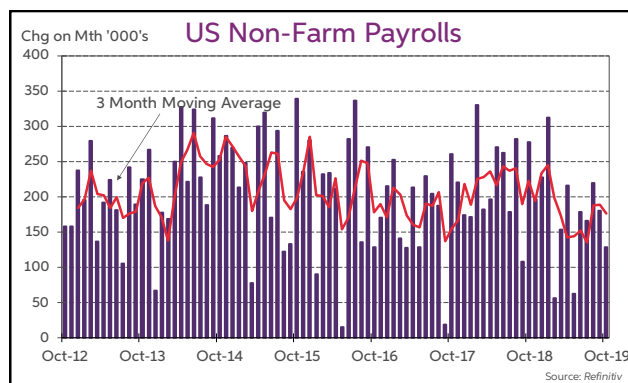


Data Point to UK Rate Cut

- Sterling continues to edge higher as the latest opinion polls show that the Conservative Party remains on course for an overall majority in the December 12th election.** The euro has fallen to near the 85p level, while cable is close to the \$1.29 threshold. The currency moves, though, have not been that big as **the Labour Party is gaining ground.** The last four opinion polls show the Labour vote at 33%, up from 25% a month ago. However, this still leaves it about 9 percentage points behind the Conservatives. This is down from a 13 point gap a week ago. If the gap was to narrow further to 5 or 6 points, then it could be a challenge for the Conservatives to get a majority. However, the gains in the polls by Labour have been mainly at the expense of the Liberal Democrats, which are hemorrhaging support. The Conservatives' vote is actually holding up well at around 42% and it has recovered ground in Scotland. Nonetheless, it is too early to say with certainty that the election is in the bag for the Conservatives and the opinion polls over the next week will be closely watched.
- The market is coming around to the view that rates are likely to be cut in the UK next year, even with the Conservatives expected to win a majority,** paving the way for ratification of the Withdrawal Bill in Parliament and the orderly departure of the UK from the EU at end January. **This, though, will not bring an end to Brexit uncertainty.** Difficult negotiations lie ahead for the UK next year in regard to agreeing a future trading relationship with the EU. The Conservatives are insistent that these talks will be completed by end 2020 and the UK will move away from the EU's regulatory regime. Indeed, a Conservative government could be prepared to fall back on WTO rules rather than sign up for a trade deal that requires the UK to closely follow the rules of the Single Market. This would be very much a hard Brexit and be negative for sterling. Overall, while sterling has been in the ascendancy in the past couple of months, we expect plenty of volatility and downside risk for the currency in 2020.
- Recent data on the UK economy have been weak and the prospect of continuing uncertainty around Brexit in 2020 is likely to push the BoE to cut rates next year.** The year-on-year growth rate of the economy slowed to 1% in Q3, the weakest since 2010. Employment has also started to contract in recent months. Meanwhile, the flash PMIs for November were particularly weak, with no bounce from the fact that a no-deal hard Brexit was avoided at end October. The manufacturing PMI fell to 48.3 from 49.6 in October. Even more worryingly, the services PMI dropped from 50.0 to 48.6. These are recession levels. Meanwhile, inflation has fallen back to well below 2%. Two MPC members voted to cut rates at the November meeting. We expect this number to grow and that the BoE will cut rates by 25bps in the first half of 2020.
- Turning to the week ahead, the US employment report for November is set to feature.** Non-farm payrolls came in at a low 128k in October, reflecting the impact of the since resolved GM strike. The effect of those workers returning to the factory floor will likely bias this month's payroll figure upwards, though it may be somewhat balanced out by the Californian wildfires which saw jobless claims rise in early November. The forecast is for an increase of 183k, which would leave the October/November average at 156k. This would be close to the average 171k rise in the first nine months of 2019. At the same time, the unemployment rate is forecast to have held at just 3.6%. Wage inflation, which was weighed down by calendar effects in October, may have edged up to 3.1%, from 3.0%.
- The US schedule also includes the release of the ISMs for November.** While remaining in contractionary territory, it is expected that the manufacturing index may improve to 49.4, from 48.3. This would add to the evidence that the downturn in the sector may be bottoming out. The forecast is for the non-manufacturing ISM to be broadly unchanged at 54.5 in the same month, a reading consistent with a decent pace of activity. On the demand side of the economy, it is anticipated that in December the University of Michigan measure of consumer sentiment held at a relatively high level.
- In the Eurozone, the calendar has a very sparse look to it.** Retail sales figures for October are the main highlight. Retail expenditure looks to have remained subdued in the month, with the forecast being for no change. The third release of Q3 GDP, which contains the breakdown of the drivers of growth in the quarter, may also warrant some attention. On a national level, we get the October reading of German industrial production. It will be of interest to see if the recent upturn in the survey data is reflected in output; the consensus is for a 0.2% increase. **Meanwhile, there are no significant data releases due in the UK this week.** Indeed, the only items on the agenda are the final readings of the November PMIs.



	Interest Rate Forecasts			
	Current	End Q4 2019	End Q1 2020	End Q2 2020
Fed Funds	1.625	1.625	1.625	1.625
ECB Deposit	-0.50	-0.50	-0.50	-0.50
BoE Repo	0.75	0.75	0.50	0.50
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 2019	End Q1 2020	End Q2 2020
EUR/USD	1.0992	1.12	1.12	1.13
EUR/GBP	0.8527	0.85	0.86	0.87
EUR/JPY	120.47	122	122	123
GBP/USD	1.2888	1.32	1.30	1.30
USD/JPY	109.59	109	109	109

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
This Week:	ECB Speakers:	Lagarde (Monday); Coeure (Tuesday); de Guindos (Thursday)		
Mon 2nd	IRL: 01.01	AIB Manufacturing PMI (November)	50.7	
	CHINA: 01.45	Caixin Manufacturing PMI (November)	51.7	51.4
	EU-19: 09.00	Final Markit Manufacturing PMI (November)	45.9 / 46.6 (p)	46.6
	UK: 09.30	Final CIPS / Markit Manufacturing PMI (Nov.)	49.6 / 48.3 (p)	48.3
	US: 14.45	Final Markit Manufacturing PMI (November)	51.3 / 52.2 (p)	52.2
	US: 15.00	Manufacturing ISM (November)	48.3	49.4
Tue 3rd	AUS: 03.30	RBA Interest Rate Decision	0.75%	0.75%
	UK: 00.01	BRC Retail Sales (November)	(+0.1%)	
	UK: 09.30	CIPS / Markit Construction PMI (November)	44.2	44.5
	EU-19: 10.00	PPI (October)	(-1.2%)	(-1.9%)
	IRL: 11.00	Unemployment (November)	4.8%	4.8%
	IRL: 16.30	Exchequer Balance (November)	Nov '18: €1.9bn	€3.0bn
Wed 4th	IRL: 01.01	AIB Services PMI (November)	50.6	
	CHINA: 01.45	Caixin Services PMI (November)	51.1	
	ITA: 08.45	Markit Composite PMI (November)	50.8	
	FRA: 08.50	Final Markit Composite PMI (November)	52.6 / 52.7 (p)	52.7
	GER: 08.55	Final Markit Composite PMI (November)	48.9 / 49.2 (p)	49.2
	EU-19: 09.00	Final Markit Composite PMI (November)	50.6 / 50.3 (p)	50.3
		- Services	52.2 / 51.5 (p)	51.5
	UK: 09.30	Final CIPS / Markit Composite PMI (Nov.)	50.0 / 48.5 (p)	48.5
		- Services	50.0 / 48.6 (p)	48.6
	US: 14.45	Final Markit Composite PMI (November)	50.9 / 51.9 (p)	51.9
		- Services	51.2 / 51.6 (p)	51.6
	US: 15.00	Non-Manufacturing ISM (November)	54.7	54.5
		- Business Activity	57.0	
	CAN: 15.00	Bank of Canada Interest Rate Decision	1.75%	1.75%
Thurs 5th	INDIA: 06.15	RBI Interest Rate Decision	5.15%	
	GER: 07.00	Industrial Orders (October)	+1.3%	+0.4%
	EU-19: 10.00	Employment (Q3: Final Reading)	+0.2% / +0.1% (p)	+0.1%
	EU-19: 10.00	GDP (Q3: Third Reading)	+0.2% (+1.2%) (p)	+0.2% (+1.2%)
	EU-19: 10.00	Retail Sales (October)	+0.1%	+0.0%
	IRL: 11.00	Live Register (November)	+0/188,700	-700/188,000
	US: 13.30	International Trade (October)	-\$52.5bn	-\$51.5bn
	US: 13.30	Initial Jobless Claims (w/e 25th November)	213,000	220,000
	US: 15.00	Factory Orders (October)	-0.6%	-0.5%
Fri 6th	JPN: 05.00	Leading Indicators' Index (October)	0.0	
	GER: 07.00	Industrial Output (October)	-0.6%	+0.2%
	FRA: 07.45	Trade Balance (October)	-€5.55bn	
	US: 13.30	Non-Farm Payrolls (November)	128,000	183,000
		- Unemployment	3.6%	3.6%
		- Average Earnings	(+3.0%)	(+3.1%)
	US: 15.00	Prelim' Michigan Consumer Sentiment (Dec.)	96.8	96.5
	US: 20.00	Consumer Credit (October)	\$9.51bn	

◆ 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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