Weekly Market Brief

AIB Treasury Economic Research Unit

16th – 20th November 2026

Jumbo Christmas Present

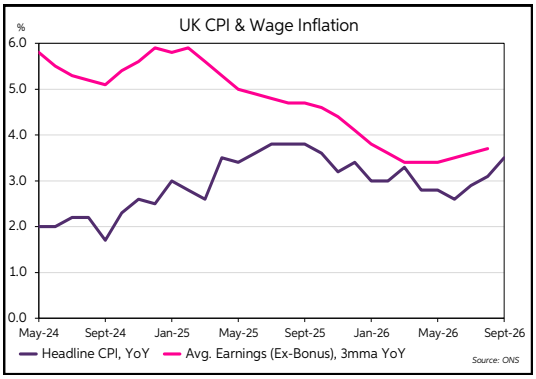
- **This week's US inflation data and comments by a senior central banker have raised the risk of a 'jumbo' 50bps rate hike at the final Fed meeting of the year on December 9th.** However, the hot inflation data are based on a period in October when oil prices had surged to nearly $120 per barrel. Since then, energy markets have seen a sharp retrenchment in recent weeks. Regardless, the US CPI report for October showed that prices rose by 0.4% in the month (vs. 0.3% forecast). Furthermore, the core-CPI index rose by 0.3% (vs. 0.2% forecast). The statistics agency could not provide an annual inflation reading because of last year's Government shutdown.

- **Adding a hostage to fortune, speaking before the release, Fed Governor Christopher Waller stated that "a 50bps hike in the policy rate should be considered" in December if the core rate increased by 0.3% or more.** Waller went on to state that "two components with greater relevance to future inflation are elevated - core goods prices and those for core market-based services excluding housing". This adds to a sense that Fed officials are becoming impatient with the delay in progress this year towards the 2% target inflation rate, a level which has been overshot now for 67-months straight. In the aftermath of Waller's remarks and the CPI report, market interest rate expectations firmed. The market is now fully pricing in a 25bps Fed rate hike in December, and current pricing is consistent with circa 85bps of tightening by the end of 2027.

- **Meanwhile UK rate expectations also firmed, but to a lessor extent this week, following hawkish remarks from BoE Deputy Governor Clare Lombardelli, who refused to rule out back-to-back rate hikes.** The market now sees a greater than 80% chance of a UK rate hike in December, following its first rate hike in November. ECB rate expectations also firmed, albeit marginally compared to elsewhere. Nevertheless, these recent October inflation prints reflect the most acute period for energy prices since the US-Iran conflict began in February. Indeed, since Brent Crude (1-month ahead) reached a peak of $118 per barrel on October 30th, it has fallen by around 18%, to a close of $96 on Thursday 12th November. If sustained, this will limit the rise in headline inflation in November and December, reducing the risk of second-round effects becoming more embedded.

- **Indeed, the much talked about second-round effects have yet to materialise to any great extent in the Eurozone and the UK,** with the elevated core inflation rate in the US a legacy of the previous inflationary shock, underpinned by the exceptional growth in the US economy and labour market of late. So, while US central bankers may have to over correct on monetary policy in the coming months, there are few signs of a sustained inflationary shock in the more muted European economies.

- **Turning to the week ahead, a busy UK data schedule incudes updates on inflation, the labour market and retail sales.** Having troughed at 2.6% in June, headline CPI reaccelerated to 3.5% in September, amid a sharp rise in energy prices. As mentioned above though, the core rate has been contained. It fell to its lowest level since July'21 at 2.5% in April, printed at 2.6% in each of the four months thereafter, before rising to 2.8% in September. Both rates are forecast to be little changed, at 3.7% and 2.8% in October. In terms of the labour market, the unemployment rate stayed in a tight 4.9-5.0% band between February-July but declined to 4.7% in August. However, the low unemployment rate has partly been driven by people leaving the jobs market. Payrolls have contracted in five months so far this year, although they rose modestly in August and September. Against this backdrop, average earnings growth has cooled to 3.7% y/y in the three months to August, compared to 5.0% over the same period last year. The consensus is for the unemployment rate to be unchanged in September. Meanwhile average earnings growth is projected to edge lower to 3.6% y/y in Q3. Elsewhere, a slight 0.1% fall in core retail sales is pencilled in for October, following a sharp 0.7% m/m contraction in September. **Aside from the data, the EU-UK Summit on Friday will also be in focus.**



- **In the US, updates on the consumer sector will feature as well.** Throughout this year, retail sales have performed strongly. In Q3. the headline sales figure contracted by 0.4% m/m in July, largely due to Amazon Prime Day taking place in the month prior, before expanding by 1.3% m/m and 0.8% m/m in July and August. Furthermore, the control group measure - a key core sales metric - increased by a cumulative 1.1% in Q3 compared to Q2. However, headline retail sales are projected to flatline in October, while a 0.4% m/m increase is pencilled in for the control group. Meanwhile, industrial production data for October will also be released. A meagre 0.1% fall in output is expected, following a solid end to Q3. On the monetary policy front, the latest Fed meeting minutes will be published and remarks from a plethora of officials will warrant attention.

- **Nearer to home, Eurozone industrial production data are due.** Unlike in the US though, industrial output has been quite weak, with production falling in each of the last three months. As a result, the level of output was 0.9% lower in August than at the end of 2025. A slight rebound is forecast in September, but this would still leave production down by 0.2% in year-on-year terms.

Interest Rate Forecasts

	Current	End Q4 2026	End Q1 2027	End Q2 2027
Fed Funds	3.875	4.125	4.125	4.125
ECB Deposit	2.50	2.75	2.75	2.75
BoE Repo	4.00	4.00	4.25	4.25
BoJ OCR	1.25	1.25	1.50	1.50

Current Rates Reuters, Forecasts AIB's ERU

Exchange Rate Forecasts (Mid-Point of Range)

	Current	End Q4 2026	End Q1 2027	End Q2 2027
EUR/USD	1.1046	1.13	1.13	1.14
EUR/GBP	0.8345	0.84	0.84	0.85
EUR/JPY	176.51	179	177	178
GBP/USD	1.3234	1.34	1.34	1.34
USD/JPY	159.77	159	157	156

Current Rates Reuters, Forecasts AIB's ERU

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ECONOMIC DIARY

Monday 16th - Friday 20th November

Date	*UK & Irish Time (GMT+1)*	*Release*	*Previous*	*Forecast*
This Week:	**ECB Speakers:**	Vujcic (Mon); Lane (Tue); **Lagarde,** Vujcic (Wed); **Lagarde** (Thu); **Lagarde,** Cipollone (Fri)		
	BoE Speakers:	**Bailey** (Wed); Dhingra (Thu)		
	Fed Speakers:	**Warsh,** Williams (Mon); Musalem, Hammack, Waller, Williams (Tue); Williams, Kashkari (Wed); Goolsbee, Hammack, Paulson, Barkin (Thu); Waller (fri)		
Mon 16th	**EU-21:** 10:00	Industrial Production (September)	-0.5% (-1.1%)	+0.6% (-0.2%)
	US: 13:30	NY Fed / Empire State Index (November)	25.5	
Tue 17th	**UK:** 07:00	ILO Unemployment Rate (September)	4.7%	4.7%
		- Employment Change	102,000	
	UK: 07:00	Average Weekly Earnings (September)	(+3.7%)	(+3.6%)
		- Ex-Bonus	(+3.7%)	(+3.6%)
	UK: 07:00	HMRC Payrolls (October)	+13,000	
	ITA: 09:00	Final HICP Inflation (October)	+1.2% (+5.6%)	+1.2% (+5.6%)
	GER: 10:00	ZEW Economic Sentiment (November)	28.1	28.7
	US: 13:30	Retail Sales (October)	+0.8% (+0.1%)	+0.0%
		- Ex-Autos	+0.9%	+0.4%
		- Control Group	+0.1%	+0.4%
	US: 14:15	Industrial Production (October)	+0.7%	-0.1%
		- Capacity Utilisation	76.9%	76.8%
		- Manufacturing Output	0.3%	
	US: 15:00	NAHB Homebuilder Sentiment (November)	29.0	
	JPN: 23:50	Trade Balance (October)	-¥536.6bn	-¥956.0bn
		- Exports	(+16.7%)	(+20.0%)
Wed 18th	**UK:** 07:00	CPI Inflation (October)	+0.4% (+3.5%)	+0.5% (+3.7%)
		- Core-CPI	+0.2% (+2.8%)	+0.3% (+2.8%)
		- Services	+0.0% (+3.7%)	
	UK: 07:00	PPI Output Prices (October)	+0.8 (+4.6%)	
		- Input Prices	+1.5% (+8.3%)	
	EU-21: 10:00	Final HICP Inflation (October)	+0.6% (+4.0%)	+0.6% (+4.0%)
		- Ex-Food & Energy	+0.2% (+2.2%)	+0.2% (+2.2%)
		- Ex-Food, Energy, Alcohol & Tobacco	+0.3% (+2.5%)	+0.3% (+2.5%)
	IRE: ***11:00***	***Residential Property Price Inflation (Sept)***	***+0.7% (+5.1%)***	***+0.5% (+4.9%)***
	US: 13:30	Housing Starts (October)	+1.22m / -5.2%	+1.28m / +4.6%
		- Building Permits	+1.40m / -0.4%	+1.38m / -1.4%
	US: 19:30	Fed FOMC Meeting Minutes (27-28th October)		
Thu 19th	**US:** 13:30	Initial Jobless Claims (w/e 9th November)	+200,000	
	US: 13:30	Philly Fed Business Index (November)	20.9	18.0
	JPN: 23:30	CPI Inflation (October)	(+2.1%)	(+2.5%)
		- Core-CPI	(+2.1%)	(+2.3%)
Fri 20th	**UK:** 00:01	Gfk Consumer Confidence (November)	-24.0	
	GER: 07:00	Producer Prices (October)	+1.9% (+6.7%)	+0.5% (+%)
	UK: 07:00	Retail Sales (October)	-0.4% (+0.8%)	
		- Ex-Fuel	-0.7% (+0.8%)	-0.1% (
	FRA: 07:45	INSEE Business Climate (November)	97.0	95.0
	EU-21: 15:00	Flash Consumer Confidence (November)	-17.9	-17.5
	US: 15:00	Final Uni. Michigan Consumer Sentiment (Nov.)	51.0	

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

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