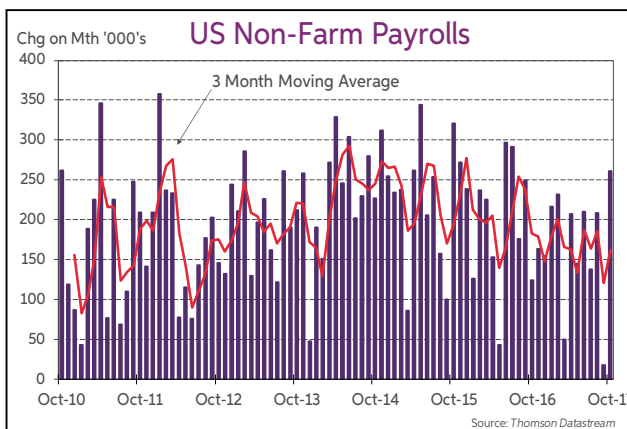


## Bordering on Success

- The upcoming EU Leaders' Summit (December 14th/15th) will decide whether sufficient progress has been made in the Brexit negotiations to move the talks on to phase two, where future trading relations can be discussed.** As a result of this looming decision, there has been increasing attention over recent days on how the talks are progressing. The week ahead is likely to see an intensification of this, with British PM Theresa May due to meet the EU's Chief Brexit Negotiator, Michel Barnier, as well as the European Commission President, Jean-Claude Juncker.
- Recent reports suggest that there has been positive developments between the EU and UK in relation to the exit bill. The other two outstanding issues to be resolved in phase one, are (i) Citizens Rights and (ii) NI/Ireland border. The trickiest and most difficult of these is how to avoid a hard border on the island of Ireland. The Irish Government is engaged in intensive discussions to resolve this issue. **The Irish Foreign Affairs Minister has said that Ireland cannot be expected to take a "leap into the dark" and move into the second phase of Brexit negotiations without some clarity on the border question.**
- The positive newsflow in relation to the exit bill has seen sterling trade higher on the exchanges.** In level terms, this is reflected in EUR/GBP back at 88p and GBP/USD up around \$1.35. Developments in the Brexit talks will be the key factor influencing sterling over the coming weeks and months. If the talks are able to progress to phase two and a 'soft' Brexit looks to be on the cards, EUR/GBP could move down towards or below 85p. However, if a 'hard' Brexit appears more likely, the EUR/GBP pair could move up to the 93-95p level.
- In the week ahead, though, the main focus from a data perspective will be on the US, where we get the November employment report.** The key non-farm payrolls number has been volatile in recent months as a result of the hurricanes in the US. It is forecast to record a solid 188k increase in November, above the 163k average recorded in the previous six months. The unemployment rate, though, may edge up to 4.2% in the month, from 4.1%.
- Meantime, **earnings data in the US continue to point to a subdued pace of wage inflation. Although, year-on-year growth looks set to have edged up slightly to 2.6% in November, from 2.4%.** Meanwhile, the Michigan measure of consumer sentiment looks set to pick up in December from an already strong level. The non-manufacturing ISM is also due this week. It is forecast to remain consistent with solid growth in the sector.
- In the UK, the services PMI for November is anticipated to edge back, while indicating modest growth in the sector.** On the output side of the economy, industrial production is predicted to edge slightly higher in October, following on from Q3's very encouraging 1.1% pick-up. However, the UK goods trade deficit may increase in October. So far, there has been no discernable boost to UK trade from the sharp post-Brexit vote fall in sterling.
- After a couple of busy weeks of data releases, the Eurozone schedule for the coming days is relatively quiet.** Retail sales figures for October are due, with a decline anticipated, following on from September's 0.7% increase. Last week's very strong EC consumer sentiment index suggests that consumer spending could improve further in the coming months. Updated Q3 GDP data (includes expenditure breakdown) also feature.



	Interest Rate Forecasts			
	Current	End Q4 2017	End Q1 2018	End Q2 2018
Fed Funds	1.125	1.375	1.375	1.625
ECB Deposit	-0.40	-0.40	-0.40	-0.40
BoE Repo	0.50	0.50	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 2017	End Q1 2018	End Q2 2018
EUR/USD	1.1868	1.17	1.16	1.15
EUR/GBP	0.8810	0.89	0.88	0.87
EUR/JPY	133.69	132	132	132
GBP/USD	1.3468	1.31	1.32	1.32
USD/JPY	112.64	113	114	115

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
<b>This Week:</b>	<b>ECB Speakers:</b>	Villeroy de Galhau (Monday); Weidmann (Tuesday); Mersch (Wednesday)		
<b>Mon 4th</b>	<b>UK/EU-19:</b>	Prime Minister May Meets Commission President Juncker and Brexit Negotiator Barnier		
	<b>UK:</b> 09.30	CIPS/Markit Construction PMI (November)	50.8	51.0
	<b>EU-19:</b> 09.30	Sentix Index (December)	34	
	<b>EU-19:</b> 10.00	PPI (October)	+0.6% (+2.9%)	+0.3% (+2.6%)
	<b>US:</b> 15.00	Factory Orders (October)	+1.4%	-0.4%
	<b>IRL:</b> 16.30	<b>Exchequer Balance (November)</b>	<b>Nov'16: €1.5bn</b>	<b>€4.5bn</b>
<b>Tue 5th</b>	<b>UK:</b> 00.01	BRC Retail Sales (November)	-1.0%	
	<b>CHINA:</b> 01.45	Caixin Services PMI (November)	51.2	
	<b>AUS:</b> 03.30	RBA Interest Rate Announcement	1.50%	1.50%
	<b>FRA:</b> 08.50	Final Markit Composite PMI (November)	57.4 / 60.1 (p)	60.1
	<b>GER:</b> 08.55	Final Markit Composite PMI (November)	56.6 / 57.6 (p)	57.6
	<b>EU-19:</b> 09.00	Final Markit Composite PMI (November)	56.0 / 57.5 (p)	57.5
		- Services	55.0 / 56.2 (p)	56.2
	<b>UK:</b> 09.30	CIPS/Markit Services PMI (November)	55.6	55.0
	<b>EU-19:</b> 10.00	Retail Sales (October)	+0.7% (+3.7%)	-0.7% (+1.7%)
	<b>IRL:</b> 11.00	<b>Unemployment (November)</b>	<b>6.0%</b>	<b>6.0%</b>
	<b>US:</b> 13.30	International Trade Balance (October)	-\$43.5bn	-\$47.5bn
	<b>US:</b> 15.00	Non-Manufacturing ISM (November)	60.1	59.0
		- Business Activity	62.2	
<b>Wed 6th</b>	<b>GER:</b> 07.00	Industrial Orders (October)	+1.0%	-0.1%
	<b>CAN:</b> 15.00	BoC Interest Rate Announcement	1.00%	1.00%
<b>Thurs 7th</b>	<b>JPN:</b> 05.00	Leading Indicators Index (October)	-0.6% / 106.4	
	<b>GER:</b> 07.00	Industrial Output (October)	-1.6%	+1.1%
	<b>FRA:</b> 07.45	Trade Balance (October)	-€4.67bn	
		- Exports	+1.2%	
	<b>UK:</b> 08.30	Halifax House Prices (November)	+0.3% (+4.5%)	
	<b>EU-19:</b> 10.00	GDP (Q3: Third Reading)	+0.6% (+2.5%) (p)	+0.6% (+2.5%)
	<b>IRL:</b> 11.00	<b>Live Register (November)</b>	<b>-2,400/ 246,900</b>	<b>-2,900/ 244,000</b>
	<b>US:</b> 13.30	Initial Jobless Claims (w/e 2nd December)	238,000	240,000
<b>Fri 8th</b>	<b>JPN:</b> 05.00	Economy Watchers' Index (November)	52.2	
	<b>GER:</b> 07.00	Trade Balance (October)	€21.8bn	€21.5bn
		- Exports	-0.4%	+1.0%
	<b>FRA:</b> 07.45	Industrial Output (October)	0.6%	-0.1%
	<b>UK:</b> 09.30	Industrial Output (October)	+0.7% (+2.5%)	+0.2% (+3.7%)
		- Manufacturing	+0.7% (+2.7%)	+0.2% (+3.9%)
	<b>UK:</b> 09.30	Goods Trade Balance (October)	-£11.3bn	-£11.50bn
		- Non-EU	-£3.0bn	
	<b>US:</b> 13.30	Non-Farm Payrolls (November)	261,000	188,000
		- Unemployment	4.1%	4.2%
		- Average Earnings	0.0% (+2.4%)	+0.2% (+2.6%)
	<b>US:</b> 15.00	Prelim' Michigan Consumer Sent' (December)	97.8	99.5

◆ 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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