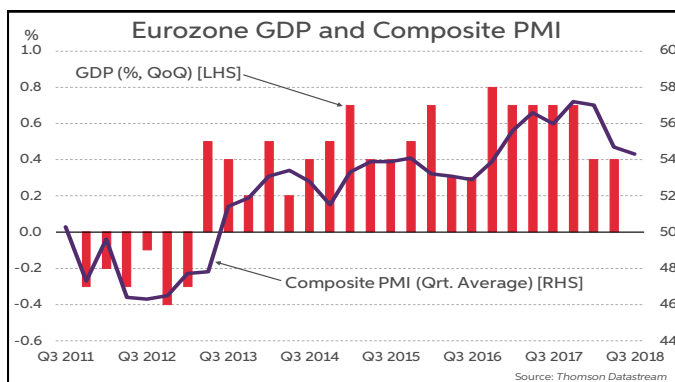


The Late Late Show

- Good progress has apparently been made in Brexit talks recently and a deal is expected to be agreed.** There was some disappointment, though, that an agreement could not be reached in time for Thursday's EU leaders' summit. However, the last thing that PM May needs now is an agreement that would give hard Brexiters plenty of time to pick apart. **It will be a challenge to get any Withdrawal Agreement through the UK Parliament.** The best chances of success are a last-minute deal that leaves Eurosceptic MPs with the choice of either supporting it or risking a general election or even a second referendum that could endanger Brexit itself if they oppose it.
- Choreography and optics are important. This needs to be seen as the best possible deal the UK is going to get after some really tough negotiations, with no time left to go back and reopen talks. **Thus, we don't expect a deal to be reached until December at the earliest,** and it would not be surprising to see the talks extend into January before we get an agreement. Even then, **there is no guarantee that the UK Parliament will ratify a deal.**
- Sterling has rallied recently as signs of progress in the talks fuelled hopes that a deal will be done, paving the way for a soft Brexit. The euro is back below 88p, having risen to 91p in late summer. In our view, the upside for sterling from here may prove limited, even if a deal is agreed and ratified. Any agreement is likely to be pretty vague in terms of what lies in store at the end of the transition period that is to follow Brexit, especially on trade. **Thus, uncertainty is likely to persist post-Brexit on the future UK-EU trading relationship, capping the upside for sterling.** On the other hand, sterling can be expected to fall very sharply if it becomes apparent that the UK is headed for a no-deal Brexit. The choice is much more binary for the Bank of England. **Rates are likely to be hiked pretty quickly following a soft Brexit, but be cut in the event of a no-deal hard Brexit.**
- In the more immediate future, attention will be focussed this week on the ECB, with the Governing Council due to hold its October meeting.** The ECB has been clear in its forward guidance that rates are on hold "at least through the summer of 2019". However, the meeting statement and the post-meeting press conference will be looked to for clarification of President Draghi's comments concerning a "relatively vigorous" pick-up in underlying inflation in the Eurozone and what it could mean for monetary policy post-summer 2019.
- Data-wise in the week ahead, Eurozone survey data for October are set to feature.** The flash composite PMI is forecast to have edged down in the month, with both the manufacturing and services indices expected to have recorded small falls. Meantime, the EC measure of Eurozone consumer confidence looks set to continue its downward trend, although remaining elevated. It is also anticipated that the German IFO survey declined in October, while remaining at a good level. Overall the data are likely to point towards a continuing modest pace of growth in the Eurozone as Q4 gets underway.
- The main release in the US this week is the first reading of Q3 GDP.** It is envisaged that growth will be strong, at 3.3% on an annualised basis, aided by high levels of consumer spending and business investment. However, this represents a slight moderation from Q2's 4.2% growth rate. The slowdown can largely be attributed to an expanding trade deficit as the temporary boost to exports in Q2 fades. **Meanwhile, the PMIs for October will provide a more timely update on the economy.** It is anticipated that the composite index edged up slightly, indicating that the economy maintained its robust rate of growth at the start of Q4. Finally, the Fed Beige Book is also due.
- Elsewhere, the schedule is light in the UK, with survey data from the CBI being the only release of note.** Although, a speech by BoE governor Mark Carney may attract some attention.



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2018	2019	2019
Fed Funds	1.875	2.375	2.625	2.875
ECB Deposit	-0.40	-0.40	-0.40	-0.40
BoE Repo	0.75	0.75	0.75	1.00
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
		2018	2019	2019
EUR/USD	1.1482	1.19	1.20	1.21
EUR/GBP	0.8795	0.89	0.88	0.87
EUR/JPY	129.24	133	133	133
GBP/USD	1.3052	1.34	1.36	1.39
USD/JPY	112.55	112	111	110

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	BoE Speakers:	Haldane, Carney (Tuesday)		
	ECB Speakers:	Coeure, Draghi (Friday)		
	Fed Speakers:	Bostic, Evans (Tuesday); Mester (Wednesday); Mester (Thursday)		
Mon 22nd	US:	13.30 National Activity Index (September)	0.18	
Tue 23rd	GER:	07.00 PPI (September)	(+3.1%)	(+2.9%)
	UK:	11.00 CBI Industrial Orders Index (October)	-1	-1
	EU-19:	15.00 Flash EC Consumer Confidence (October)	-2.9	-3.1
Wed 24th	FRA:	07.45 INSEE Business Climate (October)	107	107
	FRA:	08.15 Flash Markit Composite PMI (October)	54.0	54.0
	GER:	08.15 Flash Markit Composite PMI (October)	55.0	54.8
	EU-19	09.00 M3 Money Supply (September)	(+3.5%)	(+3.5%)
	EU-19	09.00 Flash Markit Composite PMI (October)	54.1	53.9
		- Manufacturing / Services	53.2 / 54.7	53.0 / 54.5
	US:	14.45 Flash Markit Composite PMI (October)	53.9	
		- Manufacturing / Services	55.6 / 53.5	55.4 / 54.0
	US:	15.00 New Home Sales (September)	+3.5% / 0.629m s.a.a.r.	-1.4% / 0.620m
	US:	19.00 Fed Beige Book Published		
Thurs 25th	GER:	07.00 Gfk Consumer Sentiment (November)	10.6	10.5
	GER:	09.00 Ifo Business Climate (October)	103.7	103.1
	EU-19:	12.45 ECB Refi Rate Announcement	0.00%	0.00%
		- Deposit Rate	-0.40%	-0.40%
	EU-19:	13.30 ECB Press Conference		
	US:	13.30 Initial Jobless Claims (w/e 19th October)	210,000	213,000
	US:	13.30 Advance Goods Trade Balance (September)	-\$75.46bn	
	US:	13.30 Durable Goods Orders (September)	+4.4%	-0.9%
	US:	15.00 Pending Home Sales Index (September)	-1.8% / 104.2	-0.1% / 104.1
Fri 26th	FRA:	07.45 Consumer Confidence (October)	94	94
	US:	13.30 GDP (Q3: First Reading)	+4.2% s.a.a.r.	+3.3%
	US:	15.00 Final Michigan Consumer Sentiment (October)	101.1 / 99.0 (p)	99.0

◆ 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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