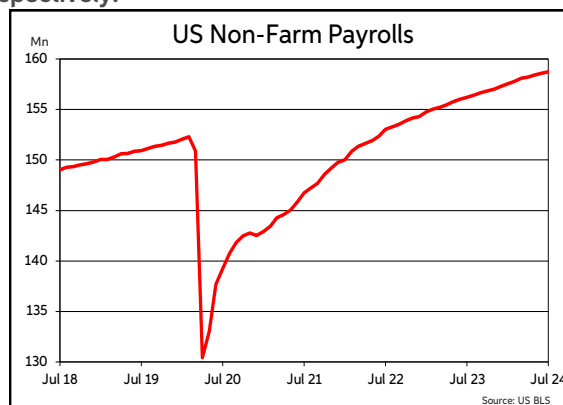


## Fed rate path hinges on US payrolls

- **With rate futures broadly settled following some volatility and re-pricing in August, next week's US payrolls data remains the key pivot point, as the Fed prepares to embark on its rate cutting cycle.** While bets on a 50bps cut in September have been pared back, there still remains an outside chance that the Fed could decide on a larger cut if the payrolls data deteriorate further in August. However, the weight of evidence from lead indicators, such as jobless claims and employment surveys, suggest that the US economy is still adding jobs, albeit at a more moderate pace than in H1 2024. Furthermore, recent guidance from Fed officials suggest they will proceed cautiously in the coming months.
- **In our latest Forex and Interest Rate Outlook (released 30th August), we have 75bps of cuts pencilled in by end-2024 by the Fed, which is less than the market expectation of 100bps.** This puts the Fed Funds range at 4.50-4.75% by year-end in our forecast. In the Eurozone, we expect a further 50bps of cuts by the ECB following its first 25bps cut in June, bringing the deposit rate to 3.25% by end-2024, while the BoE is expected to proceed with an additional 50bps of policy easing after its 25bp cut in August, lowering Bank rate to 4.5% by the end of this year.
- **On currencies, we see further modest weakening in the dollar from historic highs, as both US GDP growth and interest rates begin to converge with other majors.** In terms of other main FX pairs, sterling could exhibit some near-term strength against both the dollar and euro, as the rate cutting cycle proceeds more slowly at first and the UK economy continues to bounce back from last year's recession. Underlying these forecasts is a continued relatively benign macro environment; however, a flare up in geopolitical or trade tensions, would likely underpin renewed dollar strength, and this remains the main risk to our outlook for currencies.
- **Turning to the week ahead, the aforementioned US labour market report for August will be the highlight.** This month's jobs report carries even more importance than usual, given the Fed has signalled that it is now placing equal weight on both sides of its dual mandate, as it prepares to embark on an easing cycle. Furthermore, the annual revision from the BLS showed that employment was 818k lower than originally thought up to March 2024, meaning average payroll growth for the twelve month period between April 2023-March 2024 was actually +174k per month, instead of +242k. At the same time, there have been some signs of softening in the labour market in recent months. The unemployment rate has been trending higher since January, albeit this is partly due to an increase in the size of the labour force. Nevertheless, it rose to 4.3% in July, its highest level since October 2021, and up from 3.7% at the start of 2024. Amid the recent signs of softening, average earnings growth has slowed. Earnings were up 3.6% y/y in July, compared to +4.4% y/y in January. **The consensus is for payrolls to increase by 163k in August, while the jobless rate is expected to edge lower to 4.2%, with average earnings inching higher to +3.7% y/y, respectively.**
- **In terms of some other US labour market updates, the latest JOLTS job openings data are due.** The number of job openings has declined to circa 8.2m in June, down from 8.8m at the end of 2023 and well below the 11m total at the end of 2022. A further modest reduction in labour demand is anticipated in July. Elsewhere in the US, the manufacturing and non-manufacturing ISMs for August will be released. Having been in contraction mode for a number of months, the manufacturing ISM deteriorated sharply to 46.8 in July from 48.5 in June. In contrast, the non-manufacturing ISM moved back into expansion territory, rising to 51.4 in July. Both metrics are expected to be little changed in August, with the manufacturing ISM set to remain below the key 50 mark.
- **In the Eurozone, retail sales and producer price inflation are the main highlights.** Retail sales are forecast to rebound by a meagre 0.1% in the month, while producer price inflation is projected to remain deeply negative, at -2.5%. Elsewhere, the revised readings of Q2 GDP and employment are set to confirm the economy expanded by 0.3% in the quarter, while the number of people in work rose by 0.2%. Meantime, updates on German industry will also be in scope. Amid ongoing structural and cyclical headwinds, German industrial output has been in the doldrums for the past few years. Indeed, despite production rising by 1.4% in June, output was 3.9% lower in year-on-year terms. Furthermore, a 0.2% decrease is pencilled in for July. At the same time, industrial orders are expected to contract sharply by 1.5% in the month. **Meanwhile on the home front, a busy data schedule includes a number of updates for August, including the PMIs, unemployment rate and the Exchequer returns, as well as the Q2 National Accounts.**



	Interest Rate Forecasts			
	Current	End Q3	End Q4	End Q1
		2024	2024	2025
Fed Funds	5.375	5.125	4.625	4.125
ECB Deposit	3.75	3.50	3.25	3.00
BoE Repo	5.00	5.00	4.50	4.00
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 Q3	End Q4	End Q1
		2024	2024	2025
EUR/USD	1.1075	1.11	1.12	1.13
EUR/GBP	0.8426	0.84	0.84	0.85
EUR/JPY	161.19	160	160	160
GBP/USD	1.3143	1.32	1.33	1.33
USD/JPY	145.53	144	143	142

Current Rates Reuters, Forecasts AIB's ERU

# ECONOMIC DIARY

## Monday 2nd - Friday 6th September

Date	UK & Irish Time		Release	Previous	Forecast
<b>This Week:</b>	<b>ECB Speakers:</b>				
	<b>BoE Speakers:</b>		Breeden (Tue)		
	<b>Fed Speakers:</b>		Williams, Waller (Fri)		
<b>Mon 2nd</b>	<b>US:</b>		<b>Labour Day (Public Holiday)</b>		
	<b>IRL:</b>	<b>01:01</b>	<b>AIB Manufacturing PMI (August)</b>	<b>50.1</b>	
	<b>EU-20:</b>	09:00	Final HCOB Manufacturing PMI (August)	45.6	45.6
	<b>ITA:</b>	09:00	GDP (Q2: Final Reading)	+0.2% (+0.9%)	+0.2% (+0.9%)
	<b>UK:</b>	09:30	S&P Global Manufacturing PMI (August)	52.5	52.5
<b>Tue 3rd</b>	<b>US:</b>	14:45	Final S&P Global Manufacturing PMI (August)	48.0	48.0
	<b>US:</b>	15:00	Manufacturing ISM (August)	46.8	47.8
<b>Wed 4th</b>	<b>IRL:</b>	<b>01:01</b>	<b>AIB Services PMI (August)</b>	<b>53.6</b>	
	<b>JPN:</b>	01:30	Final Composite PMI (August)	53.0	53.0
	<b>ITA:</b>	08:45	Final HCOB Composite PMI (August)	50.3	
	<b>FRA:</b>	08:50	Final HCOB Composite PMI (August)	52.7	52.7
	<b>GER:</b>	08:55	Final HCOB Composite PMI (August)	48.5	48.5
	<b>EU-20:</b>	09:00	Final HCOB Composite PMI (August)	51.2	51.2
			- Final HCOB Services PMI (August)	53.3	53.3
	<b>UK:</b>	09:30	Final S&P Composite PMI (August)	53.4	53.4
			- Final S&P Services PMI (August)	53.3	53.3
	<b>EU-20:</b>	10:00	Producer Prices (July)	+0.5% (-3.2%)	-0.3% (+2.5%)
	<b>IRL:</b>	<b>11:00</b>	<b>Unemployment Rate (August)</b>	<b>4.7%</b>	<b>4.7%</b>
	<b>US:</b>	13:30	International Trade (July)	-\$73.1bn	-\$74.0bn
	<b>US:</b>	15:00	JOLTS Job Openings (July)	+8.2m	+8.1m
	<b>IRL:</b>	<b>17:30</b>	<b>Exchequer Returns (August)</b>	<b>Aug'23: -€0.3bn</b>	<b>Aug'24: + €3.0bn</b>
			<b>- Excluding Transfer to NRF</b>	<b>Aug'23: +€3.7bn</b>	
<b>Thu 5th</b>	<b>GER:</b>	07:00	Industrial Orders (July)	+3.9%	-1.5%
	<b>EU-20:</b>	10:00	Retail Sales (July)	-0.3% (-0.3%)	+0.1% (-0.2%)
	<b>IRL:</b>	<b>11:00</b>	<b>Quarterly National Accounts (Q2 2024)</b>		
			<b>- GDP (Q2 2024)</b>	<b>Flash: +1.2% (-1.4%)</b>	
	<b>US:</b>	13:30	Initial Jobless Claims (w/e 26th August)	+231,000	
	<b>US:</b>	14:45	Final S&P Composite PMI (August)	54.1	54.1
			- Final S&P Services (August)	55.2	55.2
	<b>US:</b>	15:00	Non-Manufacturing ISM (August)	51.4	51.1
<b>Fri 6th</b>	<b>GER:</b>	07:00	Industrial Output (July)	+1.4% (-3.9%)	-0.2% (-3.5%)
	<b>GER:</b>	07:00	Trade Balance (July)	+€20.4bn	+€21.0bn
	<b>FRA:</b>	07:45	Industrial Output (July)	+0.8%	+0.2%
	<b>FRA:</b>	07:45	Trade Balance (July)	-€6.1bn	
			- Exports	+€51.7bn	
	<b>ITA:</b>	09:00	Retail Sales (July)	-0.2% (-1.0%)	
	<b>EU-20:</b>	10:00	Employment (Q2: Final Reading)	+0.2% (+0.8%)	+0.2% (+0.8%)
	<b>EU-20:</b>	10:00	GDP (Q2: Revised Reading)	+0.3% (+0.6%)	+0.3% (+0.6%)
	<b>US:</b>	13:30	Non-Farm Payrolls (August)	+114,000	+163,000
			- Unemployment Rate	4.3%	4.2%
			- Average Earnings	+0.2% (+3.6%)	+0.3% (+3.7%)

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

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