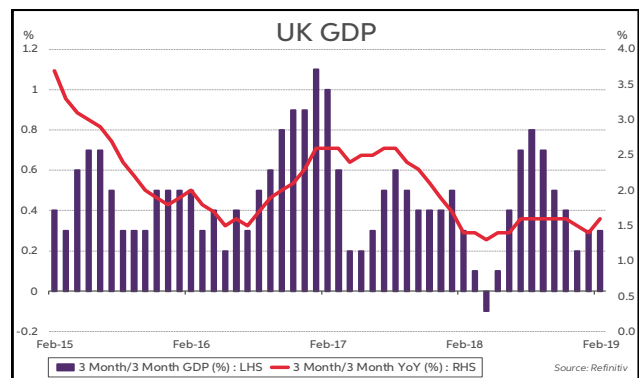


## Good Vibes

- One notable feature of financial markets in the first half of 2019 has been the strong performance of equity markets.** This followed a very tough end to 2018, when Wall Street suffered its worst December since 1931. Year to date, the S&P 500 has gained around 16% and in the last few weeks, it has recorded a number of record closing highs. Overall, most of the major global equity indices are up around 15% or more since the start of the year.
- Compared to the end of 2018, there have been a number of factors that have supported a more positive tone to risk appetite and in turn equity markets.** This has included central banks, especially the US Federal Reserve, espousing a much more dovish tone regarding the outlook for official interest rates. There has also been an apparent easing in global trade tensions, with reports of progress being made in the US/China trade dispute. Investor sentiment has also been aided by satisfactory corporate earnings results. At the same time, concerns over the prospects for global growth have also eased, in part due to better than expected hard data from the likes of the US and Eurozone (including Q1 GDP figures), as well as data out of China indicating an improvement in activity there.
- Indeed, both the Fed and BoE last week acknowledged in their May policy setting meetings the more positive global macro and market backdrop compared to a few months ago.** However, futures contracts suggest that interest rate markets remain on the pessimistic side. For the US, market expectations are for the next move to be a cut, rather than a hike, occurring around Q1 2021. Meanwhile, in the UK, the market is not envisaging another rate hike until end-2020. However, in the case of the US, given the economy's solid performance, a rate hike later this year cannot be ruled out. From a UK viewpoint, considering the BoE's tightening bias, in the event of a soft Brexit a rate hike could possibly happen in early 2020.

- Turning to the week ahead, the global macro calendar is relatively sparse. Although, we do get the first release of UK GDP for Q1.** The available hard data have suggested that economic activity may have picked up in the quarter.

Retail sales figures have been particularly encouraging, while the rolling 3 month on 3 month estimate of GDP has also improved since December. Overall, the consensus is for the quarterly growth rate to have moved up to a solid 0.5%, from 0.2%, matching the BoE's updated forecasts. In terms of the breakdown, household and government expenditure are likely to have driven growth in the quarter, while ongoing Brexit uncertainty may see business investment fall for a fifth consecutive quarter.



- The UK schedule also includes industrial production figures for March.** Brexit related stockpiling has helped output rise for two straight months, pushing the year-on-year growth rate back into positive territory. This effect is expected to have continued to offer support to the sector in March, although the consensus is for the monthly growth rate to have moderated to 0.2%. Meanwhile, it is envisaged that the goods trade deficit narrowed in the same month.

- In the Eurozone, one of the few releases of note this week are March retail sales figures.** Sales are forecast to have dipped by 0.1%, following two straight monthly increases, leaving the year-on-year growth rate at 1.8%. On a national level, we get March industrial production data from the region's three largest economies: Germany, France and Italy. The sector is expected to have struggled in the month, with output projected to have fallen by at least 0.5% in each of the three countries.

- Meanwhile, the highlight of a quiet US calendar is the April reading of CPI inflation.** Higher energy pressures are anticipated to have pushed the headline inflation rate back above the 2% level for the first time since November. In contrast, the consensus is for the core measure to have edged down in the month to 2.0%, from 2.1%. In terms of monetary policy updates, Fed Chair Powell is due to speak on Thursday.

	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
	2019			
Fed Funds	2.375	2.375	2.375	2.625
ECB Deposit	-0.40	-0.40	-0.40	-0.40
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 Q2	End Q3	End Q4
	2019			
EUR/USD	1.1188	1.13	1.14	1.15
EUR/GBP	0.8558	0.86	0.86	0.86
EUR/JPY	124.43	125	125	125
GBP/USD	1.3071	1.31	1.33	1.34
USD/JPY	111.19	111	110	109

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
<b>This Week:</b>	<b>ECB Speakers:</b>	Lautenschlager, Praet (Monday); Coeure, Lautenschlager, Villeroy de Galhau (Friday)		
	<b>Fed Speakers:</b>	Evans, Harker (Monday); Kaplan (Tuesday); Bostic, Evans, <b>Powell</b> (Thursday); Bostic, Brainard, Williams (Friday)		
	<b>EU-28:</b>	Informal EU-Leaders Summit (Thursday)		
<b>Mon 6th</b>	<b>IRL/UK/JPN:</b>	<b>Market Holiday</b>		
	<b>CHINA:</b> 02.45	Caixin Services PMI (April)	54.4	
	<b>FRA:</b> 08.50	Final Markit Composite PMI (April)	48.9 / 50.0 (p)	50.0
	<b>GER:</b> 08.55	Final Markit Composite PMI (April)	51.4 / 52.1 (p)	52.1
	<b>EU-19:</b> 09.00	Final Markit Composite PMI (April)	51.6 / 51.3 (p)	51.3
		- Services	53.3 / 52.5 (p)	52.5
	<b>EU-19:</b> 09.30	Sentix Index (May)	-0.3	1.4
	<b>EU-19:</b> 10.00	Retail Sales (March)	+0.4% (+2.8%)	-0.1% (+1.8%)
<b>Tue 7th</b>	<b>JPN:</b>	<b>Market Holiday</b>		
	<b>GER:</b> 07.00	Industrial Orders (March)	-4.2%	+1.5%
	<b>FRA:</b> 07.45	Trade Balance (March)	-€4.0bn	
		- Exports	+0.7%	
	<b>UK:</b> 08.30	Halifax House Prices (April)	-1.6% (+2.6%)	+0.2% (+4.5%)
	<b>US:</b> 15.00	Consumer Credit (March)	\$15.2bn	\$17.0bn
<b>Wed 8th</b>	<b>CHINA:</b> 02.00	Trade Balance (April)	\$32.7bn	\$35.0bn
		- Imports / Exports	-7.6% / +14.2%	-3.6% / +2.3%
	<b>GER:</b> 07.00	Industrial Output (March)	+0.7%	-0.5%
<b>Thurs 9th</b>	<b>UK:</b> 00.01	RICS House Price Survey (April)	-24	-22
	<b>IRL:</b> <b>11.00</b>	<b>CPI (April)</b>	<b>+0.8% (+1.1%)</b>	<b>+0.3% (+1.6%)</b>
	<b>US:</b> 13.30	Initial Jobless Claims (w/e 29th April)	230,000	
	<b>US:</b> 13.30	International Trade (March)	-\$49.4bn	-\$51.8bn
	<b>US:</b> 13.30	PPI (April)	(+2.2%)	(+2.3%)
<b>Fri 10th</b>	<b>GER:</b> 07.00	Trade Balance (March)	€18.7bn	€18.1bn
		- Exports / Imports	-1.3% / -1.6%	+0.5% / -0.5%
	<b>FRA:</b> 07.45	Industrial Output (March)	+0.4%	-0.5%
	<b>ITA:</b> 09.00	Industrial Output (March)	+0.8%	-0.7%
	<b>UK:</b> 09.30	GDP (Q1: First Reading)	+0.2% (+1.4%)	+0.5% (+1.8%)
	<b>UK:</b> 09.30	Industrial Output (March)	+0.6% (+0.1%)	+0.2% (+0.6%)
		- Manufacturing	+0.9% (+0.6%)	+0.2% (+1.3%)
	<b>UK:</b> 09.30	Goods Trade Balance (March)	-£14.11bn	-£13.65bn
	<b>ITA:</b> 10.00	Retail Sales (March)	+0.1%	
	<b>US:</b> 13.30	CPI (April)	(+1.9%)	(+2.1%)
		- Core (Ex-Food & Energy)	(+2.1%)	(+2.0%)
	<b>US:</b> 19.00	Federal Budget (April)	April'18: \$214bn	-\$154bn

◆ 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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