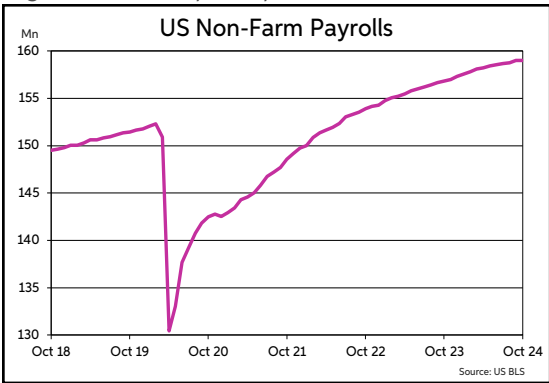


## Taking it easy

- **As we head into the last month of the year, from an interest rate perspective, 2024 has been characterised by a pivot in global monetary policy.** The year started with central banks on hold after undertaking an aggressive pace of rate hikes between 2022-2023. The expectation at the start of this year, was that the coming 12 months would see a significant reduction in interest rates. Futures contracts in early January were pricing in rate cuts in the magnitude of 125-150bps from the ECB, Fed and BoE amid signs that inflation was on a downward trajectory.
  - **However, as we guided at the time, central banks took a more cautious approach to easing interest rates, meaning that the extent of rate cuts that the market had been expecting did not materialise.** Instead, during the first half of the year, monetary policymakers waited for further signs that underlying inflation was on a sustained downward trajectory before they contemplated cutting rates. As a result, amid this 'data dependent' approach, it was not until the summer that some of the main central banks started to ease interest rates.
  - **The ECB started its easing cycle in June, with a 25bps rate cut.** This was followed by two more 25bps cuts in September and October, lowering the Deposit rate to 3.25%. Another cut is expected in December, which would see the Depo rate end the year at 3.00%. Next year, the market is anticipating 125bps of easing, with the Depo rate reaching a terminal level of 1.75%. In the US, the Fed commenced its cutting cycle with a 50bps cut in September. It cut rates again earlier this month with the Fed funds rate reduced by 25bps to 4.50-4.75%. In the near term, the market is attaching around a 60% probability to a 25bps cut in December. The market is envisaging US official rates hitting a low of 3.75-4.00% next year. The BoE got its easing cycle underway with a 25bps cut in August. Like the Fed, it cut rates again in November, lowering Bank rate to 4.75%. Futures contracts suggest the market is not expecting another cut from the BoE until March'25, with official rates seen levelling off at around 4% by end-2025.
  - **Clearly, markets expect a much more aggressive pace of easing from the ECB in 2025 compared to the Fed and BoE.** Significant rate cuts may be warranted in the Eurozone next year given the ECB expects inflation to hit 2% sustainably, while at the same time growth is likely to remain muted. It is worth noting though, that Eurozone rates are now nearing estimates of the neutral rate (somewhere between 2-3%). Therefore, a key discussion amongst the Governing Council in 2025 may be on whether policy needs to be brought into accommodative territory to support the economy. This seems to be the market view, as evidenced by current futures pricing for a terminal rate below 2%. ECB Governing Council member Schnabel recently stated that a move into accommodative territory "would not be appropriate", from today's perspective. Thus, for a second year running, in 2025, official Eurozone rates may not be cut by as much as anticipated by markets. At the same time, the market may be underestimating the extent of rate cuts from the BoE and Fed. The incoming data will be the determining factor for the magnitude of rate cuts from the respective central banks, meaning 'data-watching' will remain very much in vogue for market participants in 2025.
  - **This week, the main highlight will be the November US labour market report.** Overall, conditions have softened this year, although the data have been volatile recently. The pace of payroll expansion has slowed, averaging 148k per month in Q3, compared to 267k throughout Q1. Furthermore, payrolls rose by just 12k in October, although this was largely due to the impact of hurricanes and industrial action. Meanwhile, the unemployment rate was on an upward trajectory earlier in the year, rising to 4.3% in July from 3.7% in January. However, it has printed at 4.1% in the past two months. Amid the softening in labour market conditions, average earnings growth has slowed, but it remains elevated. It was at +4.0% y/y in October. **The consensus is for payrolls to increase by 190k in November, while the unemployment rate is projected to rise to 4.2%. Earnings growth is forecast to slow to +3.9% y/y.**
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US Non-Farm Payrolls

Source: US BLS
- **In terms of some other US labour market data, JOLTS job openings figures for October will be released.** Job openings have been trending downwards throughout 2024, falling to a low of 7.4m in September, compared to 8.7m in January. It is anticipated that the number of job openings declined to 7.3m in October. Elsewhere in the US, the manufacturing and non-manufacturing ISMs are due. The non-manufacturing ISM has firmly outperformed the manufacturing ISM since mid-year, and this trend is set to continue in November, with the former remaining well in expansion territory and the latter in contraction mode. At the same time, the preliminary reading of the Michigan measure of consumer sentiment is forecast to improve to 73.8 in November.
  - **Meanwhile, the data calendar is relatively light in the Eurozone and UK.** In the Eurozone, the unemployment rate is expected to remain at an all-time low of 6.3% in October. On the home front, a very busy release docket includes the National Accounts and earnings data for Q3, as well as the unemployment rate and the Exchequer Returns for November.

| 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             | 3.25    | 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                                      | 1.0552  | 1.05   | 1.06   | 1.06   |
| EUR/GBP                                      | 0.8314  | 0.84   | 0.84   | 0.85   |
| EUR/JPY                                      | 158.45  | 160    | 160    | 162    |
| GBP/USD                                      | 1.2685  | 1.25   | 1.26   | 1.25   |
| USD/JPY                                      | 150.15  | 152    | 151    | 153    |

Current Rates Reuters, Forecasts AIB's ERU

| Date              | UK & Irish Time      |              | Release  | Previous               | Forecast      |
|-------------------|----------------------|--------------|--|------------------------|---------------|
| <b>This Week:</b> | <b>ECB Speakers:</b> |              | Cipollone (Tue); <b>Lagarde</b> , Cipollone (Wed)  |                        |               |
|                   | <b>BoE Speakers:</b> |              | Greene (Thu)   |                        |               |
|                   | <b>Fed Speakers:</b> |              | Waller, Williams (Mon); Kugler, Goolsbee (Tue); <b>Powell</b> , Musalem (Wed); Bowman, Goolsbee, Hammack, Daly (Fri) |                        |               |
|                   |                      |              |  |                        |               |
| <b>Mon 2nd</b>    | <b>IRE:</b>          | <b>01:01</b> | <b>AIB Manufacturing PMI (November)</b>  | <b>49.0</b>            |               |
|                   | <b>EU-20:</b>        | 09:00        | Final HCOB Manufacturing PMI (November)  | 45.2                   | 45.2          |
|                   | <b>ITA:</b>          | 09:00        | Unemployment rate (October)  | 6.1%                   |               |
|                   | <b>UK:</b>           | 09:30        | Final HCOB Manufacturing PMI (November)  | 48.6                   | 48.6          |
|                   | <b>EU-20:</b>        | 10:00        | Unemployment Rate (October)  | 6.3%                   | 6.3%          |
|                   | <b>ITA:</b>          | 10:00        | GDP (Q3: Final Reading)  | +0.0% (+0.4%)          | +0.0% (+0.4%) |
|                   | <b>US:</b>           | 14:45        | S&P Manufacturing PMI (Q3: Final Reading)  | 48.8                   | 48.8          |
|                   | <b>US:</b>           | 15:00        | Manufacturing ISM (November)   | 46.5                   | 47.5          |
| <b>Tue 3rd</b>    | <b>IRE:</b>          | <b>11:00</b> | <b>Earnings &amp; Labour Costs (Q3 2024)</b>   |                        |               |
|                   | <b>US:</b>           | 15:00        | JOLTS job Openings (October)   | 7.4m                   | 7.3m          |
| <b>Wed 4th</b>    | <b>JPN:</b>          | 00:30        | Final Jibun Composite PMI (November)   | 49.8                   | 49.8          |
|                   | <b>IRE:</b>          | <b>01:01</b> | <b>AIB Services PMI (November)</b>   | <b>53.8</b>            |               |
|                   | <b>ITA:</b>          | 08:45        | HCOB Composite PMI (November)  | 51.0                   |               |
|                   | <b>FRA:</b>          | 08:50        | Final HCOB Composite PMI (November)  | 44.8                   | 44.8          |
|                   | <b>GER:</b>          | 08:55        | Final HCOB Composite PMI (November)  | 47.3                   | 47.3          |
|                   | <b>EU-20:</b>        | 09:00        | Final HCOB Composite PMI (November)  | 48.1                   | 48.1          |
|                   |                      |              | - Final HCOB Services PMI (November)   | 49.2                   | 49.2          |
|                   | <b>UK:</b>           | 09:30        | Final S&P Composite PMI (November)   | 49.9                   | 49.9          |
|                   |                      |              | - Final S&P Services PMI (November)  | 50.0                   | 50.0          |
|                   | <b>EU-20:</b>        | 10:00        | Producer Prices (October)  | -0.6% (-3.4%)          | +0.3% (-3.3%) |
|                   | <b>IRE:</b>          | <b>11:00</b> | <b>Unemployment Rate (November)</b>  | <b>4.2%</b>            |               |
|                   | <b>US:</b>           | 13:15        | ADP National Employment (November)   | +233,000               | +150,000      |
|                   | <b>US:</b>           | 14:45        | Final S&P Composite PMI (November)   | 55.3                   | 55.3          |
|                   |                      |              | - Final S&P Services PMI (November)  | 57.0                   | 57.0          |
|                   | <b>US:</b>           | 15:00        | Non-manufacturing ISM (November)   | 56.0                   | 55.6          |
|                   | <b>IRE:</b>          | <b>16:30</b> | <b>Exchequer Returns (November)</b>  | <b>Nov'23: +€1.3bn</b> |               |
| <b>Thu 5th</b>    | <b>GER:</b>          | 07:00        | Industrial Orders (October)  | +4.2%                  | -2.0%         |
|                   | <b>FRA:</b>          | 07:45        | Industrial Output (October)  | -0.9%                  | +0.3%         |
|                   | <b>EU-20:</b>        | 10:00        | Retail Sales (October)   | +0.5% (+2.9%)          | +0.0% (+2.2%) |
|                   | <b>IRE:</b>          | <b>11:00</b> | <b>National Accounts (Q3 2024)</b>   |                        |               |
|                   |                      |              | - GDP  | <b>-1.0% (-4.0%)</b>   |               |
|                   | <b>US:</b>           | 13:30        | Initial Jobless Claims (w/e 25th November)   | +213,000               | +215,000      |
| <b>Fri 6th</b>    | <b>US:</b>           | 13:30        | International Trade (October)  | -\$84.4bn              | -74.7bn       |
|                   | <b>GER:</b>          | 07:00        | Industrial Output (October)  | -2.5% (-4.6%)          | +1.2% (-3.1%) |
|                   | <b>GER:</b>          | 07:00        | Trade Balance (October)  | +€17.0bn               |               |
|                   |                      |              | - Exports  | -1.7%                  |               |
|                   | <b>FRA:</b>          | 07:45        | Trade Balance (October)  | -8.3bn                 |               |
|                   | <b>EU-20:</b>        | 10:00        | Employment (Q3: Final Reading)   | +0.2% (+1.0%)          | +0.2% (+1.0%) |
|                   | <b>EU-20:</b>        | 10:00        | GDP (Q3: Revised Reading)  | +0.4% (+0.9%)          | +0.4% (+0.9%) |
|                   | <b>US:</b>           | 13:30        | Non-Farm Payrolls (November)   | +12,000                | +190,000      |
|                   |                      |              | - Unemployment Rate  | 4.1%                   | 4.2%          |
|                   |                      |              | - Average Earnings   | +0.4% (+4.0%)          | +0.3% (+3.9%) |
|                   | <b>US:</b>           | 15:00        | Preli. Uni. Michigan Consumer Sentiment (Dec)  | 71.8                   | 73.3          |

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

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