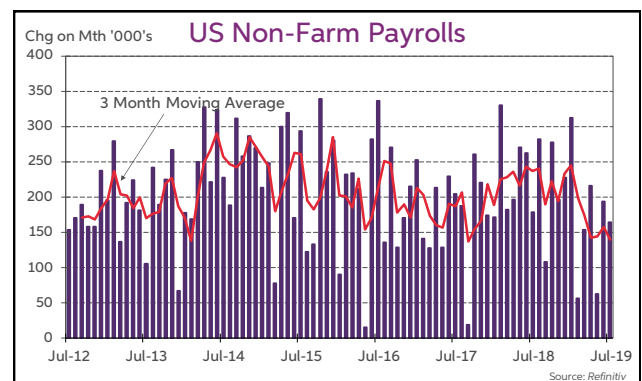


The Gloves Are Off

- The coming week in the UK is likely to prove highly critical in terms of Brexit.** Parliament is set to be prorogued from the following week until October 14th. This means that Parliament has just a very short window to act if it wants to assert its will and prevent the government pushing ahead with a no-deal hard Brexit at end October. **Parliament really needs to act in the week ahead before it is prorogued. The options include trying to gain control of the parliamentary agenda to allow it pass or amend legislation to prevent a no-deal Brexit** - simply voting against it does not require the government to act to prevent it.
- Failing this, a vote of no confidence in the government could be tabled. If carried, it could lead to a general election, but there is no guarantee that this would stop a no-deal Brexit at end October.** The default position is that the UK will leave the EU at end October unless the British government requests and is granted a further extension to Article 50. Alternatively then, there is also some speculation that there could be a cross-party, caretaker government formed to replace the current government that would seek a further extension to Article 50 to again delay Brexit. Such an occurrence would be truly extraordinary, but the gloves are certainly off now in Westminster over Brexit.
- UK markets are becalmed, though. Sterling has largely traded in a narrow 90-91p range against the euro in the past week and remains comfortably above the lows it hit earlier in the month.** It is nowhere near pricing in a no-deal hard Brexit. Neither are interest rate futures contracts, which are looking for just one UK rate cut next January. Rates can be expected to be cut much more aggressively and quickly if there is a no-deal Brexit at end October. The UK stock market has also been very stable recently. Markets, then, seem to expect that a no-deal Brexit will be avoided. The next week will certainly test this view.
- In terms of the data schedule this week, the highlight is the US employment report for August.** Non-farm payrolls growth has slowed this year, with the average monthly gain dropping to a still solid 165k in the year-to-date, from 223k in 2018. This reflects softer growth in the US economy. Notably, jobs growth has slowed in the weakening manufacturing sector over the past 12 months. In August, the consensus forecast is for an increase in payrolls of 159k. At the same time, the unemployment rate looks to have held near its multi-decade low of 3.7%. Meanwhile, it is anticipated that the tightness of labour market conditions will help the year-on-year growth rate of average weekly earnings hold above the 3% level.
- We also get an update on the output side of the US economy in the form of the ISMs for August.** In contrast to the PMIs for the same month, it is envisaged that both the manufacturing and non-manufacturing indices were broadly unchanged in the month, leaving them at levels consistent with a moderate pace of growth. The Fed's Beige Book is also due for release and will provide a useful assessment of economic conditions ahead of the next FOMC meeting in mid-September.
- In the Eurozone, the calendar is light, though we do get retail sales figures for July.** Having risen by a very strong 1.1% in June, some degree of pullback is to be expected. The decline in consumer confidence also suggests a slower pace of spending. Overall, the forecast is for retail expenditure to have fallen by 0.6%. On a national level, German industrial production figures for July are due. In a positive development, output is projected to have increased by 0.3%.
- Turning to the UK, the main releases this week are the August PMIs.** The manufacturing index is expected to have held below the key 50 level separating growth from contraction, reflecting both the impact of Brexit uncertainty and the slowdown of the global economy. Meanwhile, the consensus is that the service sector PMI lost ground in the month. Taken together, the indices should continue to point to a subdued level of UK GDP growth.
- Elsewhere, central banks in Australia, Canada and Sweden will all hold monetary policy setting meetings this week.** However, no changes to interest rates are expected.



	Interest Rate Forecasts			
	Current	End Q3 2019	End Q4 2019	End Q1 2020
Fed Funds	2.125	1.875	1.625	1.625
ECB Deposit	-0.40	-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 Q3 2019	End Q4 2019	End Q1 2020
EUR/USD	1.1042	1.11	1.12	1.13
EUR/GBP	0.9048	0.92	0.88	0.87
EUR/JPY	117.25	118	119	119
GBP/USD	1.2204	1.21	1.27	1.30
USD/JPY	106.17	106	106	105

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
This Week:	BoE Speakers:			
	ECB Speakers:	Coeure, de Guindos, Lautenschlager, Mersch (Monday); de Guindos, Lagarde, Lane, Mersch (Wednesday); de Guindos (Thursday); de Guindos (Friday)		
	Fed Speakers:	Rosengreen (Tuesday); Bowman, Bullard, Evans, Kashkari, Williams (Wednesday); Powell (Friday)		
Mon 2nd	US:	Market Holiday		
	IRL: 01.01	AIB Manufacturing PMI (August)	48.7	
	JPN: 01.30	Jibun Bank Manufacturing PMI (August)	49.5	
	CHINA: 02.45	Caixin Manufacturing PMI (August)	49.9	49.8
	EU-19: 09.00	Final Markit Manufacturing PMI (August)	46.5 / 47.0 (p)	47.0
	UK: 09.30	CIPS / Markit Manufacturing PMI (August)	48.0	48.4
Tue 3rd	UK:	House of Commons Returns from Recess		
	AU: 05.30	RBA Interest Rate Decision	1.00%	1.00%
	UK: 00.01	BRC Retail Sales (August)	+0.1%	
	UK: 09.30	CIPS / Markit Construction PMI (August)	45.3	45.5
	EU-19: 10.00	PPI (July)	(+0.7%)	(+0.2%)
	IRL: 11.00	Unemployment (August)	5.3%	5.3%
	US: 14.45	Final Markit Manufacturing PMI (August)	50.4 / 49.9 (p)	49.9
	US: 15.00	Construction Spending (July)	-1.3%	+0.3%
	US: 15.00	Manufacturing ISM (August)	51.2	51.0
	IRL: 16.30	Exchequer Returns (August)	-€1.8bn	-€0.5bn
Wed 4th	IRL: 01.01	AIB Services PMI (August)	55.0	
	JPN: 01.30	Markit Services PMI (August)	51.8	
	CHINA: 02.45	Caixin Services PMI (August)	51.6	
	ITA: 08.45	Markit Composite PMI (August)	51.0	
	FRA: 08.50	Final Markit Composite PMI (August)	51.9 / 52.7 (p)	52.7
	GER: 08.55	Final Markit Composite PMI (August)	50.9 / 51.4 (p)	51.4
	EU-19: 09.00	Final Markit Composite PMI (August)	51.5 / 51.8 (p)	51.8
		- Services	53.2 / 53.4 (p)	53.4
	UK: 09.30	CIPS / Markit Services PMI (August)	51.4	51.0
	EU-19: 10.00	Retail Sales (July)	+1.1%	-0.6%
	US: 13.30	International Trade (July)	-\$55.2bn	-\$54.2bn
	CAD: 15.00	BoC Interest Rate Decision	1.75%	1.75%
	US: 19.00	Fed Beige Book Published		
Thurs 5th	GER: 07.00	Industrial Orders (July)	+2.5%	-1.5%
	SWE: 08.30	Riksbank Interest Rate Decision	-0.25%	-0.25%
	IRL: 11.00	Live Register (August)	-100 / 190,300	-800 / 189,500
	US: 13.30	Initial Jobless Claims (w/e 26th August)	215,000	215,000
	US: 14.45	Final Markit Composite PMI (August)	52.6 / 50.9 (p)	50.9
		- Services	53.0 / 50.9 (p)	50.9
	US: 15.00	Factory Orders (July)	+0.6%	+1.0%
	US: 15.00	Non-Manufacturing ISM (August)	53.7	53.8
Fri 6th	JPN: 06.00	Leading Indicators' Index (July)	-1.6	
	GER: 07.00	Industrial Output (July)	-1.5%	+0.3%
	FRA: 07.45	Trade Balance (July)	-€5.2bn	
	EU-19: 10.00	Employment (Q2: Final Reading)	(+1.1%)	(+1.1%)
	EU-19: 10.00	GDP (Q2: Third Reading)	+0.2% (+1.1%)	+0.2% (+1.1%)
	US: 13.30	Non-Farm Payrolls (August)	+164k	+159k
		- Unemployment	3.7%	3.7%
		- Average Earnings	(+3.2%)	(+3.1%)

◆ 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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