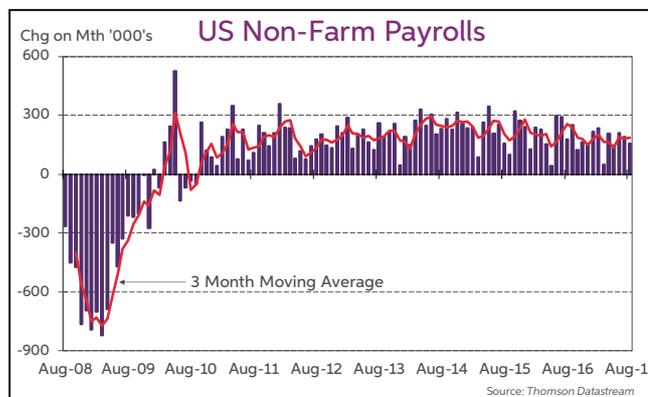


All to play for

■ **The downward pressure on the dollar and sterling evident over the summer months has abated in the past number of weeks**, as the Fed and Bank of England have started to tee up markets for unexpected rate hikes before the end of the year. Meanwhile, the ECB has been somewhat circumspect about the degree to which it is likely to scale back asset purchases next year, emphasising that policy needs to remain accommodative. This has taken some of the glow off the euro.

■ **Forex markets could be quite volatile over the closing months of the year, as there is much uncertainty about how key issues will evolve.** These include the Brexit negotiations, getting congressional approval for Trump's planned tax cuts, formation of a new government in Germany, as well as on-going geopolitical tensions, most notably those related to North Korea. What is clear is that the main FX rates are no longer one-way bets, as was the case for much of the year. Moves towards a soft Brexit and an increasingly hawkish Fed suggest that sterling and the dollar may have found a floor, but the euro is unlikely to give up gains easily given the strengthening recovery in the Eurozone.

■ **In the week ahead, the main focus from a data perspective will be the US September employment report.** The key non-farm payrolls are forecast to record a modest increase of 98k, compared to average growth of 185k in the previous three months. The consensus forecast comes with a wide margin of error this month, as it is hard to estimate the impact of the recent severe hurricane season on hiring. **The unemployment rate is expected to have remained near a 16-year low at 4.4%.** Despite the low unemployment rate and other indicators of a tight labour market (e.g. NFIB and Conference Board labour market sub-indices), wage growth has remained relatively subdued. Although, average earnings growth looks set to edge up slightly to 2.6% in September, having been stuck at 2.5% since April.



■ **Meanwhile, the US calendar also includes the ISM indices for September.** The manufacturing index is expected to fall back in the month, while still pointing to a pick-up in growth in the sector in Q3 as a whole. The more significant non-manufacturing index (c.80% of GDP) is also expected to fall back, but it suggests an overall slowdown in the third quarter for the sector, in contrast to the manufacturing index.

■ **Survey data also feature in the UK, with the September PMIs due for release.** Both the manufacturing and services indices are predicted to edge lower in the month. **Overall, the PMIs for Q3 would suggest that UK GDP growth is likely to have remained subdued in the quarter.** Meantime, UK house price growth has generally slowed since last year's Brexit vote. Halifax house price growth is expected to ease to 3.5% year-on-year in Q3, compared to 5.5% in the same period in 2016.

■ **Unemployment figures are the main release of a comparatively light Eurozone schedule.** The unemployment rate has remained on its steady downward trajectory in recent months, falling to an 8½-year low of 9.1% in June/July. It is predicted to have edged lower still to 9% in August. We also get Eurozone retail sales data for August this week. A modest improvement is forecast, following on from July's decline. **Finally in Ireland, the build-up to Budget 2018 on October 10th continues, with the release of the end September Exchequer Returns on Tuesday and Pre-Budget White Paper on Friday night.** These publications will give a good idea of the room for manoeuvre the Minister for Finance will have on budget day.

	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	0.25	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	1.1813	1.20	1.18	1.16
EUR/GBP	0.8832	0.90	0.89	0.87
EUR/JPY	132.87	132	131	131
GBP/USD	1.3373	1.33	1.33	1.33
USD/JPY	112.45	110	111	113

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	ECB Speakers:	Praet (Monday); Draghi (Wednesday); Praet, Cœuré (Thursday)		
	Fed Speakers:	Kaplan (Monday); Yellen (Wednesday); Powell, Dudley, Williams, Harker, George (Thursday); Bostic, Rosengren, Kaplan, Bullard (Friday)		
Mon 2nd	JPN:	00.50 Tankan Big Manufacturing Survey (Q3)	17	18
		- Services	23	23
	ITA:	09.00 Unemployment (August)	11.3%	11.2%
	EU-19:	09.00 Final Markit Manufacturing PMI (September)	57.4 / 58.2 (p)	58.2
	UK:	09.30 CIPS/Markit Manufacturing PMI (September)	56.9	56.4
	EU-19:	10.00 Unemployment (August)	9.1%	9.0%
	US:	15.00 Construction Spending (August)	-0.6%	+0.3%
	US:	15.00 Manufacturing ISM (September)	58.8	58.0
Tue 3rd	AUS:	04.30 RBA Interest Rate Announcement	1.50%	1.50%
	UK:	09.30 CIPS/Markit Construction PMI (September)	51.1	50.8
	EU-19:	10.00 PPI (August)	0.0% (+2.0%)	+0.1% (+2.3%)
	IRL:	11.00 Unemployment (September)	6.1%	6.0%
	IRL:	16.30 Exchequer Balance (September)	Sept'16: -€25m	€2.2bn
	US:	20.30 Total Vehicle Sales (September)	16.10m s.a.a.r.	16.23m
Wed 4th	FRA:	08.50 Final Markit Composite PMI (September)	55.2 / 57.2 (p)	57.2
	GER:	08.55 Final Markit Composite PMI (September)	55.8 / 57.8 (p)	57.8
	EU-19:	09.00 Final Markit Composite PMI (September)	55.7 / 56.7 (p)	56.7
		- Services	54.7 / 55.6 (p)	55.6
	UK:	09.30 CIPS/Markit Services PMI (September)	53.2	53.1
	EU-19:	10.00 Retail Sales (August)	-0.3% (+2.6%)	+0.2% (+2.6%)
	US:	13.15 ADP Employment (September)	237,000	135,000
	US:	15.00 Non-Manufacturing ISM (September)	55.3	55.1
		- Business Activity	57.5	55.8
Thurs 5th	IRL:	11.00 Live Register (September)	-7,300 / 248,500	-3,500 / 245,000
	US:	13.30 International Trade Balance (August)	-\$43.7bn	-\$42.9bn
	US:	13.30 Initial Jobless Claims (w/e 30th September)	272,000	268,000
	US:	15.00 Factory Orders (August)	-3.3%	+1.0%
Fri 6th	JPN:	06.00 Leading Indicators Index (August)	-0.7%	
	GER:	07.00 Industrial Orders (August)	-0.7%	+0.7%
	UK:	08.30 Halifax House Prices (Q3)	(+2.6%)	(+3.5%)
	US:	13.30 Non-Farm Payrolls (September)	156,000	98,000
		- Unemployment	4.4%	4.4%
		- Average Earnings	+0.1% (+2.5%)	+0.3% (+2.6%)
Sat 7th	IRL:	00.00 Pre-Budget White Paper Published		

◆ 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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