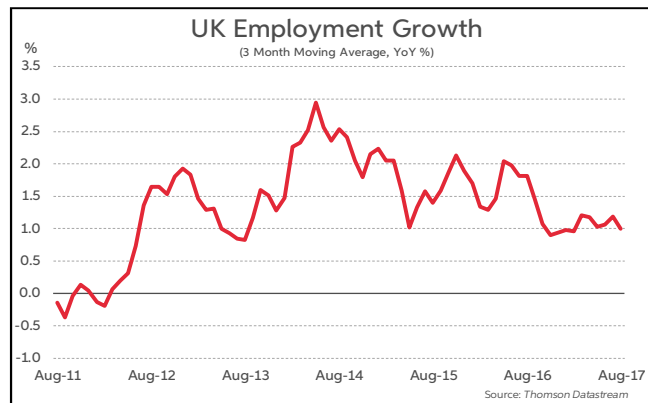


No Direction

- It is remarkable how range bound the main FX rates have been recently.** Sterling has been confined to an 87.5-90.0p range against the euro for the past two months, with cable (GBP/USD) moving in a \$1.305-1.33 band since the start of October. The EUR/USD rate has been in a \$1.16-1.185 range over the same period, with \$1.16 proving a strong support level for the euro recently. Meanwhile, dollar/yen has been largely confined to a ¥112-114 range since mid-September.
- It is hard to see what will move FX markets out of their ranges in the coming weeks.** The dollar looks to be well supported by the prospect of further rate hikes but it is finding it hard to make much headway. Brexit remains the principal risk for sterling, with markets expecting progress on this front next month. We know that the ECB and BoJ are going to maintain their ultra-loose monetary policies for some time, including negative interest rates. Thus, in the year ahead, if progress is made on the Brexit talks and the Fed sticks to its rate tightening path and US tax cuts are agreed, then sterling and the dollar could be the currencies to strengthen in 2018.
- In terms of the more immediate future, this week's global macro agenda has a busier schedule to it after last week's dearth of macro newsflow.** In the **UK, the latest raft of labour market data will receive close scrutiny for signs** of any impact from Brexit related uncertainty. Employment is expected to have increased by a modest 50k in the three months to September, compared to 95k in the three months to August. At the same time, the unemployment rate looks set to have held at a 42-year low of 4.3%. This in part reflects the fact that while employment growth has slowed, labour force growth has also weakened, increasing by just 0.3% year-on-year in August, possibly due to lower net inward migration.
- Despite this very low unemployment rate, wage growth has remained virtually stagnant, holding close to 2% year-on-year.** This seems to reflect uncertainty on the part of employers, as well as higher input costs following the Brexit vote, leaving limited scope for pay increases. Earnings growth is expected to have remained near 2% in September. Meanwhile, CPI inflation for October is forecast to print at 3.1%, meaning real wages continue to fall. This squeeze on household incomes is providing a headwind to consumer spending. Retail sales recorded their weakest quarter of annual growth in Q3, since Q2 2013, and this week's release of October sales data is anticipated to show that the sector started off Q4 in subdued fashion.
- It is also a busy week in the US, including retail sales for October.** Sales jumped by 1.6% in September on exceptionally strong car sales and building materials after the hurricanes. As a result, they are forecast to be broadly flat at the start of Q4. On the output side, industrial production may have picked up in October (f'cast for 0.5% monthly growth) after growing by a 'hurricane season' hampered 0.3% in September. We also get more timelier output indicators, with both the NY and Philly Fed indices for November due for release. In terms of the housing market, data on starts for October and NAHB sentiment for November are due.
- In the Eurozone, we get updated Eurozone Q3 GDP, though no change to the original estimate of quarterly growth of 0.6% is anticipated.** The first reading of German GDP is expected to show a strong 0.6% rise. Meanwhile, the German ZEW index is anticipated to increase for a fourth consecutive month in November. Finally, this week also sees the first reading of Q3 GDP in Japan. The world's third largest economy has outperformed versus expectations year to date, and a quarterly rise of 0.3% is forecast for Q3.



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2017	2018	2018
Fed Funds	1.125	1.375	1.375	1.625
ECB Deposit	-0.40	-0.40	-0.40	-0.40
BoE Repo	0.50	0.50	0.50	0.50
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 Q4	End Q1	End Q2
		2017	2018	2018
EUR/USD	1.1659	1.16	1.15	1.14
EUR/GBP	0.8828	0.89	0.88	0.87
EUR/JPY	132.13	132	132	132
GBP/USD	1.3206	1.30	1.31	1.31
USD/JPY	113.31	114	115	116

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
This Week:	ECB Speakers:	Draghi (Tuesday); Lane , Praet (Wednesday); Constancio, Weidman, Draghi (Friday)		
	Fed Speakers:	Harker (Monday); Evans, Bostic, Bullard, Yellen (Tuesday); Mester (Thursday)		
	BoE Speakers:	Carney (Tuesday & Thursday)		
Mon 13th				
Tue 14th	CHINA:	02.00 Industrial Output (October)	(+6.6%)	(+6.3%)
	GER:	07.00 GDP (Q3: First Reading)	+0.6%	+0.6%
	GER:	07.00 Final HICP (October)	(+1.5%)	(+1.5%)
	ITA:	09.00 GDP (Q3: First Reading)	+0.3%	+0.4%
	UK:	09.30 CPI (October)	+0.3% (+3.0%)	+0.2% (+3.1%)
		- Ex-Food & Energy	+0.2% (+2.7%)	+0.2% (+2.8%)
	UK:	09.30 PPI Output (October)	+0.2% (+3.3%)	+0.3% (+2.9%)
		- Input	+0.4% (+8.4%)	+1.0% (+4.9%)
	GER:	10.00 ZEW Economic Sentiment (November)	17.6	20
	ITA:	10.00 Final HICP (October)	(+1.1%)	(+1.1%)
	EU-19:	10.00 GDP (Q3: Second Reading)	+0.6% (+2.5%)	+0.6% (+2.5%)
	EU-19:	10.00 Industrial Production (September)	+1.4% (+3.8%)	-0.6% (+3.2%)
	US:	11.00 NFIB Business Optimism Index (October)	103	103
	US:	13.30 PPI (October)	+0.4% (+2.6%)	+0.1% (+2.4%)
	JPN:	23.50 GDP (Q3: First Reading)	+0.6% / +2.5% s.a.a.r.	+0.3% / +1.3%
Wed 15th	FRA:	07.45 Final HICP (October)	(+1.2%)	(+1.2%)
	UK:	09.30 Employment (3mths to September)	95,000	50,000
		- ILO Unemployment	4.3%	4.3%
	UK:	09.30 Average Weekly Earnings (3mth to September)	(+2.2%)	(+2.1%)
		- Ex-Bonus	(+2.1%)	(+2.1%)
	IRL:	11.00 Goods Trade Balance (September)	€3.6bn	€4.0bn
	US:	13.30 CPI (October)	+0.5% (+2.2%)	+0.1% (+2.0%)
		- Ex-Food & Energy	+0.1% (+1.7%)	+0.2% (1.7%)
	US:	13.30 NY Fed/Empire State Index (November)	30.2	26.3
	US:	13.30 Retail Sales (October)	+1.6%	+0.1%
		- Ex-Autos	+1.0%	+0.2%
		- Ex-Gas, Autos & Building Materials	+0.4%	+0.3%
Thurs 16th	FRA:	06.30 ILO Unemployment (Q3)	9.5%	9.5%
	UK:	09.30 Retail Sales (October)	-0.8% (+1.2%)	+0.1% (-0.7%)
	EU-19:	10.00 Final HICP (October)	(+1.4%)	(+1.4%)
		- Ex-Food & Energy	(+1.1%)	(0.9%)
	US:	13.30 Import / Export Prices (October)	+0.7% / +0.8%	+0.6% / +0.5%
	US:	13.30 Initial Jobless Claims (w/e 11th November)	239k	234k
	US:	13.30 Philly Fed Index (November)	27.9	24
	US:	14.15 Industrial Production (October)	+0.3%	+0.5%
		- Capacity Utilisation	76.0%	76.3%
	US:	15.00 NAHB Homebuilders' Index (November)	68	68
Fri 17th	EU-19:	09.00 Current Account (September)	€33.3bn	
	US:	13.30 Housing Starts (October)	-4.7% / 1.127m s.a.a.r.	+5.0% / 1.180m
		- Permits	-3.7% / 1.225m s.a.a.r.	+1.2% / 1.240m

◆ 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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