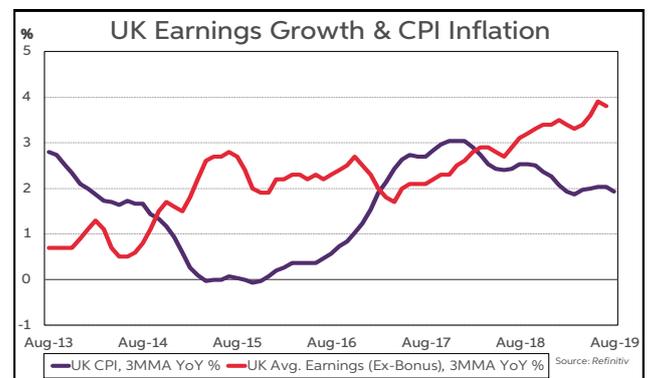


## To the Manor Born

- In the famous BBC TV series, *To the Manor Born*, Penelope Keith plays an upper-class lady who, upon the death of her husband, has to move out of her beloved manor house to the estate's old lodge.** However, while she is no longer in the main house, she stays within the estate and also manages to keep her butler and her much loved Rolls Royce car. It looks like the Brexit talks between the UK and Irish PMs in Thornton Manor yesterday, may lead to a similar outcome to resolve the thorny question on customs arrangements for Northern Ireland.
- It would seem that the EU customs border for Northern Ireland will now be down the Irish Sea, with the North moving into a Customs Partnership with the EU.** However, Northern Ireland would also still formally be part of the UK Customs Union post Brexit, and have the same customs duties as the rest of the UK. The way it is suggested that this could work is that any customs paid on goods moving from Great Britain for sale in Northern Ireland can be refunded. Refunds would not apply to any goods moving from GB through NI that are destined for the EU. Thus, from a political point of view, NI would be in the UK customs estate but, from an administration point of view, there would be an EU customs border between GB and NI. Meanwhile, the UK government has already agreed that NI can remain with the Single Market and so stay part of the EU regulatory regime, thus keeping its Rolls Royce!
- It all sounds complex and detailed negotiations between the EU and UK will commence this weekend to have a deal ready for approval at the upcoming EU Heads of State Summit on Thursday and Friday next week.** There is obviously a lot of work to be done and there are still doubts about whether a deal will get through a special setting to the House of Commons next Saturday. Markets can sense, though, that a deal is now in sight that would pave the way for a soft Brexit. Sterling has strengthened, with cable rising from \$1.22 to close to \$1.27. It is likely to move up to \$1.30 if a Brexit deal is agreed and approved. The euro has dropped back from 90p to near 87p, with 85p in prospect if a deal is sealed.
- Data-wise, a busy UK calendar includes the release of the latest labour market bulletin.** UK economic activity has slowed this year as Brexit uncertainty has acted as a headwind. However, jobs growth remains solid enough. In the three months to August, employment growth is forecast at 1.1%, unchanged from the prior period. Meanwhile, the jobless rate looks to have held at its joint multi-decade low of 3.8%. At the same time, the consensus is that the year-on-year growth rate of underlying earnings edged down to a still strong 3.7%, from 3.8%.
- In spite of this robust wage inflation, there is no evidence of a build-up in price pressures.** Indeed, in August the headline and core rates of inflation moderated to 1.7% and 1.5%, respectively. The two inflation rates are forecast at 1.8% and 1.7% in September, still below the BoE's 2% target. Low inflation and strong earnings growth means real wages continue to rise. However, given ongoing Brexit uncertainty, the consensus is that retail sales volumes will be broadly unchanged in September.
- In the US, we get updates on the three key sectors of the economy.** Although consumer confidence has dipped recently, it is envisaged that the retail sales report for September should remain consistent with a good level of consumption. The forecast is for both the headline and control measures of sales to have increased by 0.3%. On the output side of the economy, industrial production is expected to have dipped by 0.1% in September. The US has been impacted by the downturn in the sector globally, which has been linked to the sharp slowdown in global trade and weaker Chinese growth. We also get a batch of housing data this week, including housing starts and building permits for September, as well as the October reading of the NAHB Sentiment index. Finally, the Fed's Beige Book is due for release and will provide a timely assessment of economic conditions in the US ahead of the FOMC meeting at the end of the month.
- The Eurozone schedule is comparatively light. Indeed, the only release of any note is industrial production for August.** National data released last week, which included an upside surprise in Germany, point to an increase of 0.3% in the month. **Elsewhere, the release of Q3 Chinese GDP will warrant attention, though the usual caveat applies when viewing these figures.** The forecast is for growth to have edged slightly lower to 6.1%, the slowest rate in 30 years. This reflects the impact of both trade tensions with the US and structural issues associated with the shift to a consumption driven economy.



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
	2019			
Fed Funds	1.875	1.625	1.625	1.625
ECB Deposit	-0.50	-0.50	-0.60	-0.60
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	End Q1	End Q2
	2019			
EUR/USD	1.1056	1.10	1.11	1.12
EUR/GBP	0.8726	0.86	0.86	0.86
EUR/JPY	119.86	118	119	119
GBP/USD	1.2662	1.28	1.29	1.30
USD/JPY	108.39	107	107	106

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast	
<b>This Week:</b>	<b>BoE Speakers:</b>	Cunliffe (Monday); <b>Carney</b> , Vlieghe (Tuesday)			
	<b>ECB Speakers:</b>	de Guindos (Monday); Lane (Wednesday); Coeure (Thursday)			
	<b>Fed Speakers:</b>	Bostic, Bullard, Daly, George (Tuesday); Brainard, Evans (Wednesday); Evans, Williams (Thursday); Clarida, George, Kaplan, Kashkari (Friday)			
	<b>EU-28:</b>	EU Leaders' Summit (Thursday and Friday)			
<b>Mon 14th</b>	<b>CHINA:</b>	03.00	Trade Balance (September)	\$34.8bn	\$33.3bn
			- Exports	(-1.0%)	(-3.0%)
	<b>EU-19:</b>	10.00	Industrial Production (August)	-0.4% (-2.0%)	+0.3% (-2.5%)
<b>Tue 15th</b>	<b>FRA:</b>	07.45	Final HICP (September)	(+1.1%)	(+1.1%)
	<b>UK:</b>	09.30	ILO Employment (3 Months to August)	+31,000	+23,000
			- Unemployment	3.8%	3.8%
	<b>UK:</b>	09.30	Average Weekly Earnings (3 Months to August)	(+4.0%)	(+3.9%)
			- Ex-Bonus	(+3.8%)	(+3.7%)
	<b>GER:</b>	10.00	ZEW Economic Sentiment Index (October)	-22.5	-25.4
	<b>IRL:</b>	<b>11.00</b>	<b>Goods Trade Balance (August)</b>	<b>€6.3bn</b>	<b>€6.0bn</b>
	<b>US:</b>	13.30	NY Fed / Empire State Index (October)	2.00	0.80
<b>Wed 16th</b>	<b>UK:</b>	09.30	CPI (September)	(+1.7%)	(+1.8%)
			- Ex-Food & Energy	(+1.5%)	(+1.7%)
	<b>UK:</b>	09.30	PPI Output (September)	(+1.6%)	(+1.3%)
			- Input	(-0.8%)	(-1.8%)
	<b>ITA:</b>	10.00	Final HICP (September)	(+0.3%)	(+0.3%)
	<b>EU-19:</b>	10.00	Final HICP (September)	(+0.9%)	(+0.9%)
			- Ex-Food & Energy	(+1.2%)	(+1.2%)
	<b>US:</b>	13.30	Retail Sales (September)	+0.4%	+0.3%
			- Ex-Autos	+0.0%	+0.2%
			- Ex-Gas, Autos & Building Materials	+0.3%	+0.3%
	<b>US:</b>	15.00	NAHB Homebuilders' Sentiment (October)	68	68
	<b>US:</b>	19.00	Fed Beige Book Published		
<b>Thurs 17th</b>	<b>UK:</b>	09.30	Retail Sales (September)	-0.2% (+2.7%)	+0.1% (+3.2%)
	<b>US:</b>	13.30	Housing Starts (September)	+12.3% / 1.36m	-4.4% / 1.30m
			- Building Materials	+8.2% / 1.43m	-4.9% / 1.36m
	<b>US:</b>	13.30	Initial Jobless Claims (w/e 7th October)	210,000	214,000
	<b>US:</b>	13.30	Philly Fed Index (October)	12.0	8.0
	<b>US:</b>	13.30	Industrial Production (September)	+0.6%	-0.1%
			- Capacity Utilisation	77.9%	77.8%
			- Manufacturing	+0.5%	-0.1%
<b>Fri 18th</b>	<b>JPN:</b>	00.30	CPI (September)	(+0.3%)	(+0.5%)
	<b>CHINA:</b>	03.00	Industrial Output (September)	(+4.4%)	(+5.0%)
	<b>CHINA:</b>	03.00	GDP (Q3)	(+6.2%)	(+6.1%)

◆ 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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