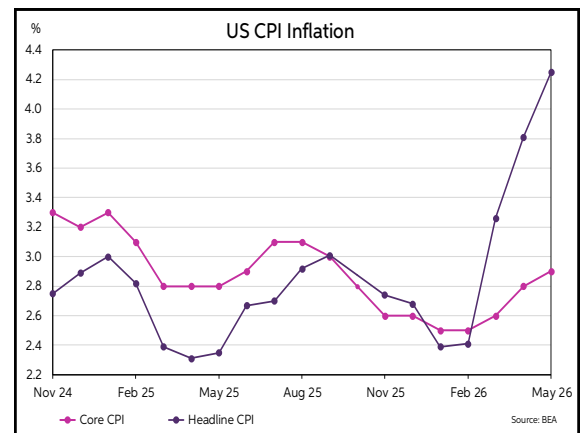


There's no other way

- **The relatively muted market reaction to the news of a resumption in hostilities between the US and Iran may reflect some complacency on the part of investors.** However, it also highlights the material shift in energy markets since the war began, with buyers de-risking exposures to the Middle East, to the benefit of other producers such as the US.
- **The market was jolted by fresh strikes on Wednesday, with equities falling, and Brent Crude oil trading up towards a \$77-80 per barrel range, compared to the \$70-73 range of recent weeks.** However, markets regained some ground on Thursday, and oil retreated to a \$76 level. Overall, the relative blip in markets is somewhat surprising given the fiery language from both sides, including President Trump all but ruling out a future deal at the NTAO summit in Turkey. Markets might be betting that the latest flare up is merely brinkmanship as both sides move towards a lasting deal.
- **However, the becalmed nature of oil markets also reflects the shift in energy supply since February.** Recent analysis by the International Energy Agency (IEA) shows several factors have led to lower peak oil prices than some doomsday forecasts in the initial aftermath of the war in March. Firstly, demand has contracted sharply. Global oil demand is forecast to decline by 1.1 million barrels a day in 2026. This represents a downgrade of 700k b/d compared with previous estimates. Major importers such as China and Japan have reduced oil imports, at least temporarily. Energy rationing and a move towards renewables have also been factors. Exports of solar panels and EVs from China have surged.
- **Second, global oil stocks have been reduced by c.25%, dampening the supply squeeze from the Middle East, in efforts coordinated by the IEA in the early period of the war.** Thirdly, the laws of supply and demand have asserted themselves, with producers elsewhere upping production to meet demand. In particular, US oil exports have reached fresh highs, and refineries in Europe have pivoted to producing jet fuel to replace supply lost from Middle East producers. **How durable these shifts in oil supply and demand are remain to be seen, but they highlight the agility of global markets in the current environment, negating a more damaging cycle of higher oil prices.**
- **Turning to the week ahead, the main macro data release of note will be US CPI inflation for June.** Since the outbreak of the conflict in the Middle East, CPI inflation has been moving sharply higher, largely due to the surge in energy prices. In March, the headline rate of inflation rose markedly to 3.3% from 2.4% amid the largest monthly jump in gasoline prices since records began in 1967. Furthermore, it increased by more than anticipated, to 3.8% in April, and rose to 4.2% in May. The core rate has also risen in recent months, albeit at a more modest pace. It climbed to 2.9% in May, up from 2.6% in March. However, the consensus is for the headline rate to slow to 3.9% in June, while the core rate is projected to remain at 2.9%.
- **Elsewhere in the US, retail sales and industrial production data for June are due.** So far in Q2, retail sales have increased at a solid pace, rising by 0.4% and 0.9% in April and May. Similarly, the control group measure - a key core sales metric - expanded by 0.5% and 0.7% over the same period. Both measures are expected to expand by a more modest pace in June. Meantime, industrial production has been somewhat volatile, jumping 0.9% higher in April before edging up by just 0.1% in May. A 0.2% increase is anticipated in June. In terms of more timely indicators, the preliminary reading of the Michigan measure of consumer sentiment and NAHB homebuilder sentiment (both July) will feature. On the monetary policy front, Chair Warsh will provide his first semi-annual testimony to Congress.
- **In the UK, the monthly reading of GDP for May will be released.** GDP contracted marginally by 0.1% in April, having expanded by 0.4% m/m and 0.3% m/m in February and March, respectively. It was the first monthly decline since last August. Economic activity is forecast to remain muted in May, with a 0.1% monthly increase in GDP being pencilled in. Similarly, industrial production is set to remain soft. Output stagnated in April, following a slight contraction in March, and a 0.1% fall is forecast for May.
- **The Eurozone macro calendar is quiet this week. One of the few highlights is industrial production data for May.** Having rebounded somewhat throughout the spring following a very weak winter, industrial output is expected to rise by 0.3% in the month.



	Interest Rate Forecasts			
	Current	End Q3	End Q4	End Q1
		2026	2026	2027
Fed Funds	3.625	3.625	3.625	3.375
ECB Deposit	2.25	2.50	2.50	2.50
BoE Repo	3.75	3.75	3.75	3.50
BoJ OCR	1.00	1.00	1.25	1.25

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q3	End Q4	End Q1
		2026	2026	2027
EUR/USD	1.1420	1.15	1.16	1.17
EUR/GBP	0.8518	0.87	0.88	0.88
EUR/JPY	184.79	184	184	185
GBP/USD	1.3402	1.34	1.33	1.33
USD/JPY	161.79	159	159	158

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	ECB Speakers:	Schnabel (Mon); Cipollone (Fri)		
	BoE Speakers:	Bailey (Tue)		
	Fed Speakers:	Bowman (Mon); Warsh , Barr, Goolsbee, Cook (Tue); Warsh , Williams, Musalem, Cook (Wed); Logan (Thu)		
Mon 13th				
Tue 14th	IRE:	01:01	AIB Irish Construction PMI (June)	50.2
	US:	11:00	NFIB Small Business Optimism (June)	95.3
	US:	13:30	CPI Inflation (June)	+0.5% (+4.2%)
			- Core-CPI	+0.2% (+2.9%)
				-0.1% (+3.9%)
				+0.3% (+2.9%)
Wed 15th	SPA:	08:00	Final HICP Inflation (June)	+0.6% (+3.6%)
	EU-21:	10:00	Industrial Production (May)	+0.1% (+0.3%)
	IRE:	11:00	Residential Property Price Index (May)	+0.0% (+6.2%)
	US:	13:30	PPI Final Demand (June)	+1.1% (+6.5%)
			- Ex-Food & Energy	+0.4% (+4.9%)
				+0.0% (+6.2%)
				+0.3% (+5.1%)
Thu 16th	UK:	07:00	GDP (May)	-0.1% (+1.2%)
			- 3m / 3m	+0.7%
				+0.5%
	UK:	07:00	Industrial Output (May)	+0.0% (-0.2%)
			- Manufacturing Output	+0.4% (+1.0%)
				-0.1% (+1.2%)
	ITA:	09:00	Final HICP Inflation (May)	+0.1% (+3.1%)
	EU-21:	10:00	Total Trade Balance (May)	+€1.30bn
			- EuroStat Trade	-€1.0bn
	US:	13:30	Initial Jobless Claims (w/e 6th July)	215,000
	US:	13:30	Retail Sales (June)	+0.9%
			- Ex-Autos	+0.2%
			- Control Group	+0.8%
				+0.5%
	US:	13:30	Philly Fed Business Index (July)	10.3
	US:	15:00	NAHB Homebuilder Sentiment (July)	35.0
				15.0
				35.0
Fri 17th	EU-21:	10:00	Final HICP Inflation (June)	+0.1% (+2.8%)
			- Ex-Food & Energy	+0.3% (+2.2%)
			- Ex-Food, Energy, Alcohol & Tobacco	+0.2% (+2.4%)
				+0.2% (+2.4%)
	US:	13:30	Housing Starts (June)	+1.177m / -15.4%
			- Building Permits	+1.410m / -0.9%
				+1.300m
	US:	14:15	Industrial Production (June)	+0.1%
			- Manufacturing Output	+0.2%
			- Capacity Utilisation	+0.0%
				76.2%
	US:	15:00	Preli. Uni. Michigan Consumer Sentiment (Jul)	49.5
				76.2%
				51.7

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

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