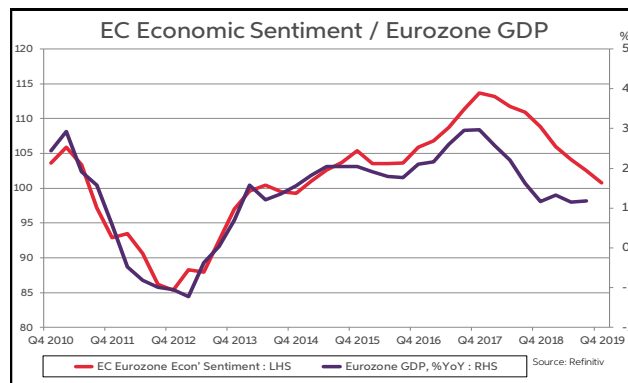


Second Thoughts

- Over the autumn, stock markets rallied strongly, bond yields rose and traders scaled back their expectations in regard to further policy easing by central banks, amid growing optimism that the slowdown in the global economy had reached a trough and activity would strengthen next year.** There has certainly been some abatement of the risks facing the global economy, with progress being made on resolving the US-China trade war, as well as on securing an orderly UK departure from the EU. It is also hoped that the easing of monetary policy this year and marked improvement in conditions in financial markets will help boost activity next year.
- There have been some tentative signs of improvement in some leading activity indicators.** The slowdown in global growth has been led by contracting manufacturing activity and falling international trade volumes. However, the global manufacturing PMI rose for the third consecutive month in October, reaching 49.8, just below the 50 level that would signal renewed expansion in the sector. Meanwhile, the new export orders component of the global composite PMI posted a solid rise in October. Global trade volumes have also picked up in the latest two months of data.
- However, more recently financial markets are having second thoughts and turning more cautious about global growth prospects.** Bond yields have resumed their decline in the past fortnight and equity markets have come under a bit of pressure in recent days. Markets are also starting to again price in that there could be two rate cuts from the Fed next year. Getting a US-China trade deal over the line is proving challenging and it is becoming clear that a difficult year of EU-UK trade negotiations lies ahead in 2020 even if there is an orderly Brexit at end January. Meanwhile, the signs that growth may improve next year are still very tentative. Thus, the recent more cautious tone from markets is warranted.
- What is clear is that central banks are off the pitch for now in terms of possible further policy action as they wait to see how economies perform in the coming months.** Thus, we could be in for a very quiet end to 2019 in markets. Traders and investors are also likely to want to lock in profits and avoid further risk taking after a strong year in markets. Volatility has already fallen to very low levels on stock markets and the main currency pairs seem likely to remain range bound. There is always scope for a shock, such as from the deteriorating situation in Hong Kong, but absent this, it could be a very quiet run in to Christmas. Markets, though, will be keeping a close eye on leading indicators to see, if indeed, the world economy is at a turning point.
- On that note, the highlight of the Eurozone schedule this week is the release of the EC sentiment indices for November.** In contrast to the flash PMIs, the expectation is that the headline index may have edged higher, reflecting a slight improvement in both the industrial and consumer confidence sub-indices. However, this would still leave the index at close to a 5-year low and consistent with only a modest level of growth. On a national level, it is anticipated that the German Ifo and Italian ISTAT surveys may point to a marginal improvement in business confidence in November.
- In terms of 'hard data' in the Eurozone this week, the preliminary reading of November HICP is set to feature.** Base effects will see the drag from lower energy inflation fade slightly, but headline HICP looks set to remain muted at 0.9%, up from 0.7%. At the same time, the consensus is that the core measure (ex-food and energy) will edge up to 1.3%, from 1.2%. We also get the October reading of unemployment, with no change from September's 7.5% rate anticipated.
- In the US, a shortened week (Thanksgiving holiday) still contains a number of important data releases.** This includes core-PCE for October, which is expected to be unchanged at 1.7%. The same report will also provide consumer spending figures for October, with another solid increase of 0.3% pencilled in. In terms of timelier updates, the Conference Board measure of consumer confidence for November is due and the index is expected to have remained relatively close to the level recorded in October. Finally, the Fed's Beige Book will be published on Wednesday and will offer a timely assessment of economic conditions in the US ahead of next month's FOMC meeting on December 11th.
- In contrast to the Eurozone and the US, there is a barren look to the UK macro-data calendar this week.** Sterling watchers will, though, continue to keep a close eye on the ongoing general election campaign, with the Conservative Party currently polling at a level consistent with winning an overall majority in Parliament.



	Interest Rate Forecasts			
	Current	End Q4 2019	End Q1 2020	End Q2 2020
Fed Funds	1.625	1.625	1.625	1.625
ECB Deposit	-0.50	-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 Q4 2019	End Q1 2020	End Q2 2020
EUR/USD	1.1044	1.12	1.12	1.13
EUR/GBP	0.8598	0.85	0.86	0.87
EUR/JPY	120.02	122	122	123
GBP/USD	1.2845	1.32	1.30	1.30
USD/JPY	108.65	109	109	109

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
This Week:	ECB Speakers:	Lane, Mersch (Monday); Coeure (Tuesday), Lane (Wednesday); Coeure, Lane (Thursday); de Guindos (Friday)		
	Fed Speakers:	Powell (Tuesday)		
Mon 25th	GER:	09.00 Ifo Business Climate (November)	94.6	95.0
	UK:	11.00 CBI Distributive Trades (November)	-10	-10
Tue 26th	GER:	07.00 GfK Consumer Sentiment (December)	9.6	9.6
	US:	13.30 Advance Goods Trade Balance (October)	-\$70.55bn	
	US:	14.00 Case-Shiller House Prices (September)	(+2.0%)	
	US:	15.00 Conference Board Consumer Confidence (Nov.)	125.9	126.8
	US:	15.00 New Home Sales (October)	-0.7%/0.70m	+1.4%/0.71m
Wed 27th	FRA:	07.45 Consumer Confidence (November)	104	103
	ITA:	09.00 ISTAT Business Confidence (November)	99.6	99.9
	ITA:	09.00 Consumer Confidence (November)	111.7	111.6
	US:	13.30 Durable Goods (October)	-1.2%	-0.5%
	US:	13.30 GDP (Q3: Second Reading)	+1.9% s.a.a.r.	+1.9%
	US:	13.30 Initial Jobless Claims (w/e 23rd November)	227,000	216,000
	US:	15.00 Personal Income / Consumption (October)	+0.3% / +0.2%	+0.3% / +0.3%
		- Core PCE Prices	(+1.7%)	(+1.7%)
	US:	15.00 Pending Home Sales (October)	+1.5% / 108.7	
	US:	19.00 Fed Beige Book Published		
Thurs 28th	US:	Thanksgiving (Market Holiday)		
	EU-19:	09.00 M3 Money Supply (October)	(+5.5%)	(+5.5%)
	EU-19:	10.00 Business Climate (November)	-0.19	-0.14
	EU-19:	10.00 Economic Sentiment Index (November)	100.8	101.0
		- Industrial / Services / Consumer	-9.5 / 9.0 -7.2	-9.1 / 9.0 / -7.2
	IRL:	11.00 Retail Sales (October)	+4.3% (+4.2%)	-2.0% (+2.0%)
	GER:	13.00 Preliminary HICP (November)	(+0.9%)	(+1.3%)
	JPN:	23.50 Unemployment / Jobs: Applicants (October)	2.4% / 1.57	2.4% / 1.56
	JPN:	23.50 Industrial Output (October)	+1.7%	-2.1%
Fri 29th	UK:	00.01 GfK Consumer Confidence (November)	-14	-14
	UK:	07.00 Nationwide House Prices (November)	+0.2% (+0.4%)	+0.0% (+0.2%)
	FRA:	07.45 Consumer Spending (October)	-0.4%	+0.3%
	FRA:	07.45 GDP (Q3: Final Reading)	+0.3% (+1.3%)	+0.3% (+1.3%)
	FRA:	07.45 Preliminary HICP (November)	(+0.9%)	(+1.1%)
	GER:	08.55 Unemployment (November)	5.0%	5.0%
	ITA:	09.00 Unemployment (October)	9.9%	
	UK:	10.00 BoE Mortgage Approvals (October)	65,919	65,450
	ITA:	10.00 Preliminary HICP (November)	(+0.2%)	(+0.3%)
	EU-19:	10.00 Preliminary HICP (November)	(+0.7%)	(+0.9%)
		- Ex-Food & Energy	(+1.2%)	(+1.3%)
	EU-19:	10.00 Unemployment (October)	7.5%	7.5%
	ITA:	11.00 GDP (Q3: Final Reading)	+0.1% (+0.3%)	+0.1% (+0.3%)

◆ 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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