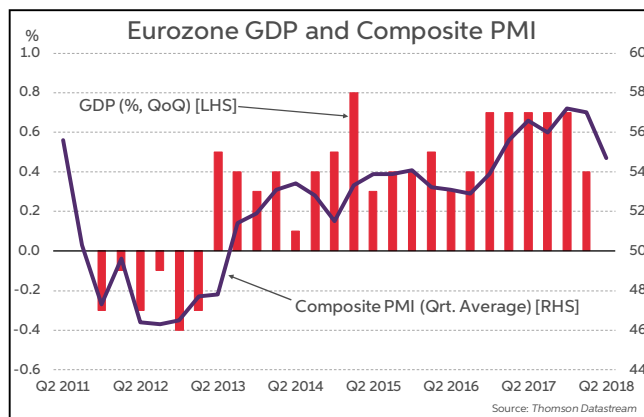


No summer holidays for sterling yet

■ While financial markets had somewhat of a summer lull type demeanour to them in recent days, we have seen some action on the currency front. This included sterling coming under downward pressure. This was reflected in EUR/GBP moving above the 89p mark, a relatively rare occurrence in recent months, as this level has tended to represent the upper limit of the narrow trading range in place since September. Meanwhile, GBP/USD moved lower, at one stage trading below the \$1.30 level and in the process, falling to a 10-month low.

■ The UK political and macro landscape combined to produce a more challenging backdrop for the currency. At the start the week, sterling was on the back foot amid the goings-on in Westminster and the resulting increased concerns about Brexit. The downward momentum was added to by some weaker than expected UK macro data. This included employment growth, inflation and retail sales. Prior to these data, expectations had been building that the BoE could hike interest rates as soon as August. While this could still happen, the recent data now mean that there is a little bit more uncertainty around it. However, for the week ahead, a much sparser UK data calendar and quieter schedule of Brexit related debates in Westminster may offer the currency some summer respite.

■ Indeed, much of the focus will be on a very busy Eurozone schedule of data and events. This includes a first look at the performance of the economy in Q3, with a number of important survey releases for July due out. The key Eurozone Composite PMI remained well off its recent highs in Q2. However, the index did improve in June, after four consecutive months of weakening. The flash PMI is forecast to be little changed in July, suggesting that while growth may have peaked, it continues at a reasonable pace. Meantime, the flash EC measure of Eurozone consumer confidence looks set to soften modestly, though remaining at a very encouraging level.



■ Similarly at a national level, the German Ifo index is anticipated to edge down slightly in July. Meantime, the French INSEE, Italian ISTAT and Belgian NBB indices may also register marginally lower readings in July. In terms of hard data, we get a first look at French Q2 GDP. The economy is forecast to have grown by 0.3% in the quarter, compared to 0.2% in Q1.

■ On the monetary policy front, the ECB July meeting looks set to be a non-event. The Governing Council stated at its last meeting in June that it will keep interest rates at their current very low levels “at least through the summer of 2019”. It seems unlikely that we will see much, if any, deviation from this guidance this week.

■ In the US, the highlight is the first reading of Q2 GDP. The data in the quarter were strong, particularly in the key consumer sector, after a disappointing performance in Q1. As a result, annualised growth is expected to have accelerated to 4.1% in the quarter from 2%. Meantime, the timelier flash manufacturing and services PMI are expected to remain at solid levels in July. There is also a batch of US housing data due. This includes existing home sales figures for June.

■ Elsewhere in the UK, after a busy fortnight, as already mentioned, there is a quiet diary. The CBI distributive trades survey for July will provide an early insight on whether the slowdown in retail sales seen in June continued into early July. The CBI industrial survey and Nationwide house prices (both July) are also due.

	Interest Rate Forecasts			
	Current	End Q3 2018	End Q4 2018	End Q1 2019
Fed Funds	1.875	2.125	2.375	2.375
ECB Deposit	-0.40	-0.40	-0.40	-0.40
BoE Repo	0.50	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 Q3 2018	End Q4 2018	End Q1 2019
EUR/USD	1.1707	1.17	1.19	1.21
EUR/GBP	0.8930	0.88	0.87	0.86
EUR/JPY	130.76	129	129	129
GBP/USD	1.3106	1.33	1.37	1.41
USD/JPY	111.69	110	108	107

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	BoE Speakers:	Broadbent (Monday)		
Mon 23rd	US:	13.30 Chicago Fed National Activity Index (June)	-0.15	
	US:	15.00 Existing Home Sales (June)	-0.4% / 5.43m s.a.a.r.	+0.7% / 5.40m
	EU-19:	15.00 Flash EC Consumer Confidence (July)	-0.50	-0.70
Tue 24th	FRA:	07.45 INSEE Business Climate (July)	110	110
	FRA:	08.00 Flash Markit Composite PMI (July)	55.0	54.6
	GER:	08.30 Flash Markit Composite PMI (July)	54.8	54.5
	EU-19:	09.00 Flash Markit Composite PMI (July)	54.9	54.8
		- Manufacturing / Services	54.9 / 55.2	54.6 / 55.0
	UK:	11.00 CBI Industrial Orders Survey (July)	13	10
	US:	14.45 Flash Markit Manufacturing PMI (July)	55.4	55.6
		- Services	56.5	56.5
Wed 25th	GER:	09.00 Ifo Business Climate (July)	101.8	101.5
	EU-19:	09.00 M3 Money Supply (June)	(+4.0%)	(+4.0%)
	UK:	11.00 CBI Distributive Trades Survey (July)	32	15
	BEL:	14.00 NBB Leading Business Indicator (July)	0.60	0.40
	US:	15.00 New Homes Sales (June)	+6.7% / 0.69m s.a.a.r.	-2.8% / 0.67m
Thurs 26th	GER:	07.00 Gfk Consumer Sentiment (August)	10.7	10.7
	FRA:	07.45 Consumer Confidence (July)	97	99
	ITA:	09.00 ISTAT Business Confidence (July)	106.9	106.4
	ITA:	09.00 Consumer Confidence (July)	116.2	116.0
	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 Orders (June)	-0.4%	+2.8%
	US:	13.30 Advanced Goods Trade Balance (June)	-\$64.8bn	
	US:	13.30 Initial Jobless Claims (w/e 21st July)	207,000	216,000
Fri 27th	FRA:	06.30 GDP (Q2: First Reading)	+0.2%	+0.3%
	UK:	07.00 Nationwide House Prices (July)	+0.5% (+2.0%)	
	FRA:	07.45 Consumer Spending (June)	+0.9%	+0.6%
	IRL:	11.00 Retail Sales (June)	+0.1% (+4.3%)	-4.0% (+4.4%)
	US:	13.30 GDP (Q2: First Reading)	+2.0% s.a.a.r.	4.1% s.a.a.r.
	US:	15.00 Final Michigan Consumer Sentiment (July)	98.2 / 97.1 (p)	97.1

◆ 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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