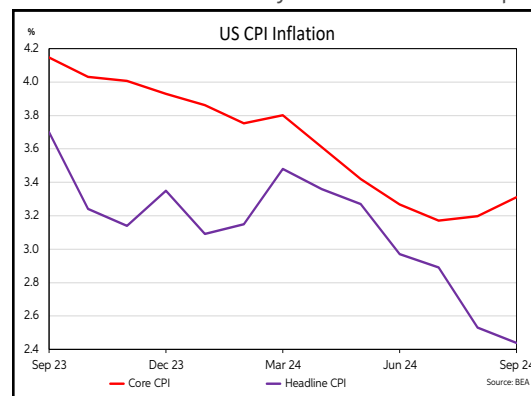


Taking stock of Trump 2.0

- **With the dust settling on the victory for President Trump, it is worth taking stock on what a second term could mean for markets and the global economy.** The key takeaway at this early stage is ‘uncertainty’. The incoming President marks a dynamic shift from President Biden in tone and rhetoric, but the extent of his policy programme will rest on confirming a clean sweep in Congress. While looking favourable, a majority in the House of Representatives is not yet confirmed.
- **Nonetheless, assuming a majority in Congress, President Trump is likely to embark on a programme of tax cuts at home and escalating trade protectionism with global partners.** A cornerstone of the incoming President’s campaign has been a commitment to levy blanket tariffs on imports to the US. The IMF recently estimated that a 10% tariff would take 0.4% off the level of US GDP in 2025 and 0.6% in 2026. The impact on other regions and the world reaches –0.3% of GDP by 2026. These policies could be particularly damaging to certain sectors such as consumer goods and manufacturing exporters to the US. It remains to be seen whether Trump will follow through with a blanket tariff, or favour focused measures on certain sectors or countries, such as those in his first term against China. However, the overarching protectionist rhetoric and policies have the potential to dampen global trade flows and are a threat to a small, open economy such as Ireland’s, and could impact on future FDI flows.
- **While tariffs could be quickly introduced via executive orders, the President’s fiscal plans would require passage through the Houses of Congress.** Central to this is likely to be an extension of the 2017 Tax Cuts and Jobs Act, which is due to expire at the end of 2025. Trump has indicated he would favour a corporate tax rate of as low as 15% from the current 21% rate. Expectations of tax cuts have in particular driven a rally in US small-cap stocks in recent days. More uncertain is whether Trump will unwind, in part or wholly, President Biden’s signature Inflation Reduction Act and Chips Act, particularly given the investments stimulated by these Acts have disproportionately favoured Republican-leaning states.
- **While the initial market reaction to the victory has been a strengthening in the dollar and a rise in Treasury yields, it remains uncertain how these policies could play out in the longer term.** Indeed, global trade fragmentation, alongside damage to domestic GDP growth from tariffs could in time even weigh on the dollar, particularly if its reserve status begins to recede. In the short term, it remains more likely that Trump’s policies will prove inflationary, which could limit rate cuts by the Fed and underpin the dollar for now.

■ **Turning to the week ahead, US inflation will be front and centre of investors minds, with the latest CPI data due for release on Wednesday.** Headline CPI inflation has been easing since March, printing below 3% in July, before nosediving to 2.5% in August, and falling to 2.4% in September. Meantime, core -CPI inflation slowly dissipated in the first seven months of the year, edging lower to 3.2% in July, from 3.9% in January. However, it remained at 3.2% in August before rising for the first time since March 2023, to 3.3% in September. The downward trend in the headline rate is expected to reverse course in October, with a slight increase to 2.6%, owing to unfavourable base effects. The core rate is forecast to remain at 3.3%. Elsewhere in the US, retail sales and industrial production data for October will feature. Starting with retail sales, headline sales expanded sharply throughout Q3, including by 0.4% in September. Furthermore, the control group measure - a key underlying sales metric - also rose throughout the quarter, and by 0.7% in September alone. The consensus is for both indicators to increase by 0.3% and 0.2%, respectively in October. In contrast, industrial production fell by 0.3% in September, and a further contraction of 0.3% is pencilled in at the start of Q4.



■ **In the UK, a busy schedule includes updates on the labour market and GDP.** Although conditions in the labour market softened in the first five months of the year, more recently they appear to have tightened once again. For example, the unemployment rate rose to 4.4% in April and May, but it has since declined to 4.0% in August. However, average earnings growth has cooled, albeit, it remains elevated at +4.9% y/y in the three months to August. In September, the jobless rate is projected to inch higher to 4.1%, while average earnings growth is forecast to slow to +4.7% y/y. **In terms of GDP, output rose by 0.7% in Q1 and by 0.5% in Q2.** Meanwhile, on a monthly basis, GDP flat-lined in July before expanding by 0.2% m/m in August. The consensus is for another 0.2% rise in September, resulting in a 0.2% increase overall in the quarter. Elsewhere in the UK, industrial production is forecast to stagnate in September, leaving it 1.2% lower in year-on-year terms.

■ **Industrial production data are also due in the Eurozone.** Having jumped by 1.8% in August, a sharp 1.2% reversal is expected in September. The only other release of note in the Eurozone will be the latest ECB monetary policy meeting account.

	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2024	2025	2025
Fed Funds	4.625	4.375	3.875	3.375
ECB Deposit	3.25	3.00	2.50	2.25
BoE Repo	4.75	4.75	4.50	4.25
BoJ OCR	0.25	0.25	0.25	0.25

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q4	End Q1	End Q2
		2024	2025	2025
EUR/USD	1.0761	1.09	1.10	1.11
EUR/GBP	0.8314	0.84	0.84	0.85
EUR/JPY	164.20	160	160	162
GBP/USD	1.2942	1.30	1.31	1.31
USD/JPY	152.59	147	145	146

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
This Week:	ECB Speakers:	Cipollone (Tue); Schnabel, de Guindos (Thu); Lane, Cipollone (Fri)		
	BoE Speakers:	Mann (Wed); Bailey (Thu)		
	Fed Speakers:	Waller, Barkin, Harker (Tue); Barkin, Logan, Musalem, Schmid (Wed); Powell , Williams (Thu)		
Mon 11th	US:	Veterans Day (Bond Market Holiday)		
	JPN:	05:00 Economy Watchers Poll (October)	47.8	
Tue 12th	GER:	07:00 Final HICP Inflation (October)	+0.4% (+2.4%)	+0.4% (+2.4%)
	UK:	07:00 ILO Unemployment Rate (September)	4.0%	4.1%
	UK:	07:00 Employment Change (September)	+373,000	
	UK:	07:00 Claimant Count (October)	+27,900	
	UK:	07:00 Average Earnings (September)	(+3.8%)	(+3.9%)
		- Ex-Bonus	(+4.9%)	(+4.7%)
	GER:	10:00 ZEW Economic Sentiment (November)	13.1	12.8
	US:	11:00 NFIB Small Business Optimism (October)	91.5	
Wed 13th	US:	13:30 CPI Inflation (October)	+0.2% (+2.4%)	+0.2% (+2.6%)
		- Core-CPI Inflation	+0.3% (+3.3%)	+0.3% (+3.3%)
Thu 14th	SPA:	08:00 Final HICP Inflation (October)	+0.4% (+1.8%)	+0.4% (+1.8%)
	EU-20:	10:00 Employment (Q3: Flash Reading)	+0.2% (+0.8%)	
	EU-20:	10:00 GDP (Q3: Second Reading)	+0.4% (+0.9%)	+0.4% (+0.9%)
	EU-20:	10:00 Industrial Production (September)	+1.8% (+0.1%)	-1.2% (-1.7%)
	EU-20:	10:00 ECB Monetary Policy Meeting Account (October)		
	US:	13:30 Initial Jobless Claims (w/e 4th November)	+221,000	+224,000
	US:	13:30 PPI Inflation (October)	+0.0% (+1.8%)	+0.2% (+2.3%)
		- Ex-Food & Energy	+0.2% (+2.8%)	+0.3% (+2.9%)
	JPN:	23:50 GDP (Q3)	+0.2%	
Fri 15th	UK:	07:00 GDP (Q3: Preliminary Reading)	+0.5% (+0.7%)	+0.2% (+1.0%)
	UK:	07:00 GDP (September)	+0.2% (+1.0%)	+0.2% (+1.0%)
	UK:	07:00 Industrial Output (September)	+0.5% (-1.6%)	+0.0% (-1.2%)
		- Manufacturing Output	+1.1% (-0.3%)	
	UK:	07:00 Goods Trade Balance (September)	-£15.1bn	-£bn
		- Non-EU	-£5.0bn	-£bn
	FRA:	07:45 Final HICP Inflation (October)	+0.3% (+1.5%)	+0.3% (+1.5%)
	ITA:	09:00 Final HICP Inflation (October)	+0.3% (+1.0%)	+0.3% (+1.0%)
	US:	13:30 NY Fed / Empire State Index (November)	-11.9	-0.70
	US:	13:30 Retail Sales (October)	+0.4% (+1.7%)	+0.3% (+2.4%)
		- Ex-Autos	+0.5%	+0.3%
		- Control Group	+0.7%	+0.2%
	US:	13:30 Industrial Production (October)	-0.3% (-0.6%)	-0.3% (-0.2%)
		- Manufacturing Output	-0.4%	
		- Capacity Utilisation	77.5%	77.1%

◆ Month-on-month changes (year-on-year shown in brackets)

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