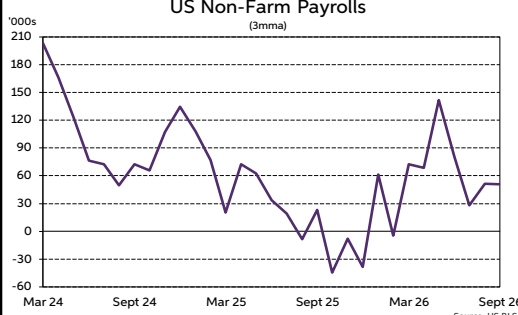


Trick or Treat

- The latest set of central bank meetings saw all the majors kick to touch.** The US Federal Reserve, as expected, left its interest rate policy unchanged. The target range for the Fed funds rate was maintained at 3.75-4.00%. The decision to leave rates unaltered was not unanimous, with the vote split 10:2, with the two dissenters in favour of a 25bps rate hike. The meeting statement contained no significant changes compared to its September edition. It did, however, upgrade its characterisation of the pace of growth in activity from “solid” to “strong”. In the post meeting press conference, Chair Warsh continued to emphasise the inflation aspect of the Fed’s dual mandate, noting that it is the central bank’s “responsibility to get inflation down”. However, in a similar vein to the meeting statement, he commented that the “period in front of us is information rich”. In other words, the next meeting in December is very much a ‘live’ meeting. The market is attaching around a 75% probability to a rate hike at this meeting. Chair Warsh also announced that one of the eight meetings in 2027 (as well as 2 of 8 in 2028) would not be for policy-setting and would instead focus on monetary policy strategy.
 - The October meeting of the ECB’s Governing Council also saw the central bank leave its key interest rates unchanged.** The deposit and refi rates were maintained at 2.50% and 2.65%, respectively. The meeting statement, once again, stated that the ECB view the “risks to the inflation outlook are to the upside”. At the post-meeting press conference there were several questions in relation to the announcement that President Lagarde would be stepping down early from her position (next February rather than October), distracting somewhat from monetary policy issues. However, Lagarde did give strong indications that December was a ‘live’ meeting in the context of further rate hikes. Meanwhile, on questions in relation to France and its current elevated yields, Lagarde noted that while the ECB has instruments available, the main solution lies with French domestic fiscal policy. The market is attaching around a 65% probability to a 25bps rate hike in December, which seems a sensible assessment. The market envisages rates rising by around another 50bps in 2027. However, we believe that the ECB Depo rate may peak at 2.75%. The recent tightening in financial conditions as well as limited second round inflationary effects so far may limit the extent of additional rate increases the ECB needs to implement.
 - The UK economy has also seen a rapid tightening in financial conditions, but on the fiscal policy front, the UK Chancellor announced last week a relatively ‘boring’ budget** compared to some of the blockbuster packages of recent years. The overall reaction to Chancellor Healey’s speech was muted within both the UK press and, more importantly, the gilt market. The budget detailed a myriad of micro-measures adding up to a small giveaway in the next couple of years, followed by a takeaway in later years. The big picture is the UK government has little room for manoeuvre with debt interest spending set to rise sharply and other spending pressures mounting. The new government is also keeping it powder dry ahead of publishing a 10-year plan later this year, and its crucial spending review in the Spring of 2027.
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- Turning to the week ahead, while last’s week UK Budget was relatively dull, this week’s Bank of England meeting should be more eventful.** The BoE has left rates unaltered year-to-date, albeit its decisions have been fractious. For the past two meetings, three members of the MPC have voted to hike rates by 25bps. Furthermore, of the six who favoured leaving rates unchanged, four - including Governor Bailey, struck a more hawkish tone in September. Against this backdrop, a 25bps rate hike is widely anticipated this week, which would bring the Bank rate up to 4.00%. Aside from the decision itself, the updated meeting minutes, Monetary Policy Report and the press conference will be in focus.
 - On the data front, the main highlight from the US macro diary will be the labour market report for October.** Payroll growth has firmed somewhat throughout this year, averaging 68k per month, although it expanded by just 29k in September. A 65k gain is pencilled in for October. The unemployment rate has oscillated between 4.1-4.5% over the past twelve months, and it is expected to remain near the bottom of this range, at 4.2% in October. Average earnings growth is projected to ease to 2.9% in October. The manufacturing and non-manufacturing ISMs for October are also due with both forecast to remain firmly in expansion territory in the month. Meanwhile, the US midterm elections on Tuesday will also be closely followed.
 - In the Eurozone, the flash reading of HICP inflation for October will be the main release of note in the currency bloc.** Headline inflation has increased sharply in the past seven months, largely due to the war in the Middle East. It rose from 1.9% to a peak of 3.8% in September. However, there has been limited evidence to date that energy price rises have led to broader inflationary pressures. Core inflation has printed in a narrow 2.1-2.3% range since the war has started, and it is currently in the heart of this range. The consensus is for the headline rate to edge higher to 3.9% in October, and for the core rate to remain at 2.2%.

	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2026	2027	2027
Fed Funds	3.875	4.125	4.125	4.125
ECB Deposit	2.50	2.75	2.75	2.75
BoE Repo	3.75	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	End Q1	End Q2
		2026	2027	2027
EUR/USD	1.1151	1.14	1.16	1.17
EUR/GBP	0.8329	0.86	0.87	0.87
EUR/JPY	175.40	178	180	180
GBP/USD	1.3384	1.33	1.33	1.34
USD/JPY	157.28	156	155	154

Current Rates Reuters, Forecasts AIB’s ERU

Date	UK & Irish Time (GMT+1)		Release	Previous	Forecast
This Week:	ECB Speakers:		Vujcic (Mon); Machado (Tue); Lane (Wed); Lagarde , Cipollone, Schnabel, Lane (Thur); Lane (Fri)		
	BoE Speakers:				
	Fed Speakers:		Goolsbee (Mon); Hammacl, Barkin, Logan (Thur); Williams, Bowman (Fri)		
Mon 2nd	IRE:	01:01	AIB Irish Manufacturing PMI (October)	55.5	
	EU-21:	09:00	Final S&P Manufacturing PMI (October)	52.4	52.4
	UK:	09:30	Final S&P Manufacturing PMI (October)	52.8	52.8
	US:	14:45	Final S&P Manufacturing PMI (October)	56.0	56.0
	US:	15:00	Manufacturing ISM (October)	54.5	54.7
Tue 3rd	US:	15:00	JOLTS Job Openings (September)	7.079m	7.100m
Wed 4th	IRE:	01:01	AIB Irish Services PMI (October)	54.1	
	ITA:	08:45	S&P Composite PMI (October)	51.0	50.8
	FRA:	08:50	Final S&P Composite PMI (October)	48.4	48.4
	GER:	08:55	Final S&P Composite PMI (October)	52.8	52.8
	EU-21:	09:00	Final Composite PMI (October)	51.9	51.9
			- Services PMI	51.7	51.7
	UK:	09:30	Final S&P Composite PMI (October)	53.1	53.1
			- Services PMI	53.1	53.1
	EU-21:	10:00	Flash HICP Inflation (October)	(+3.8%)	(+3.9%)
			- Ex-Food & Energy	(+2.2%)	(+2.2%)
			- Ex-Food, Energy, Alcohol & Tobacco	(+2.5%)	(+2.5%)
	IRE:	11:00	Unemployment Rate (October)	5.0%	
	US:	14:45	Final S&P Composite PMI (October)	57.6	57.6
			- Final Services PMI	57.9	57.9
	US:	15:00	Non-Manufacturing ISM (October)	54.9	55.0
	IRE:	16:30	Exchequer Returns (October)	Oct 2025: +€0.9bn	
Thu 5th	JPN:	00:30	Final S&P Composite PMI (October)	52.3	52.3
	GER:	07:00	Industrial Orders (September)	-10.6%	+4.0%
	EU-21:	10:00	Producer Prices (September)	+1.9% (+8.2%)	
	UK:	12:00	BoE Monetary Policy Decision		
			- Bank Rate	3.75%	4.00%
	UK:	12:30	BoE Monetary Policy Report		
Fri 6th	US:	13:30	Initial Jobless Claims (w/e 26th October)	+195,000	+194,000
	GER:	07:00	Industrial Output (September)	+2.0% (+2.3%)	+0.5%
	EU-21:	10:00	Retail Sales (September)	+0.1% (+0.8%)	-0.1% (+0.6%)
	US:	13:30	Non-Farm Payrolls (October)	+29,000	+65,000
			- Unemployment Rate	4.2%	4.2%
			- Average Earnings	+0.1% (+3.0%)	+0.3% (+2.9%)
	US:	15:00	Preli. Uni. Michigan Sentiment (November)	48.0	48.4

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

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