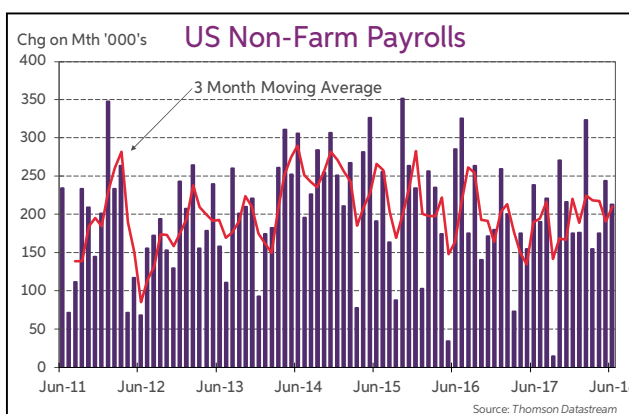


## Slow motion

- **The second half of this year is likely to provide further evidence that global monetary policy is gradually shifting into a tightening phase.** The US Fed is advancing steadily on a path of policy normalisation, hiking rates at a measured pace and reducing the size of its balance sheet as its stock of QE assets is allowed to slowly run down. Other central banks, though, remain cautious about tightening policy too quickly. Even the BoE, which has a clear tightening bias, is anticipated to only hike once per annum over the next three years.
- Hence, **monetary policy is expected to remain very loose in all the major economies over the next couple of years, apart from the US.** This was highlighted by last week's ECB meeting. The Central Bank is in the process of ceasing net asset purchases by the end of this year. However, at the same time, it is proceeding very cautiously in terms of its approach to policy tightening. It reaffirmed its forward guidance that interest rates would remain at their current low levels until at least the end of summer 2019. **The week ahead will deliver further insight into the global monetary policy outlook, with the Fed, BoE and BoJ all meeting.**
- **The BoE minutes from June suggested that the hawkish bias within the MPC had increased.** Since then, the UK data have been mixed, including core-CPI inflation falling below 2% in June. While this has given markets some pause for thought, **the consensus is that the BoE will hike rates from 0.50% to 0.75% this week.** This would see the bank rate rise to its highest level since 2009. The BoE 'Inflation Report' will provide updated macro forecasts, while Governor Carney's press conference may offer further insight on the BoE's current policy mindset.
- The Fed meeting should be less eventful. **The FOMC hiked rates at its last meeting in June and no further policy changes are anticipated this week.** The meeting statement will be looked to for the Fed's updated thoughts on the economy, with the market pricing in another hike at its next meeting in September.
- **This week's BoJ meeting will also warrant attention given some recent market chatter.** Another set of weak Japanese inflation numbers means that monetary stimulus will likely be needed for longer. This has led to market speculation, evident in the jump in Japanese bond yields, that the BoJ may have to adjust policy (i.e. make its policy framework less loose) to avoid generating unwelcome long-term imbalances. However, **the consensus view is that there are unlikely to be any policy changes at this month's meeting.** The BoJ may, though, hint at possible tweaks to policy in the near future.
- **Data-wise, we get the first reading of Eurozone Q2 GDP.** Data in the quarter pointed to moderate growth. The forecast is for another quarterly increase of 0.4%. Meantime, flash Eurozone HICP inflation looks set to have held at 2% in July, though underlying price pressures should remain more subdued, at just over 1%. The EC Eurozone sentiment indices for July are also due out.
- **In the US, we get the July employment report. Non-farm payrolls are expected to rise by 195k, slightly below H1's 211k average increase.** Labour force growth saw the unemployment rate rise to 4% in June. It looks set to have moved back down to 3.9% in July. Meantime, average weekly earnings growth is forecast to hold at 2.7%. Although, **the Fed's preferred Employment Cost Index measure of wage growth is seen at 2.9% in Q2,** up from 2.7% in Q1. Meantime, the ISM indices (manufacturing and non-manufacturing) for July will provide a timelier look at the economy.



- **The July PMIs are the main data release in the UK.** Both the manufacturing and services indices are anticipated to edge slightly lower in the month, while continuing to point to a modest pace of growth.

	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	1.1656	1.17	1.19	1.21
EUR/GBP	0.8884	0.88	0.87	0.86
EUR/JPY	129.34	129	129	129
GBP/USD	1.3116	1.33	1.37	1.41
USD/JPY	110.95	110	108	107

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast	
<b>This Week:</b>					
<b>Mon 30th</b>	<b>UK:</b>	09.30	BoE Mortgage Approvals (June)	64,526	65,500
	<b>EU-19:</b>	10.00	EC Business Climate (July)	1.39	1.35
	<b>EU-19:</b>	10.00	EC Economic Sentiment (July)	112.3	112.0
			- Industrial / Services / Consumer	6.9 / 14.4 / -0.6	6.7 / 14.2 / -0.6
	<b>GER:</b>	13.00	Preliminary HICP (July)	(+2.1%)	(+2.1%)
<b>Tue 31st</b>	<b>JPN:</b>	00.50	Industrial Output (June)	-0.2%	-0.4%
	<b>CHINA:</b>	02.00	NBS PMI: Manufacturing / Services (July)	55.0 / 51.5	
	<b>JPN:</b>	03.00	BoJ Interest Rate Announcement	-0.1% - 0.0%	-0.1% - 0.0%
	<b>GER:</b>	07.00	Retail Sales (June)	-2.1%	+1.0%
	<b>FRA:</b>	07.45	Preliminary HICP (July)	(+2.3%)	(+2.4%)
	<b>SPAIN:</b>	08.00	GDP (Q2: First Reading)	+0.7%	+0.7%
	<b>GER:</b>	09.00	Unemployment (July)	5.2%	5.2%
	<b>ITA:</b>	09.00	Unemployment (June)	10.7%	10.8%
	<b>ITA:</b>	09.00	Preliminary HICP (July)	(+1.4%)	(+1.4%)
	<b>EU-19:</b>	10.00	Flash HICP (July)	(+2.0%)	(+2.0%)
			- Ex-Food & Energy	(+1.2%)	(+1.2%)
	<b>EU-19:</b>	10.00	GDP (Q2: First Reading)	+0.4% (+2.5%)	+0.4% (+2.2%)
	<b>EU-19:</b>	10.00	Unemployment (June)	8.4%	8.3%
	<b>IRL:</b>	<b>11.00</b>	<b>Unemployment (July)</b>	<b>5.1%</b>	<b>5.1%</b>
	<b>ITA:</b>	11.00	GDP (Q2: First Reading)	+0.3%	+0.2%
	<b>US:</b>	13.30	Personal Income / Consumption (June)	+0.4% / +0.2%	+0.4% / +0.4%
			- Core-PCE Prices	(+2.0%)	(+2.1%)
	<b>US:</b>	13.30	Employment Cost Index—Wages (Q2)	(+2.7%)	(+2.9%)
	<b>US:</b>	15.00	Conference Board Consumer Confidence (July)	126.4	126.5
<b>Wed 1st</b>	<b>EU-19:</b>	09.00	Final Markit Manufacturing PMI (July)	54.9 / 55.1 (p)	55.1
	<b>UK:</b>	09.30	CIPS/Markit Manufacturing PMI (July)	54.4	54.2
	<b>US:</b>	15.00	Manufacturing ISM (July)	60.2	59.8
	<b>US:</b>	19.00	Fed Interest Rate Announcement	1.75-2.00%	1.75-2.00%
	<b>US:</b>	20.30	Total Vehicle Sales (July)	17.47m s.a.a.r.	17.30m
<b>Thurs 2nd</b>	<b>UK:</b>	09.30	CIPS/Markit Construction PMI (July)	53.1	52.9
	<b>EU-19:</b>	10.00	PPI (June)	(+3.0%)	(+3.5%)
	<b>IRL:</b>	<b>11.00</b>	<b>Live Register (July)</b>	<b>-4,800 / 219,300</b>	<b>-3,300 / 216,000</b>
	<b>UK:</b>	12.00	BoE Interest Rate Announcement	0.50%	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 28th July)	217,000	218,000	
<b>IRL:</b>	<b>16.30</b>	<b>Underlying Exchequer Balance (July)</b>	<b>July'17: -€66m</b>	<b>-€300m</b>	
<b>Fri 3rd</b>	<b>ITA:</b>	09.00	Industrial Output (June)	+0.7%	+0.4%
	<b>EU-19:</b>	09.00	Final Markit Composite PMI (July)	54.9 / 54.3 (p)	54.3
			- Services	55.2 / 54.4 (p)	54.4
	<b>UK:</b>	09.30	CIPS/Markit Services PMI (July)	55.1	54.7
	<b>EU-19:</b>	10.00	Retail Sales (June)	0.0% (+1.4%)	+0.3% (+1.3%)
	<b>US:</b>	13.30	Non-Farm Payrolls (July)	213,000	195,000
			- Unemployment	4.0%	3.9%
			- Average Weekly Earnings	(+2.7%)	(+2.7%)
	<b>US:</b>	13.30	International Trade Balance (June)	-\$43.1bn	-\$43.1bn
<b>US:</b>	15.00	Non-Manufacturing ISM (July)	59.1	59.0	
		- Business Activity	63.9		

◆ 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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