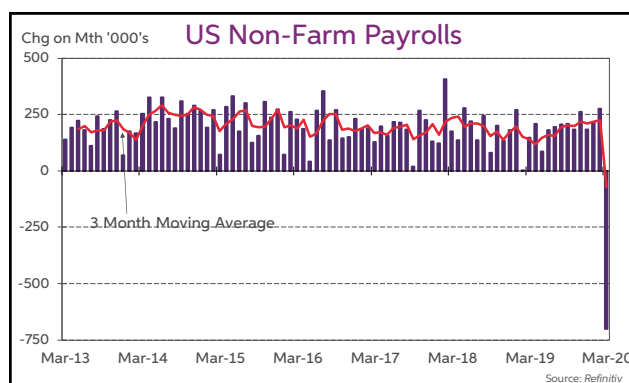


No April Fools Joke

- GDP data for Q1 are beginning to roll in and show big falls, with output plunging in March as the coronavirus and measures to contain it took hold.** Very weak March data swamped the good performance by economies in the opening two months of the year. France, Italy and Spain, which have been badly impacted by the virus, saw GDP declines in Q1 of 5.8%, 4.7% and 5.2%, respectively. In the US, where lockdown measures were implemented later, GDP contracted at an annualised rate of 4.8% (1.2% fall in quarter). **This is only a foretaste of things to come in Q2**, with many parts of economies under lockdowns. In the US, the jobless number has risen by 30 million in the past six weeks. The US employment report for April due on Friday could show an over 20 million fall in non-farm payrolls. PMI reports in Europe show that the services sector largely ground to a halt in April, while there were steep declines in manufacturing output. US PMI data for April have also been very weak. Indeed, **we probably have never seen, nor will ever see again, data as shockingly weak as the month of April is likely to deliver**, with the coronavirus and associated containment measures at their peak.
- Quite amazingly, then, stock markets registered their best monthly performance in decades in April – the S&P 500 and Dow Jones posted their largest monthly gains since January 1987.** Admittedly, this came after steep falls between mid-February and mid-March. Remarkably, though, with GDP set for its biggest decline in 2020 since the end of WW2 and the Great Recession of the early 1930s, the two main US stock markets are now down by just 10% year-to-date, while the NASDAQ is flat. It would seem investors are expecting that all the stimulus measures put in place by central banks and governments are laying the ground for a strong recovery in activity. One has to say, though, that this is very much a hope-based rally in stock markets that could easily end in disappointment. In this regard, the Fed and ECB policy meetings this week saw top central bankers paint very grim pictures of the economic landscape, but keep policy unchanged bar some new liquidity measures from the ECB. The promise is there, though, to do more if required.
- Despite the big swings in stock markets, the main currency pairs have remained range largely bound.** The dollar is still at very elevated levels, even though the prop of relatively high US interest rates has gone. However, it retains a safe-haven status in these uncertain economic times. Currencies that weakened significantly against the dollar in March, when markets were most fraught, have recovered much of the lost ground. **It is hard to call the next big move in FX markets.** The dollar is key. The EUR-USD rate has been confined to a narrow range of €1.07-1.15 since the autumn of 2018. It is going to take a major event to shake it out of this range. A return to heightened risk aversion on markets, possibly on concerns on the economic outlook, would likely trigger a flight into the dollar that could really test euro support at the \$1.07 level. On the other hand, if a sustained recovery takes root in the second half of the year, the dollar could start to descend from its current high levels. However, it would be a tall order for the euro to rise above \$1.20. It has not been in this territory since 2014, except for a brief period in H1 2018.
- Data-wise this week, the highlight of the schedule is the aforementioned employment report for April in the US.** Payrolls fell by 701k in March, rivalling the declines seen in the aftermath of the financial crisis. However, far worse is to come in April given that jobless claims numbers have increased by some 30m in the past 6 weeks. **The consensus is that the surge in lay-offs will result in payrolls plunging by an unprecedented 22.8m. This in turn may see the jobless rate spike from 4.4% to 16.1%**, its highest level since the Great Depression. Meantime, the non-manufacturing ISM for April is also due for release. Mirroring the PMIs for the same month, the index is projected to have plummeted.
- In the UK, the Bank of England will meet, though it is not clear if further easing will be announced.** The central bank has already cut the Bank rate by 65bps to a record low 0.1%, restarted QE, implemented temporary monetary financing and established a raft of lending facilities. As a result, the BoE has limited policy space available to it, particularly given that the central bank has repeatedly emphasised negative rates are not a part of its arsenal. **The BoE, though, is currently on track to exhaust the current round of QE by end-June and so may opt to expand the size of the programme.** The MPC will meet again in mid-June, but given the heavy Gilt issuance planned in Q2, it may want to pre-empt the market and move this week. Meantime, the central bank will also publish the May Monetary Policy Report this week, which will provide updated macro-economic projections detailing the magnitude of the impact from Covid-19.
- Meanwhile, there is a relatively quiet look to the Eurozone data schedule.** Although, the March print of retail sales will be of some interest as they will offer a further read on how the virus outbreak has impacted consumption. Retail spending is forecast to have plunged by 12%. On a national level, it is envisaged that German industrial output contracted by 7% in March.



	Interest Rate Forecasts			
	Current	End Q2 2020	End Q3 2020	End Q4 2020
Fed Funds	0.125	0.125	0.125	0.125
ECB Deposit	-0.50	-0.50	-0.50	-0.50
BoE Repo	0.10	0.10	0.10	0.10
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 Q2 2020	End Q3 2020	End Q4 2020
EUR/USD	1.0979	1.09	1.10	1.11
EUR/GBP	0.8768	0.88	0.88	0.89
EUR/JPY	117.38	117	118	120
GBP/USD	1.2522	1.24	1.25	1.25
USD/JPY	106.90	107	107	108

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	ECB Speakers:	Mersch (Tuesday); de Guindos (Thursday)		
	Fed Speakers:	Bostic, Evans (Tuesday); Evans, Harker (Thursday)		
Mon 4th	IRL:	Bank Holiday		
	EU-19:	09.00 Final Markit Manufacturing PMI (April)	44.5 / 33.6 (p)	33.6
	EU-19:	09.30 Sentix Index (May)	-42.9	-30.0
	US:	15.00 Factory Orders (March)	+0.0%	-9.2%
Tue 5th	JPN:	Market Holiday		
	UK:	09.30 CIPS/Markit Construction PMI (April)	39.3	
	UK:	09.30 Final CIPS/Markit Composite PMI (April)	36.0 / 12.9 (p)	12.9
		- Services	34.5 / 12.3 (p)	12.3
	EU-19:	10.00 PPI (March)	(-1.3%)	(-2.4%)
	US:	13.30 International Trade (March)	-\$39.9bn	-\$44.4bn
	US:	14.45 Final Markit Composite PMI (April)	40.9 / 27.4 (p)	27.4
		- Services	39.8 / 27.0 (p)	27.0
	US:	15.00 Non-Manufacturing ISM (April)	52.5	32
	IRL:	16.30 Exchequer Returns (April)	April '19: -€3.2bn	-€8.5bn
Wed 6th	JPN:	Market Holiday		
	IRL:	01.01 AIB Services PMI (April)	32.5	
	GER:	07.00 Industrial Orders (March)	-1.4%	-9.0%
	ITA:	08.45 Markit Composite PMI (April)	20.2	
	FRA:	08.50 Final Markit Composite PMI (April)	28.9 / 11.2 (p)	11.2
	GER:	08.55 Final Markit Composite PMI (April)	35.0 / 17.1 (p)	17.1
	EU-19:	09.00 Final Markit Composite PMI (April)	29.7 / 13.5 (p)	13.5
		- Services	26.4 / 11.7 (p)	11.7
	EU-19:	10.00 Retail Sales (March)	+0.9% (+3.0%)	-12.0% (-10.0%)
Thurs 7th	GER:	07.00 Industrial Output (March)	+0.3%	-7.0%
	FRA:	07.45 Industrial Output (March)	+0.9%	-10.5%
	FRA:	07.45 Trade Balance (March)	-€5.2bn	
	EU-19:	08.30 Markit Construction PMI (April)	33.5	
	IRL:	11.00 New Dwelling Completions (Q1)	6,450 (+18.5%)	6,800 (+5.5%)
	UK:	12.00 BoE Interest Rate Announcement	0.10%	0.10%
		- Meeting Minutes / Monetary Policy Report		
	UK:	12.30 BoE Press Conference		
	US:	13.30 Initial Jobless Claims (w/e 2nd May)	3,839,000	3,000,000
	US:	20.00 Consumer Credit (March)	\$22.3bn	\$15.0bn
Fri 8th	UK:	Early May Bank Holiday (VE Day)		
	GER:	07.00 Trade Balance (March)	€21.6bn	€19.9bn
		- Exports	+1.3%	
	IRL:	11.00 Live Register and Covid-19 Support (April)	+331k/514k	+636k/1,150k
	US:	13.30 Non-Farm Payrolls (April)	-701,000	-22,839,000
		- Unemployment	4.4%	16.1%
		- Average Earnings	(+3.1%)	(+3.3%)

◆ 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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