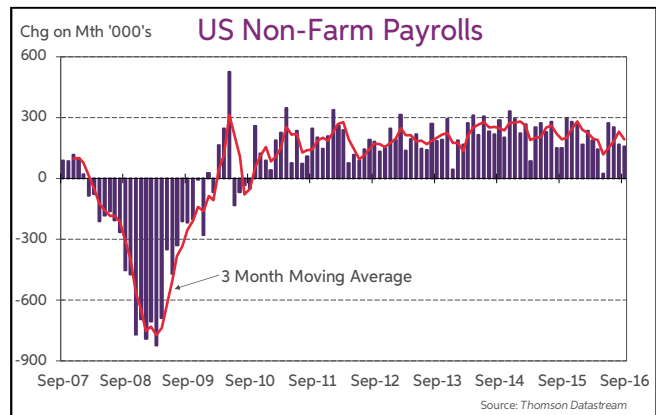


## Hallowe'en Horror for Bonds

■ **The sell-off in global sovereign bond markets gathered further momentum in recent days.** The yield on 10-year US, UK and German bonds rose 15-20bps on the week and they are now up 30-60bps since the start of the month. These moves have pushed up yields to their highest levels since early summer, with the yield on 10-year Treasuries above 1.8%. The sell-off has coincided with increasing scepticism on markets of the potential for further policy easing from either the ECB, BOE or BoJ, while at the same time, expectations have increased that the Fed will hike interest rates before year end. **The appeal of bonds has also suffered from macro data suggesting some improvement in global growth and rising inflation expectations.** Against this backdrop, this week's calendar contains some key data and central bank events.

■ **In the US, October non-farm payrolls is the main release.** They showed an improved performance in Q3, following Q2's soft patch (average 192k vs 110k). A solid 170k increase is anticipated at the start of Q4. The unemployment rate is anticipated to edge back down to 4.9%, following September's increase to 5%. Meantime, year-on-year growth in earnings looks set to remain at 2.6%. The US data calendar also features some other key indicators for October in the form of the non-manufacturing and manufacturing ISMs. Personal consumption and international trade for September also feature.



■ **It is also an important week for US monetary policy, with the FOMC meeting.** The Fed indicated at its September FOMC that it was likely to tighten policy before the end of the year. Although, **no policy changes are anticipated this week.** Overall, it is likely that this week's meeting statement will remain hawkish in tone, pointing to a rate hike in December. This would be consistent with market expectations.

■ **Meanwhile, its 'Super Thursday' in the UK,** with the BoE policy meeting and the November Inflation Report (IR) and a press-conference from Governor Carney. The Committee strongly suggested at the time of the August IR that we may see further policy easing before year end, if the incoming data were "broadly consistent" with Bank's economic forecasts. However, both GDP and inflation have surprised to the upside of the BoE's forecasts, while sterling has weakened further. Markets have moved to price out any further rate cut in the UK. **Therefore, no policy changes are anticipated this week,** though Governor Carney is likely to emphasise the MPC's willingness to do more to support the economy if needed.

■ **Data-wise, the UK October PMIs will be of interest.** The three main indices (services, manufacturing and construction) have rebounded from their July's Brexit related falls, pointing to moderate growth in the economy. However, they are anticipated to move lower at the start of Q4.

■ **In the Eurozone, Q3 GDP is the main release.** The data in the quarter suggested that the economy maintained a moderate pace of growth. GDP is forecast to have risen by 0.3%, matching its increase in Q2. Flash HICP for October is also due, with last week's national figures suggesting inflation could rise to 0.5%, its highest level since June 2014. Meanwhile, the Eurozone unemployment rate looks set to have held at 10.1% in September.

■ **Finally, the BoJ also meets in a busy week of central bank events.** The Central Bank did not use the publication of its 'comprehensive assessment' of policy in September to lower interest rates further, or increase QE, as some had anticipated. In the meantime, the Japanese Government has launched fresh fiscal stimulus, while there are some signs that inflation will begin to rise. Therefore, no policy changes are anticipated this week.

	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2016	2017	2017
Fed Funds	0.375	0.625	0.625	0.625
ECB Deposit	-0.40	-0.40	-0.40	-0.40
BoE Repo	0.25	0.25	0.25	0.25
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
		2016	2017	2017
EUR/USD	1.0928	1.09	1.08	1.07
EUR/GBP	0.8974	0.90	0.91	0.92
EUR/JPY	114.99	113	113	113
GBP/USD	1.2176	1.21	1.19	1.16
USD/JPY	105.23	104	105	106

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)	Release	Previous	Forecast
<b>This Week:</b>	<b>Fed Speakers:</b>	Lockhart, Brainard (Friday)		
	<b>ECB Speakers:</b>	Cœuré (Thursday); Constâncio (Friday)		
	<b>UK:</b>	Poss. Nationwide House Prices (October)	+0.3% (+5.3%)	+0.2% (+5.0%)
<b>Mon 31st</b>	<b>IRL:</b>	<b>Bank Holiday</b>		
	<b>GER:</b>	07.00 Retail Sales (September)	-0.4% (+3.7%)	+0.2% (+1.6%)
	<b>UK:</b>	09.30 BoE Mortgage Approvals (September)	60,058	61,500
	<b>ITA:</b>	10.00 Preliminary HICP (October)	(+0.1%)	(+0.1%)
	<b>EU-19:</b>	10.00 Flash HICP (October)	(+0.4%)	(+0.5%)
	<b>EU-19:</b>	10.00 GDP (Q3: First Reading)	+0.3% (+1.6%)	+0.3% (+1.6%)
	<b>US:</b>	12.30 Personal Income / Consumption (September)	+0.2% / 0.0%	+0.4% / +0.5%
		- Core PCE Prices	+0.2% (+1.7%)	+0.1% (+1.7%)
	<b>BEL:</b>	14.00 GDP (Q3: Final Reading)	+0.5%	
<b>Tue 1st</b>	<b>Most EU-19:</b>	Bank Holiday		
	<b>JPN:</b>	00.00 BoJ Interest Rate Announcement	-0.1%-0%	-0.1%-0%
	<b>CHINA:</b>	01.00 NBS Manufacturing PMI (October)	50.4	50.4
		- Non-Manufacturing	53.7	
	<b>CHINA:</b>	01.45 Caixin Manufacturing PMI (October)	50.1	50.2
	<b>UK:</b>	09.30 CIPS/Markit Manufacturing PMI (October)	55.4	54.5
	<b>US:</b>	13.45 Final Markit Manufacturing PMI (October)	51.5 / 53.2 (p)	53.2
	<b>US:</b>	14.00 Construction Spending (September)	-0.7%	+0.7%
	<b>US:</b>	14.00 Manufacturing ISM (October)	51.5	51.7
	<b>US:</b>	17.30 Total Vehicle Sales (October)	17.76m s.a.a.r.	17.50m
<b>Wed 2nd</b>	<b>GER:</b>	08.55 Unemployment (October)	6.1%	6.1%
	<b>EU-19:</b>	09.00 Final Markit Manufacturing PMI (October)	52.6 / 53.3 (p)	53.3
	<b>UK:</b>	09.30 CIPS/Markit Construction PMI (October)	52.3	51.8
	<b>IRL:</b>	<b>11.00 Unemployment (October)</b>	<b>7.9%</b>	<b>7.8%</b>
	<b>IRL:</b>	<b>16.30 Exchequer Balance (October)</b>	<b>Oct'15: -€2.2bn</b>	<b>-€2.2bn</b>
	<b>US:</b>	18.00 FOMC Interest Rate Announcement	0.375%	0.375%
<b>Thurs 3rd</b>	<b>CHINA:</b>	01.45 Caixin Services PMI (October)	52.0	
	<b>ITA:</b>	09.00 Unemployment (September)	11.4%	11.4%
	<b>UK:</b>	09.30 CIPS/Markit Services PMI (October)	52.6	52.1
	<b>EU-19:</b>	10.00 Unemployment (September)	10.1%	10.1%
	<b>UK:</b>	12.00 BoE Interest Rate Announcement	0.25%	0.25%
		- Inflation Report Published		
	<b>UK:</b>	12.30 BoE Press Conference		
	<b>US:</b>	12.30 Initial Jobless Claims (w/e 29th October)	258,000	253,000
	<b>US:</b>	13.45 Final Markit Services PMI (October)	52.3 / 54.8 (p)	54.8
	<b>US:</b>	14.00 Non-Manufacturing ISM (October)	57.1	56.0
		- Business Activity	60.3	
<b>Fri 4th</b>	<b>FRA:</b>	08.50 Final Markit Composite PMI (October)	52.7 / 52.2 (p)	52.2
	<b>GER:</b>	08.55 Final Markit Composite PMI (October)	52.8 / 55.1 (p)	55.1
	<b>EU-19:</b>	09.00 Final Markit Composite PMI (October)	52.6 / 53.7 (p)	53.7
		- Services	52.2 / 53.5 (p)	53.5
	<b>IRL:</b>	<b>11.00 Live Register (October)</b>	<b>-7,700 / 290,600</b>	<b>-3,600 / 287,000</b>
	<b>IRL:</b>	<b>11.00 Retail Sales (September)</b>	<b>-4.7 (+5.2%)</b>	<b>-0.4% (+5.0%)</b>
	<b>US:</b>	12.30 Non-Farm Payrolls (October)	156,000	175,000
		- Unemployment	5.0%	4.9%
		- Average Earnings	+0.2% (+2.6%)	+0.3% (+2.6%)
	<b>US:</b>	12.30 International Trade Balance (September)	-\$40.7bn	-\$39.0bn

◆ 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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