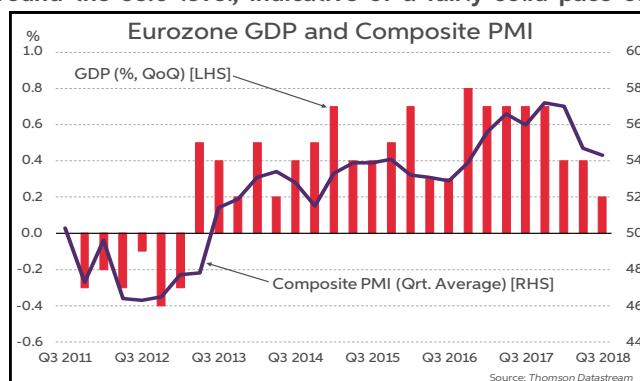


## Vassalage, Chaos or Logjam?

- **History may indeed have to repeat itself if the Withdrawal Agreement negotiated between the EU and UK is to clear the House of Commons.** The UK joined the EU in 1973 (or EEC back then) on the back of a Parliamentary vote, not a referendum. However, as now, the then Tory Prime Minister, Ted Heath, faced strong opposition from within his own party to EU membership, with a significant number of Conservative MPs voting against it. The vote was only carried when 69 Labour MPs defied their party leader and crossed the floor to vote with the Government in support of membership. We doubt that Theresa May will be able to rely on such support from the opposition benches on this occasion.
- Many argue that the Withdrawal Agreement will leave the UK as a vassal state, completely sub-ordinate to the EU. A no-deal hard Brexit, on the other hand, threatens the UK with a chaotic exit from the EU. **UK politicians seem to have completely lost sight of the point that the Withdrawal agreement is mainly about the immediate terms of exit and ensuring an orderly departure, not the merits or otherwise of Brexit.** The UK's future relationship with the EU will be largely shaped by the outcome of the trade negotiations that are to follow Brexit. **The Withdrawal Agreement allows for an orderly, but temporary, transition period during these negotiations.**
- **There is now a real risk that we could be entering a parliamentary logjam in the UK whereby no Brexit option - Withdrawal Agreement, No-Deal or Remain- can command majority support.** There is clearly though, a large majority in Parliament that want to avoid a no-deal hard Brexit, which is probably why sterling remains confined to its narrow trading range of the past 15 months. **Two options would seem to arise in the event of such a logjam: request the EU to push out the date for Brexit by a number of months and/or go back to the people for what would be a third vote on EU membership since the UK joined in 1973.** Ultimately, if the politicians can't agree on a way forward, the matter is likely to have go back to the people. What may have been lost sight of in this regard in recent days, is that the probability of the UK remaining in the EU has risen.
- **Turning to the week ahead, there is a relatively light calendar of data and events.** However, a number of survey data releases from the Eurozone will likely attract attention, in particular the flash PMIs for November. **The composite index is expected to have remained at around the 53.0 level, indicative of a fairly solid pace of economic expansion.** Meanwhile, on the consumer side of the economy, the EC measure of consumer confidence for November is also set to feature. Having recorded a slight increase in October, it is forecast to have returned to its downward trend in the month. However, the index remains at a level consistent with good growth in household spending.
- On a national level, it is envisaged that the French INSEE was stable in the month, meaning business confidence remains at a healthy level. **Meanwhile, on the monetary policy front, the account of the ECB's October meeting is also due to be released.** While the meeting itself was a non-event, the account will be looked to for any insight into the Governing Council's timeline for future rate hikes.
- **In the US, a shortened week (Thanksgiving on Thursday) features the release of the flash Markit PMIs for November.** The indices are expected to have been largely unchanged in the month, indicating the economy has maintained a robust pace of growth through the first two months of Q4. The schedule also contains some updated housing market data, including existing home sales and starts (both October), as well as the NAHB sentiment index for November.
- **Elsewhere, the only release of note this week in the UK is the November reading of the CBI industrial orders index.** Although, BoE Governor Mark Carney's appearance before the Treasury Select Committee will also be of interest to investors. **Meanwhile, the publication of the Irish Labour Force Survey for Q3** should confirm that employment growth remained strong and the unemployment rate continued to decline in the quarter.



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2018	2019	2019
Fed Funds	2.125	2.375	2.625	2.875
ECB Deposit	-0.40	-0.40	-0.40	-0.40
BoE Repo	0.75	0.75	0.75	1.00
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
		2018	2019	2019
EUR/USD	1.1401	1.15	1.17	1.19
EUR/GBP	0.8863	0.88	0.87	0.86
EUR/JPY	128.48	129	130	131
GBP/USD	1.2860	1.30	1.34	1.38
USD/JPY	112.68	112	111	110

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT)		Release	Previous	Forecast
<b>This Week:</b>	<b>BoE Speakers:</b>		Carney, Cunliffe, Haldane, Saunders (Tuesday); Saunders (Thursday)		
	<b>ECB Speakers:</b>		Draghi, Coeure, Villeroy de Galhau (Monday); Mersch (Thursday); de Guindos (Friday)		
	<b>Fed Speakers:</b>		Williams (Monday)		
<b>Mon 19th</b>	<b>JPN:</b>	00.00	Trade Balance (October)	¥131.3bn	-¥70.0bn
			- Exports	(-1.3%)	(+9.0%)
	<b>EU-19:</b>	09.00	Current Account (September)	€23.9bn	
	<b>US:</b>	15.00	NAHB Homebuilders Sentiment (November)	68	68
<b>Tue 20th</b>	<b>FRA:</b>	06.30	ILO Unemployment (Q3)	9.1%	9.3%
	<b>GER:</b>	07.00	PPI (October)	(+3.2%)	(+3.3%)
	<b>UK:</b>	11.00	CBI Industrial Orders Index (November)	-6	-7
	<b>IRL:</b>	<b>11.00</b>	<b>LFS—Employment (Q3)</b>	<b>(+3.4%)</b>	<b>(+3.2%)</b>
	<b>US:</b>	13.30	Housing Starts (October)	-5.3% / 1.201m s.a.a.r.	+2.0% / 1.225m
			- Building Permits	+1.7% / 1.270m s.a.a.r.	-0.8% / 1.260m
<b>Wed 21st</b>	<b>UK:</b>	09.30	PSNB Ex-Interventions (October)	Oct'17: £7.83bn	£6.25bn
	<b>US:</b>	13.30	Durable Goods Orders (October)	+0.7%	-2.5%
	<b>US:</b>	13.30	Initial Jobless Claims (w/e 12th November)	216,000	215,000
	<b>US:</b>	13.30	Existing Home Sales (October)	-3.4% / 5.15m	+1.2% / 5.21m
	<b>US:</b>	13.30	Leading Indicators Index (October)	+0.5%	+0.1%
	<b>US:</b>	15.00	Final Michigan Consumer Sentiment (November)	98.6 / 98.3 (p)	98.3
	<b>JPN:</b>	23.00	CPI (October)	(+1.2%)	(+1.2%)
<b>Thurs 22nd</b>	<b>US:</b>		Thanksgiving (Market Holiday)		
	<b>FRA:</b>	07.45	INSEE Business Climate (November)	104.0	104.0
	<b>EU-19:</b>	13.30	ECB Account from 24th-25th October Meeting Published		
	<b>EU-19:</b>	15.00	Flash EC Consumer Confidence (November)	-2.7	-3.0
<b>Fri 23rd</b>	<b>JPN:</b>		Labour Day (Market Holiday)		
	<b>GER:</b>	07.00	GDP (Q3: Second Reading)	-0.2%	-0.2%
	<b>FRA:</b>	08.15	Flash Markit Composite PMI (November)	54.1	53.8
	<b>GER:</b>	08.30	Flash Markit Composite PMI (November)	53.4	53.2
	<b>EU-19:</b>	09.00	Flash Markit Composite PMI (November)	53.1	53.0
			- Manufacturing / Services	52.0 / 53.7	52.0 / 53.5
	<b>US:</b>	14.45	Flash Markit Composite PMI (November)	54.9	55.0
			- Manufacturing / Services	55.7 / 54.8	55.7 / 55.0

♦ 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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