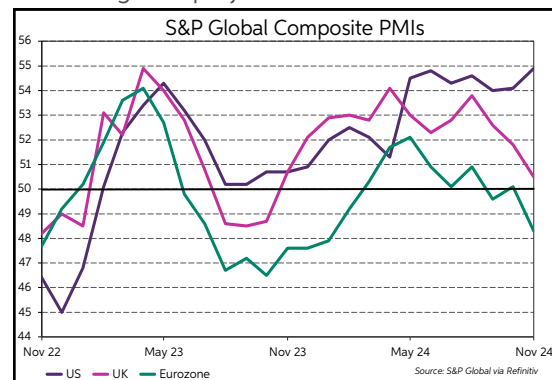


Central banks deliver an early Christmas present

- **With a flurry of central bank meetings occurring in the two weeks before the Christmas break, the majority have been opting for further rate cuts.** As we discussed in our ECB Watch, the Governing Council delivered an expected 25bps, accompanied by a dovish tilt in its meeting statement. In particular, the statement dropped the reference to keeping policy “sufficiently restrictive”, indicating a more dovish bias on the Governing Council.
- **Elsewhere, a bumper 50 bps cuts by the Swiss National Bank was targeted at both weak inflation and a strong Franc that risks undermining Swiss exports.** Further afield, the Bank of Canada also delivered a 50bps cuts, while warning about the impact of potential Trump tariffs on the Canadian export sector. The Reserve Bank of Australia bucked the trend by standing pat on rates but it prepared the ground for near-term cuts amid a slowing domestic growth profile.
- **Ahead of the final central bank meetings from the Fed, BoJ and BoE, the aforementioned decisions over recent days have left markets broadly unchanged, with much of the policy moves already priced in ahead of the announcements.** The dollar was generally in the ascendancy, while Eurozone rate futures hardened slightly post the ECB meeting. Current pricing indicates that the market now expects circa 115bps worth of rate cuts in 2025, compared to 125bps previously, with the terminal rate now at circa 1.75% for ECB rates by Q3 2025.
- **Turning to the week ahead, the main central bank focus will be on the final US Federal Reserve FOMC meeting of the year.** The Fed has lowered rates by a cumulative 75bps at its last two meetings. Despite signs of sticky inflation and still tight (albeit cooling) labour market conditions, market pricing is leaning towards another 25bps rate cut this week. However, a more gradual pace of easing is expected next year, with futures contracts indicating the target range will be reduced by a further 50bps, to 3.75-4.00% by end 2025. Aside from the policy decision, the press conference with Chair Powell and the updated Summary of Economic Projections, including the interest rate dotplot, will garner attention, as investors look for guidance on the future path of policy. **Elsewhere on the monetary policy front, the BoE and the BoJ are expected to leave interest rates on hold.** However, as in the US, market participants will digest the respective meeting statements from both central banks for any insights on the pace of rate changes next year, with the BoE projected to cut rates gradually and the BoJ to hike rates cautiously in 2025.
- **It is worth noting though, that a busy UK data schedule may influence the BoE policy decision and market pricing this week.** Ahead of the aforementioned policy meeting, the latest batch of CPI inflation and labour market data will be released. Having fallen throughout the year, headline CPI inflation jumped to 2.3% in October owing to a rise in energy prices. Meantime, core-CPI has dissipated slowly during 2024, although services inflation remains elevated and is contributing to sticky underlying price pressures. The consensus is for the headline rate to jump to 2.6% and for the core rate to move higher to 3.6% in November, from 3.3%. In terms of the labour market, conditions have softened somewhat and average earnings growth has eased. However, in October, the unemployment rate is forecast to remain at 4.3% while earnings are projected to accelerate to +4.6% y/y. Later in the week, UK retail sales data for November are due.
- **In the US, a jam-packed data schedule also includes retail sales and the Fed’s preferred inflation reading - core-PCE.** Two days after the FOMC policy announcement, the November reading of core-PCE is set to show inflation rose to 2.9%. Meanwhile, a sharp rise of 0.5% in retail sales is pencilled in for November. Similarly, both personal consumption and income are expected to increase strongly by 0.5% and 0.4% in nominal terms in November. In contrast to the consumer sector, the industrial side of the US economy has performed poorly recently. A modest 0.1% rebound in industrial output is anticipated in November. Elsewhere in the US, a number of updates on the housing market are due, including existing home sales, housing starts (November) and Homebuilder sentiment (December).
- **In terms of more timely data, the flash December PMIs for the Eurozone, UK and US are due.** Across the board, the services sector has been outperforming manufacturing in recent months. In the Eurozone, the manufacturing PMI has been firmly in contraction mode since July 2022, and it fell to 45.2 in November. Meanwhile, the services PMI slipped into contractionary mode in November for the first time in ten months. The consensus is for both sectors to be little changed in December. In the UK, both PMIs have been trending lower recently, albeit the services PMI has remained above the key 50 level. However, this trend is set to come to an end in December, as a marginal improvement is anticipated in each sector. In contrast, the US PMIs moved higher in November. The services reading is expected to deteriorate slightly in December but remain elevated at 55.7, while the manufacturing PMI is projected to inch higher to 49.8 from 49.7.



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2024	2025	2025
Fed Funds	4.625	4.375	4.125	3.875
ECB Deposit	3.00	3.00	2.50	2.25
BoE Repo	4.75	4.75	4.50	4.25
BoJ OCR	0.25	0.25	0.50	0.50

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	1.0487	1.05	1.07	1.08
EUR/GBP	0.8302	0.83	0.83	0.84
EUR/JPY	161.00	160	161	161
GBP/USD	1.2627	1.27	1.28	1.28
USD/JPY	153.49	152	150	149

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time		Release	Previous	Forecast
This Week:	ECB Speakers:	Lagarde , de Guindos, Schnabel (Mon); Lane (Wed)			
	BoE Speakers:				
	Fed Speakers:				
Mon 16th	FRA:	08:15	Flash HCOB Composite PMI (December)	45.9	45.9
	GER:	08:30	Flash HCOB Composite PMI (December)	47.2	47.8
	EU-20:	09:00	Flash HCOB Composite PMI (December)	48.3	48.1
			- Manufacturing / Services	45.2 / 49.5	45.2 / 49.3
	UK:	09:30	Flash S&P Composite PMI (December)	50.5	50.6
			- Manufacturing / Services	48.0 / 50.8	48.0 / 51.0
	US:	14:45	Flash S&P Composite PMI (December)	54.9	54.7
			- Manufacturing / Services	49.7 / 56.1	49.8 / 55.7
Tue 17th	UK:	07:00	ILO Unemployment Rate (October)	4.3%	4.3%
	UK:	07:00	Employment Change (October)	+219,000	-12,000
	UK:	07:00	Claimant Count (November)	+26,700	
	UK:	07:00	Average Earnings (October)	(+4.3%)	(+4.6%)
			- Ex-Bonus	(+4.3%)	(+5.0%)
	GER:	09:00	Ifo Business Climate (December)	85.7	85.6
	GER:	10:00	ZEW Economic Sentiment (December)	7.4	6.2
	US:	13:30	Retail Sales (November)	+0.4% (+2.9%)	+0.5% (+3.1%)
			- Ex-Autos	+0.1%	+0.4%
			- Control Group	-0.1%	+0.4%
	US:	14:15	Industrial Production (November)	-0.3% (-0.3%)	+0.2% (-0.4%)
			- Manufacturing Output	-0.5%	
			- Capacity Utilisation	77.1%	77.2%
	US:	15:00	NAHB Homebuilder Sentiment (December)	46.0	47.0
Wed 18th	UK:	07:00	CPI Inflation (November)	+0.6% (+2.3%)	+0.1% (+2.6%)
			- Core-CPI Inflation	+0.4% (+3.3%)	+0.0% (+3.6%)
			- Services CPI Inflation	+0.4% (+5.0%)	+(+5.1%)
	EU-20:	10:00	Final HICP Inflation (November)	-0.3% (+2.3%)	-0.3% (+2.3%)
			- Ex-Food & Energy	-0.4% (+2.8%)	-0.4% (+2.8%)
			- Ex-Food, Energy, Alcohol & Tobacco	-0.6% (+2.7%)	-0.6% (+2.7%)
	IRE:	11:00	Residential Property Price Index (October)	+0.9% (+10.0%)	
	US:	13:30	Housing Starts (November)	+1.31m / -3.1%	+1.34m / +2.4%
			- Building Permits	+1.42m / -0.4%	+1.43m / +0.8%
	US:	19:00	Fed FOMC Monetary Policy Announcement		
			- Fed Funds Target Range	4.50-4.75%	4.25-4.50%
	US:	19:30	Fed FOMC Press Conference		
Thu 19th	GER:	07:00	Gfk Consumer Sentiment (January)	-23.3	-22.0
	FRA:	07:45	INSEE Business Climate (December)	96.0	95.0
	UK:	12:00	Bank of England Monetary Policy Decision		
			- Bank rate	4.75%	4.75%
	US:	13:30	Initial Jobless Claims (w/e 9th December)	+242,000	+230,000
	US:	13:30	GDP (Q3: Final Reading)	+2.8% S.a.a.r.	+2.8% S.a.a.r.
	US:	15:00	Existing Home Sales (November)	+3.96m	4.05m
	JPN:		BoJ Interest Rate Decision	+0.25%	+0.25%
Fri 20th	UK:	07:00	Retail Sales (November)	-0.7% (+2.4%)	+0.4% (+0.1%)
			- Ex-Fuel	-0.9% (+2.0%)	-0.3% (+%)
	ITA:	09:00	ISTAT Business Confidence (December)	86.5	86.0
	US:	13:30	Personal Income / Consumption (November)	+0.6% / +0.4%	+0.4% / +0.5%
	US:	13:30	PCE Price Index (November)	+0.2% (+2.3%)	+0.2% (+2.5%)
			- Core-PCE Prices	+0.3% (+2.8%)	+0.2% (+2.9%)
	EU-20:	15:00	Flash Consumer Confidence (December)	-13.7	-14.0

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

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