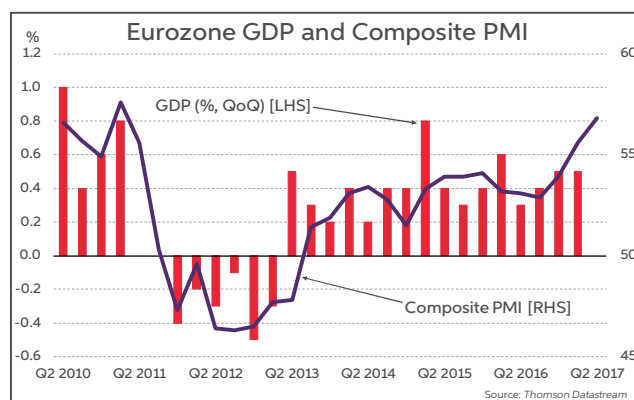


Green back

- **President Trump propelled the dollar higher with his surprise Presidential election win** in November on expectations that his policy platform would deliver stronger US growth and thus, higher interest rates. **These gains are being unwound**, though, will little sign yet of Mr Trump being able to implement his expansionary policies, while his Presidency moves from one controversy to the next. Meantime, **abating political risks in Europe and good economic data are propelling the euro higher**, with sterling also recovering some ground.
- The EUR/USD rate, though, remains very much range bound. It is currently trading just below \$1.12, near the middle of the \$1.04-1.16 band that it has occupied since February 2015. It is hard to see it moving out of this range anytime soon. **Further Fed tightening should be supportive of the dollar, while the euro should be underpinned by continuing good data, with expectations also that the ECB may soon begin to row back on its easing bias.** Sterling, meanwhile, has edged above \$1.30 as cable hits its highest level since last September. **A big win for the Conservatives in next month's general election could provide a further near term boost for the UK currency.** Meanwhile, the dollar needs to see progress on the implementation of Trump's fiscal agenda and Fed rate hikes to regain the upper hand.

- **In the week ahead, given the recent positive signs emanating from the Eurozone economy, a raft of May survey data will garner plenty of attention.** The key Composite PMI rose again in April, hitting a six-year high. It is anticipated to remain close to this level in May. **This suggests that growth has continued to improve.** Various national level indicators are also expected to support this view. The German Ifo index rose to a six-year high in April, with a further modest increase anticipated in May. The French INSEE, Italian ISTAT and Belgian NBB indices are also expected to continue to point to stronger growth.



- **In the US, markets will be analysing the latest FOMC minutes as they look for clearer indications that the Fed will hike rates at next month's meeting.** The meeting statement left the door for such a move open. It downplayed weak US growth in Q1, saying that it was "likely to be transitory". Futures contracts have yet to fully price in a Fed rate hike in June, or indeed a further hike by the end of the year. Meanwhile, some on the Fed have spoken recently about the possibility of beginning to reduce the size of the Central Bank's balance sheet before end year. Markets will also be looking to see if there was any discussion of this at the May meeting.
- **The US data calendar includes the flash May PMIs.** The manufacturing and services indices have generally pointed to a more modest pace of growth in recent months, with the Composite PMI falling to a seven-month low in April. A further modest decline is forecast for May. In terms of hard data, durable goods orders and existing home sales for April will garner some attention. Meanwhile, no changes are expected from the second reading of Q1 GDP, with annualised growth of 0.7% predicted.
- **In the UK, we also get a second look at Q1 GDP**, with no revisions to the original +0.3% estimate anticipated. However, the release will provide a first look at the expenditure base breakdown of growth. **Markets will be particularly interested in consumer spending figures**, as they look to assess the negative impact on the sector from rising inflation. Business investment will also be of interest, with the recent BoE Inflation Report noting that Brexit uncertainty is causing many business to hold off on such activity. **Finally, in Ireland we get labour market data for Q1.** Data in recent months suggest we should see a marked fall in unemployment, while employment seems likely to have continued to grow at a strong pace, possibly above 3% year-on-year.

	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
		2017	2017	2017
Fed Funds	0.875	1.125	1.375	1.375
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 Q2	End Q3	End Q4
		2017	2017	2017
EUR/USD	1.1192	1.08	1.07	1.06
EUR/GBP	0.8596	0.83	0.84	0.85
EUR/JPY	124.80	124	124	125
GBP/USD	1.3018	1.30	1.27	1.25
USD/JPY	111.49	115	116	118

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	Fed Speakers:	Harker (Tuesday); Bullard (Thursday)		
	ECB Speakers:	Cœuré (Tuesday); Praet, Draghi (Wednesday); Constâncio (Thursday); Cœuré (Friday)		
Mon 22nd	JPN: 00.50	Trade Balance (April) - Exports	¥614.7bn (+12.0%)	¥520.7bn (+7.8%)
	US: 13.30	Chicago Fed National Activity Index (April)	0.08	
Tue 23rd	GER: 07.00	GDP (Q1: Second Reading)	+0.6% (+1.7%) (p)	+0.6% (+1.7%)
	FRA: 07.45	INSEE Business Climate (May)	108	109
	FRA: 08.00	Flash Markit Composite PMI (May)	56.6	56.5
	GER: 08.30	Flash Markit Composite PMI (May)	56.7	56.6
	GER: 09.00	Ifo Business Climate (May)	112.9	113.1
	EU-19: 09.00	Flash Markit Composite PMI (May) - Manufacturing / Services	56.8 56.7 / 56.4	56.6 56.5 / 56.4
	UK: 09.30	PSNB Ex-Interventions (April)	£5.09bn	£9.50bn
	UK: 11.00	CBI Distributive Trades Index (May)	38	10
	IRL; 11.00	QNHS—Employment (Q1)	(+3.3%)	(+3.2%)
	US: 14.45	Flash Markit Composite PMI (May) - Manufacturing / Services	53.2 52.8 / 53.1	53.1 52.9 / 53.0
	US: 15.00	New Homes Sales (April)	+5.8% / 0.621m s.a.a.r.	-1.0% / 0.611m
Wed 24th	GER: 07.00	Gfk Consumer Sentiment (June)	10.2	10.2
	CAN: 15.00	BoC Interest Rate Announcement	0.50%	0.50%
	US: 15.00	Existing Home Sales (April)	+4.4% / 5.71m	-1.0% / 5.65m
	US: 19.00	FOMC Minutes from the 2nd-3rd May Published		
Thurs 25th	ESP: 08.00	GDP (Q1: Second Reading)	+0.8% (+3.0%) (p)	+0.8% (+3.0%)
	UK: 09.30	GDP (Q1: Second Reading)	+0.3% (+2.1%) (p)	+0.3% (+2.1%)
	US: 13.30	Goods Trade Balance (April)	-\$64.23bn	
	US: 13.30	Initial Jobless Claims (w/e 20th May)	232,000	240,000
	BEL: 14.00	NBB Leading Business Indicator (May)	-0.8	-0.5
Fri 26th	JPN: 00.30	CPI: National (April) / Tokyo (May)	(+0.2%) / (-0.1%)	
	ITA: 09.00	ISTAT Business Confidence (May)	107.9	108.1
	ITA: 09.00	Consumer Confidence (May)	107.5	107.3
	US: 13.30	Durable Goods Orders (April)	+0.9%	-1.3%
	US: 13.30	GDP (Q1: Second Estimate)	+0.7% s.a.a.r.	+0.7%
	US: 15.00	Final Michigan Consumer Sentiment (May)	96.9 / 97.7 (p)	97.5

◆ 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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