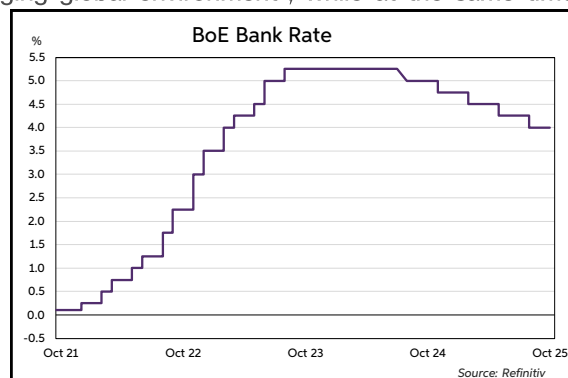


Trick or Treat

- **The latest round of central bank meetings yielded a few surprises. Notably, the outlook for the Fed is now more uncertain, as Chair Powell raised the bar for further near-term rate cuts.** The Federal Reserve Open Market Committee (FOMC) meeting for October saw the central bank cut interest rates by 25bps, with the target range for the Fed funds rate lowered to 3.75-4.00%. This was the second consecutive rate cut from the central bank. The Fed has now cut by 50bps this year and reduced rates by 150bps since it started to ease policy in September 2024. The decision to cut rates by 25bps was in line with market expectations, but it was not unanimous. Governor Miran continued to vote for a 50bps reduction in rates, while another (Schmid) preferred to leave rates unchanged.
- **However, the post meeting press conference saw Chair Powell surprise markets, by leaving the door open to a potential 'hold' at the final FOMC meeting of the year on December 9th/10th.** He stated that a December rate cut was “not a forgone conclusion...far from it”. While Powell noted uncertainty on the outlook, the protracted government shutdown may also be factor in the unexpectedly cautious guidance for a December cut. Meanwhile, the Fed also announced it will end its quantitative tightening programme on December 1st. This follows a period of policy debate about the optimal size of the Fed's balance sheet, which is currently at \$6.6trn, down from nearly \$9trn at the post-Covid peak. There have been signs of stress in US money markets, which may have spurred the Fed to announce the QT decision now rather than wait until the end of the year.
- **Elsewhere, the October meeting of the ECB's Governing Council saw the central bank keep interest rates on hold for a third successive meeting.** The deposit and refi rates were maintained at 2.00% and 2.15%, respectively. The ‘unchanged rates’ outcome was very much in line with market expectations. Furthermore, the decision to keep policy on hold had “absolute unanimity” amongst the committee. The ECB statement was similar to its September version. It remained short and continued to offer little in the way of new guidance. The decision to keep policy on hold was against the backdrop of inflation remaining “close to our 2% medium term target” and the ECB's assessment of the inflation outlook being “broadly unchanged”. The ECB also noted that the “economy has continued to grow despite the challenging global environment”, while at the same time acknowledging that the outlook remains “uncertain”.
- **The overarching message remains that monetary policy is “in a good place” in the Eurozone.** With the ECB set to stay on hold and given the path for US rates has become less clear, moves in EUR/USD are more likely to be driven by dollar side of the pair into year-end. Although EUR/USD has broken below \$1.16 post the Fed decision, a further leg lower in the pair back towards the \$1.14 support level seems unlikely for now. Indeed, we maintain our call for EUR/USD to rise over the coming months.
- **This week the monetary policy spotlight will shift to the Bank of England.** At each meeting which has coincided with a Monetary Policy Report (MPR) this year, the BoE has cut rates. However, the BoE is expected to break this trend this week and leave the Bank rate at 4.00%, despite releasing an updated MPR. It should be noted though, that market rate expectations have softened in recent weeks on the back of lower than anticipated CPI inflation data for September. Current pricing indicates that markets see around a 40% chance that the BoE lowers rates by 25bps this week. Aside from the decision, the voting breakdown on the MPC will warrant close attention, given the MPC has been split throughout this year. Furthermore, the aforementioned updated MPR, containing the BoE's assessment of the outlook, and the accompanying press conference with Governor Bailey will be in focus. Market participants will be looking for guidance on the potential for a rate cut at the final meeting of the year.
- **Data-wise, a number of updates are due from the US.** However, for a second month running, the labour market report will not be released, owing to the ongoing government shutdown. In terms of the non-governmental releases which will go ahead, the JOLTS job openings data for September are due. So far in 2025, job openings have held relatively steady, between 7.2-7.8m openings per month. This trend is set to continue at the end of Q3, with 7.3m openings expected. Elsewhere, both the manufacturing and non-manufacturing ISMs for October will be in focus. The consensus is for both to improve slightly in October. Meanwhile, the Michigan measure of consumer sentiment is forecast to edge lower to 53.2 in November.
- **In the Eurozone, the main release of note amid a quiet data calendar will be retail sales for September.** Having declined by 0.4% m/m at the start of Q3 and increasing by a meagre 0.1% m/m in August, a further 0.2% rise is pencilled in at the end of the quarter. In terms of some key data from the large national economies, German industrial production and industrial orders for September are due. **Meantime, on the home front, a busy release schedule includes the manufacturing and services PMIs, as well as the latest Exchequer returns and unemployment rate reading (all for October).**



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2025	2026	2026
Fed Funds	3.875	3.625	3.375	3.125
ECB Deposit	2.00	2.00	2.00	2.00
BoE Repo	4.00	4.00	3.75	3.50
BoJ OCR	0.50	0.75	0.75	0.75

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q4	End Q1	End Q2
		2025	2026	2026
EUR/USD	1.1534	1.19	1.20	1.20
EUR/GBP	0.8786	0.88	0.88	0.87
EUR/JPY	177.59	174	174	174
GBP/USD	1.3123	1.35	1.36	1.38
USD/JPY	153.94	146	145	145

Current Rates Reuters, Forecasts AIB's ERU

ECONOMIC DIARY

Monday 3rd - Friday 7th November

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	ECB Speakers:	Lane (Mon); Lagarde (Tue); Schnabel, Lane, de Guindos (Thu)		
	BoE Speakers:	Pill (Fri)		
	Fed Speakers:	Daly (Mon); Williams, Waller (Thu); Williams (Fed)		
Mon 3rd	IRE: 01:01	AIB Manufacturing PMI (October)	51.8	
	EU-20: 09:00	Final HCOB Manufacturing PMI (October)	50.0	50.0
	UK: 09:30	Final HCOB Manufacturing PMI (October)	49.6	49.6
	US: 14:45	Final S&P Manufacturing PMI (October)	52.2	52.2
	US: 15:00	Manufacturing ISM (October)	49.1	49.5
Tue 4th	JPN: 00:30	Final S&P Manufacturing PMI (October)	48.3	48.3
	US: 15:00	JOLTS Job Openings (September)	7.27m	7.30m
Wed 5th	IRE: 01:01	AIB Services PMI (October)	53.5	
	GER: 07:00	Industrial Orders (September)	-0.8%	+1.3%
	ITA: 08:45	Final HCOB Composite PMI (October)	51.7	51.7
	FRA: 08:50	Final HCOB Composite PMI (October)	46.8	46.8
	GER: 08:55	Final Composite PMI (October)	53.8	53.8
	EU-20: 09:00	Final HCOB Composite PMI (October)	52.2	52.2
		- Final HCOB Services PMI	52.6	52.6
	UK: 09:30	Final S&P Composite PMI (October)	51.1	51.1
		- Final S&P Services PMI	51.1	51.1
	EU-20: 10:00	Producer Price Inflation (September)	-0.3% (-0.6%)	
	IRE: 11:00	Unemployment Rate (October)	4.7%	4.7%
	US: 13:15	ADP National Employment (October)	-32,000	+24,000
	US: 14:00	Non-Manufacturing ISM (October)	50.0	50.7
	US: 14:45	Final S&P Composite PMI (October)	54.4	54.4
		- Final S&P Services PMI	55.2	55.2
	IRE: 16:30	Exchequer Returns (October)	Oct'24: +€1.3bn	
Thu 6th	GER: 07:00	Industrial Output (September)	-4.3% (-4.2%)	+3.0%
	EU-20: 10:00	Retail Sales (September)	+0.1% (+1.0%)	+0.2% (+1.0%)
	UK: 12:00	BoE Monetary Policy Decision		
		- Bank Rate	4.00%	4.00%
	UK: 12:30	BoE Monetary Policy Report Press Conference		
Fri 7th	GER: 07:00	Trade Balance (September)	+€17.2bn	
		- Exports	-0.5%	+0.5%
	US: 15:00	Prel. Uni. Michigan Consumer Sentiment (Nov)	53.6	53.2

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

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