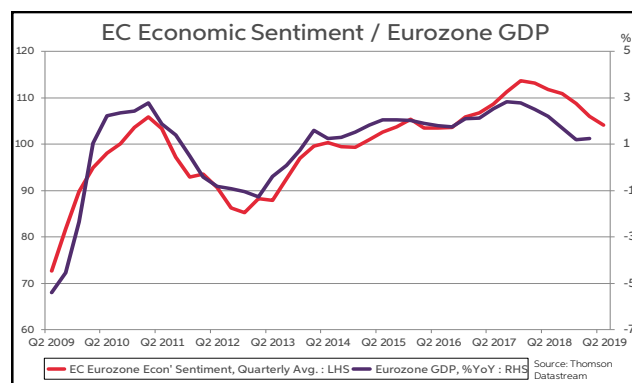


## Ease on Down the Road

- The recent ECB policy meeting for July provided additional evidence that global monetary policy is very much back on a dovish footing.** The central bank provided a clear signal that new policy easing measures are on the cards for its next meeting in September. It referenced a package of options that include interest rate cuts, further changes to its forward guidance, as well as the possibility of restarting new purchases as part of its QE programme. This is in response to concerns that muted Eurozone inflation, combined with declining inflation expectations, are making it more difficult for the ECB to achieve its target, of inflation close to, but below 2%.
- The week ahead will further support the view that monetary policy easing is very much back on the agenda.** The clearest indication of this will come from the US Fed. The central bank is likely to cut interest rates by 25bps to 2.125%. It opened the door for a rate cut at its June meeting by saying that it will “closely monitor incoming information” and will “act as appropriate to sustain the expansion”. Subsequent to this, comments from a raft of Fed speakers, including Chair Powell, reinforced market expectations of a rate cut this month. Futures contracts suggest the market is looking for around 75bps in easing by the turn of the year. However, this is a much more aggressive pace than the Fed itself has been suggesting. Therefore of more interest to markets will be what the Fed says in its meeting statement/press conference regarding the possibility of additional rate cuts over the coming months.
- In a busy week of central bank events, the Bank of England also meets.** However, no changes to rates are expected with the central bank seen on hold until the Brexit uncertainty clears. At the accompanying press conference, market participants will, though, hope to gain a better insight into recent comments by Governor Carney. Early in July he stated that global uncertainty “in some jurisdictions may warrant a near-term policy response”. A 25bps rate cut is priced in by the market by next spring. Meanwhile, we will get updated macro-projections from the BoE in the form of the August Inflation Report. **Elsewhere, persistently low inflation is expected to result in the BoJ leaving its key policy rate unchanged this week.**
- Data-wise, the highlight of the schedule is the US July employment report.** Non-farm payrolls are projected to have expanded by 170k. While this represents a moderation on June’s impressive 224,000 figure (followed a very subdued 72k increase in May), it still equates to solid jobs growth and is in-line with Q2’s 171,000 average. Overall, it is anticipated that labour market conditions will remain tight. The consensus is the jobless rate held at 3.7%, while wage inflation may have picked up to 3.2%. At the same time, the Fed’s own preferred measure of wage inflation, the wages subcomponent of the Employment Cost Index, is expected to put yearly earnings growth at approximately 3% in Q2.
- However, solid wage growth has not translated into higher inflation.** Although, core-PCE inflation is forecast to have edged up to 1.7% in June, from 1.6%. Meantime, the July manufacturing ISM will provide an update on the output side of the economy. In contrast to the PMIs, a small increase is pencilled in for the index. Finally, the Conference Board measure of consumer confidence is projected to have registered an improvement in July, in part reflecting the ongoing strength of the labour market.
- In the Eurozone, the calendar includes the release of the first estimate of Q2 GDP.** The region’s economy expanded by a better than expected 0.4% in Q1. However, leading indicators suggest that the economy lost momentum in the second quarter of the year as difficulties in the manufacturing sector spread to the wider economy. The forecast is for quarterly growth of just 0.2%. Meanwhile, the consensus is that the unemployment rate held at 7.5% at end-Q2. In terms of more timely data, the July EC sentiment indices look set to confirm that growth remains anaemic. The headline index is projected to have moved lower, falling to 102.8, an over 3-year low. On the inflation front, it is envisaged that headline HICP moderated to 1.1% in July, from 1.3%.
- Finally, the UK data diary is sparse this week.** Although, the July manufacturing PMI will warrant some attention. Reflecting both the weak global outlook for the sector, as well as the impact of Brexit related uncertainty, the expectation is that the index remained below the key breakeven level of 50 for a third consecutive month.



	Interest Rate Forecasts			
	Current	End Q3	End Q4	End Q1
	2019			
Fed Funds	2.375	2.125	2.125	2.125
ECB Deposit	-0.40	-0.50	-0.50	-0.50
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 Q3	End Q4	End Q1
	2019			
EUR/USD	1.1130	1.14	1.16	1.17
EUR/GBP	0.8967	0.90	0.88	0.87
EUR/JPY	120.95	122	122	123
GBP/USD	1.2409	1.27	1.32	1.36
USD/JPY	108.66	106	105	105

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
<b>This Week:</b>				
<b>Mon 29th</b>	<b>UK:</b>	09.30 BoE Mortgage Approvals (June)	65,409	65,750
<b>Tue 30th</b>	<b>JPN:</b>	00.30 Unemployment / Jobs: Applicants (June)	2.4% / 1.62	2.4% / 1.62
	<b>JPN:</b>	00.50 Preliminary Industrial Output (June)	+2.0%	-2.0%
	<b>JPN:</b>	03.00 BoJ Interest Rate Announcement	-0.10%	-0.10%
	<b>FRA:</b>	06.30 GDP (Q2: First Reading)	+0.3%	+0.3%
	<b>GER:</b>	07.00 GfK Consumer Sentiment (August)	9.8	9.7
	<b>FRA:</b>	07.45 Consumer Spending (June)	+0.4%	+0.2%
	<b>EU-19:</b>	10.00 Business Climate (July)	0.17	0.11
	<b>EU-19:</b>	10.00 EC Economic Sentiment Index (July)	103.3	102.8
		- Industrial / Services / Consumer	-5.6 / 11.0 / -6.6	-6.6 / 10.3 / -6.3
	<b>IRL:</b>	<b>11.00 Unemployment (July)</b>	<b>4.5%</b>	<b>4.4%</b>
	<b>GER:</b>	13.30 Preliminary HICP (July)	(+1.5%)	(+1.3%)
	<b>US:</b>	13.30 Personal Income / Consumption (June)	+0.5% / +0.4%	+0.4% / +0.3%
		- Core PCE Prices	(+1.6%)	(+1.7%)
	<b>US:</b>	14.00 Case-Shiller House Prices (May)	(+2.5%)	(+2.4%)
	<b>US:</b>	15.00 Consumer Confidence (July)	121.5	125.0
	<b>US:</b>	15.00 Pending Home Sales (June)	+1.1% / 105.4	+0.5% / 105.9
<b>Wed 31st</b>	<b>UK:</b>	00.01 GfK Consumer Confidence (July)	-13	-13
	<b>GER:</b>	07.00 Retail Sales (June)	-0.6%	+0.5%
	<b>FRA:</b>	07.45 Preliminary HICP (July)	(+1.4%)	(+1.2%)
	<b>SPA:</b>	08.00 GDP (Q2: First Reading)	+0.7%	+0.6%
	<b>GER:</b>	08.55 Unemployment (July)	5.0%	5.0%
	<b>ITA:</b>	09.00 Unemployment (June)	9.9%	
	<b>ITA:</b>	10.00 Preliminary HICP (July)	(+0.8%)	(+0.5%)
	<b>EU-19:</b>	10.00 Preliminary HICP (July)	(+1.3%)	(+1.1%)
		- Ex-Food & Energy	(+1.3%)	(+1.2%)
	<b>EU-19:</b>	10.00 GDP (Q2: First Reading)	+0.4% (+1.2%)	+0.2% (+1.0%)
	<b>EU-19:</b>	10.00 Unemployment (June)	7.5%	7.5%
	<b>ITA:</b>	11.00 GDP (Q2: First Reading)	+0.1% (-0.1%)	-0.1% (-0.1%)
	<b>US:</b>	13.30 Employment Cost Index—Wages (Q2)	(+2.8%)	
	<b>US:</b>	19.00 Fed Interest Rate Announcement	2.25-2.50%	2.00-2.25%
	<b>US:</b>	19.00 Fed Press Conference		
<b>Thurs 1st</b>	<b>IRL:</b>	<b>01.01 AIB Manufacturing PMI (July)</b>	<b>49.8</b>	
	<b>CHINA:</b>	02.45 Caixin Manufacturing PMI (July)	49.4	49.6
	<b>EU-19:</b>	09.00 Final Markit Manufacturing PMI (July)	47.6 / 46.4 (p)	46.4
	<b>UK:</b>	09.30 CIPS / Markit Manufacturing PMI (July)	48.0	47.6
	<b>IRL:</b>	<b>11.00 Live Register (July)</b>	<b>-1,200/190,100</b>	<b>-1,100/189,000</b>
	<b>UK:</b>	12.00 BoE Interest Rate Announcement	0.75%	0.75%
		- Meeting Minutes / August Inflation Report		
	<b>UK:</b>	12.30 BoE Press Conference		
	<b>US:</b>	13.30 Initial Jobless Claims (w/e 22nd July)	206,000	213,000
	<b>US:</b>	14.45 Final Markit Manufacturing PMI (July)	50.6 / 50.0 (p)	50.0
	<b>US:</b>	15.00 Manufacturing ISM (July)	51.7	52.0
<b>Fri 2nd</b>	<b>EU-19:</b>	10.00 PPI (June)	(+1.6%)	(+0.8%)
	<b>EU-19:</b>	10.00 Retail Sales (June)	-0.3%	+0.3%
	<b>US:</b>	13.30 Non-Farm Payrolls (July)	224,000	170,000
		- Unemployment	3.7%	3.7%
		- Average Earnings	(+3.1%)	(+3.2%)
	<b>US:</b>	15.00 Factory Orders (June)	-0.7%	+0.8%
	<b>US:</b>	15.00 Final Michigan Consumer Sentiment (July)	98.4	98.4
	<b>IRL:</b>	<b>16.30 Exchequer Returns (July)</b>	<b>July '18: -€0.28bn</b>	<b>€0.8bn</b>

◆ 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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