Weekly Market Brief

AIB Treasury Economic Research Unit

30th November – 4th December 2026

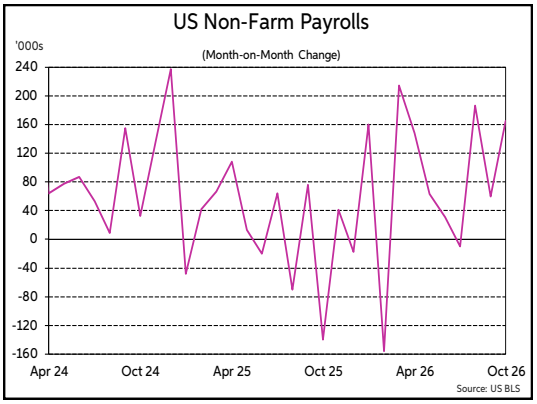
Fed hawks swoop on markets

- **The AI trade has seen exceptional volatility of late, owing to concerns around potential new regulations post the US midterms, expected returns on investment and company specific events (Nvidia, Anthrophic).** However, the underlying market context of the past few months has been the abrupt pivot in Fed messaging, led by the keynote speech by new Chair Kevin Warsh at the Jackson Hole conference in August. While Warsh came to the role of FOMC Chair as an avowed dove, espousing the benefits of an AI-induced deflationary cycle, his theory has been superseded by an oil crisis, sticky core inflation, and a rancorous FOMC. Latterly, Warsh has had to abandon his dovish rhetoric, beginning at Jackson Hole, but continuing in his recent hawkish FOMC press conferences. The new Chair has likely been boxed in to some extent by the hawkish views of his committee. Governor Chris Waller recently raised the prospect of a bumper 50bps hike at the final FOMC meeting of the year in December, and Governor Lisa Cook dissented from the majority by voting for a 25bps hike in October.

- **This has seen a sharp rise in real interest rates as the hawkish rhetoric from Fed officials has sustained nominal rates close to recent peaks, despite the sharp fall in oil prices and inflation expectations, hitting risk assets in the process.** This surge in real rates has also boosted the dollar, particularly against the euro, with rate differentials (as measured by 2-year contracts) between both markets blowing out to the widest level since late 2022, when the euro was trading around $1.05 against the dollar. This implies further downside risk for the euro in the near term. Indeed, the pair reached an 18-month low this week of $1.088, but given dollar positions are stretched long the euro could be close to the bottom of the current range.

- **The question remains whether the Fed will sustain the recent hawkish messaging into the new year.** With the blackout period upon us ahead of the December meeting, the impression from recent public comments by FOMC members is one of increasing concern on the demand drivers of inflation, despite few signs that core inflation is becoming unanchored from the 2% target - albeit it remains well above 3% at present. Indeed, the recent tightening in financial conditions might be just the outcome the Fed was looking for to take some steam out of the demand side of the economy. However, that tightening in conditions has also weighed on already jittery sentiment amid fears of the durability of the AI boom.

- **As we have said previously, Warsh will likely reassert his dovish credentials in the new year following the completion of five task force reports, upon which he will seek to remake the operations of the Fed.** Warsh will also hope that geopolitical tensions have eased further by that point, including the pressures on energy prices. For now, at least, in our view the Fed looks set to hike twice more in this tightening cycle. Amid the rhetoric though, the market is currently leaning towards potentially three more rate hikes.



- **Turning to the week ahead, the main release of note will be the US labour market report for November.** Labour market conditions have firmed in recent months. Payrolls expanded by 165k in October, up from just 60k the month prior. On average though, payrolls have risen by 86k per month so far this year, down from 116k in 2025 and 122k in 2024. Meanwhile, the unemployment rate remains low, stuck between 4.1-4.5% over the past year. It stood at the bottom of this range last month. The consensus is for payrolls to expand by 90k in November, while the unemployment rate is projected to stay at 4.1%. Against this backdrop, average earnings growth is forecast to slow for a sixth time in nine months, to +3.0% y/y. In terms of some other key labour market metrics, JOLTS job openings are expected to fall slightly to 7.48m in October from 7.52m, having averaged just over 7.2m per month in the first three quarters of 2026. Elsewhere, the manufacturing and non-manufacturing ISMs for November, and the preliminary University of Michigan measure of consumer sentiment for December are due.

- **In the Eurozone, the focus will be on the flash reading of HICP inflation for November.** Headline inflation has increased sharply in the past eight months, largely due to the war in the Middle East. It rose from 1.9% in February to a peak of 4.0% in November, its highest level since September 2023. 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 started, and it is currently in the heart of this range. The consensus is for the headline rate to edge slightly lower to 3.9% in November, and for the core rate to remain at 2.2%. Meanwhile, retail sales and the unemployment rate for October will also be released.

- **On the home front, a number of key economic updates are due.** Most notably, the National Accounts figures for Q3 will be published. In terms of some timelier data, the flash estimate of HICP inflation, the unemployment rate, the Exchequer returns, and the AIB sponsored manufacturing and services PMI readings for November will also feature.

Interest Rate Forecasts

	Current	End Q4 2026	End Q1 2027	End Q2 2027
Fed Funds	3.875	4.125	4.375	4.375
ECB Deposit	2.50	2.75	2.75	2.75
BoE Repo	4.00	4.25	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	1.0945	1.11	1.12	1.13
EUR/GBP	0.8348	0.84	0.84	0.85
EUR/JPY	174.55	177	177	177
GBP/USD	1.3109	1.32	1.33	1.33
USD/JPY	159.47	159	158	157

Current Rates Reuters, Forecasts AIB's ERU

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ECONOMIC DIARY

Monday 30th November - Friday 4th December

Date	*UK & Irish Time (GMT+1)*		*Release*	*Previous*	*Forecast*
This Week:	**ECB Speakers:**		**Lagarde** (Mon); Lane (Tue); **Lagarde,** Lane, Vujcic (Wed); **Lagarde** (Thu); Lane, Vujcic (Fri)		
	BoE Speakers:		Pill, Breeden (Tue)		
	Fed Speakers:				
Mon 30th	**GER:**	07:00	Retail Sales (October)	-2.0% (-2.3%)	+1.5%
	UK:	09:30	Mortgage Approvals (October)	53,443	53,000
	ITA:	10:00	Flash HICP Inflation (November)	+1.2% (+5.6%)	
	IRE:	***11:00***	***Flash HICP Inflation (November)***	***+0.7% (+4.2%)***	
	GER:	13:00	Flash HICP Inflation (November)	-0.1% (+2.8%)	-0.5% (+2.9%)
	JPN:	23:30	Jobs/Applicants Ratio (October)	1.19	1.19
	JPN:	23:30	Unemployment Rate	2.4%	2.4%
Tue 1st	***IRE:***	***01:01***	***AIB Irish Manufacturing PMI (November)***	***55.2***	
	EU-21:	09:00	Final S&P Manufacturing PMI (November)	52.9	52.9
	ITA:	09:00	GDP (Q3: Final Reading)	+0.0% (+0.8%)	+0.0% (+0.8%)
	UK:	09:30	Final S&P Manufacturing PMI (November)	52.7	52.7
	EU-21:	10:00	Flash HICP Inflation (November)	+0.5% (+4.0%)	-0.4% (+3.9%)
			- Ex-Food & Energy	+0.3% (+2.2%)	-0.5% (+2.2%)
			- Ex-Food, Energy, Alcohol & Tobacco	+0.3% (+2.6%)	-0.5% (+2.6%)
	US:	14:45	Final S&P Manufacturing PMI (November)	54.5	54.5
	US:	15:00	Manufacturing ISM (November)	55.5	55.1
	US:	15:00	JOLTS Job Openings (October)	7.52m	7.48m
Wed 2nd	**EU-21:**	10:00	Unemployment Rate (October)	6.5%	6.5%
	IRE:	***11:00***	***Unemployment Rate (November)***	***4.8%***	
	US:	13:15	ADP Employment Rate (November)	+86,000	+82,000
Thu 3rd	**JPN:**	00:30	Final S&P Composite PMI (November)	51.5	51.5
	IRE:	***01:01***	***AIB Irish Services PMI (November)***	***54.3***	
	ITA:	08:45	S&P Composite PMI (November)	50.8	
	FRA:	08:50	Final S&P Composite PMI (November)	46.2	46.2
	GER:	08:55	Final S&P Composite PMI (November)	55.0	55.0
	EU-21:	09:00	Final S&P Composite PMI (November)	51.7	51.7
			- Final S&P Services PMI	51.2	51.2
	UK:	09:30	Final S&P Composite PMI (November)	52.3	52.3
			- Final S&P Services PMI	52.0	52.0
	EU-21:	10:00	Producer Prices (October)	+2.5% (+11.1%)	
	US:	13:30	Initial Jobless Claims (w/e 23rd November)	+189,000	+195,00
	US:	14:45	Final S&P Composite PMI (November)	54.6	54.6
			- Final S&P Services PMI	54.7	54.7
	US:	15:00	Non-Manufacturing PMI (November)	54.5	54.5
	IRE:	***16:30***	***Exchequer Returns (November)***	***Nov'26: +€10.4bn***	
Fri 4th	**FRA:**	07:45	Industrial Output (October)	-0.5%	
	EU-21:	10:00	Retail Sales (October)	-0.7% (+0.4%)	+0.5% (+0.4%)
	IRE:	***11:00***	***National Accounts (Q3 2026)***		
			- GDP	***Flash: +5.5% (+3.9%)***	
			- MDD	***-0.8% (+1.7%)***	
	US:	13:30	Non-Farm Payrolls (November)	+165,000	+90,000
			- Unemployment Rate	4.1%	4.1%
			- Average Earnings	+0.4% (+3.1%)	+0.3% (+3.0%)
	US:	15:00	Preli. Uni. Michigan Consumer Sentiment (Dec)	51.5	52.9

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

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