

## WEEKLY MARKET UPDATE / OVERVIEW FOR THE WEEK STARTING 12 NOVEMBER 2018

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
13-Nov-18	Australia business confidence (Oct)	6	NA
13-Nov-18	UK unemployment rate (Sep)	4%	4%
14-Nov-18	Australian consumer confidence (Nov)	101.5	NA
14-Nov-18	Japan GDP growth rate q/q (Q3)	0.7%	-0.3%
14-Nov-18	Australia wage price index y/y (Q3)	2.1%	2.3%
14-Nov-18	China Fixed Asset Investment (YTD) y/y (Oct)	5.4%	5.5%
14-Nov-18	UK inflation rate y/y (Oct)	2.4%	2.5%
14-Nov-18	US inflation rate y/y (Oct)	2.3%	2.5%
15-Nov-18	Australia unemployment rate (Oct)	5%	5.1%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

A sparse schedule of domestic data releases saw housing finance numbers extend their recent decline on Friday, while the RBA left rates on hold on Melbourne Cup day.

As well as the November meeting on Tuesday, the RBA released its Statement on Monetary Policy on Friday last week. The main changes had been flagged prior to the meeting, with the key move an upward revision to near-term growth forecasts. The outlook was also revised higher for the labour market, while inflation expectations were shifted a little lower. The RBA remains confident on the outlook for the economy, but housing remains of key importance. So far negative wealth effects have not become apparent, if that changes then the RBA may start to reconsider the outlook.

In the week ahead, updates on business and consumer confidence will be released while wage growth and labour market data is also due to be published.



#### US

The US mid-term elections took place last week and the results were broadly as expected. The Democrats took control of the House and the Republicans improved their narrow majority in the Senate. The split government will make it very difficult to pass contentious legislation and therefore Trump will find it hard to push through further tax cuts and increased infrastructure spending. The other important implication of the election result is that the Democrats can now pursue investigations in to Trump's financial affairs and potential collusion with the Russian government.

The Fed left rates unchanged last week, which was widely expected. The assessment of the economy remains upbeat and rates are expected to push higher, potentially with the next move coming in December.

This week updates on inflation, retail sales and industrial production will be released.



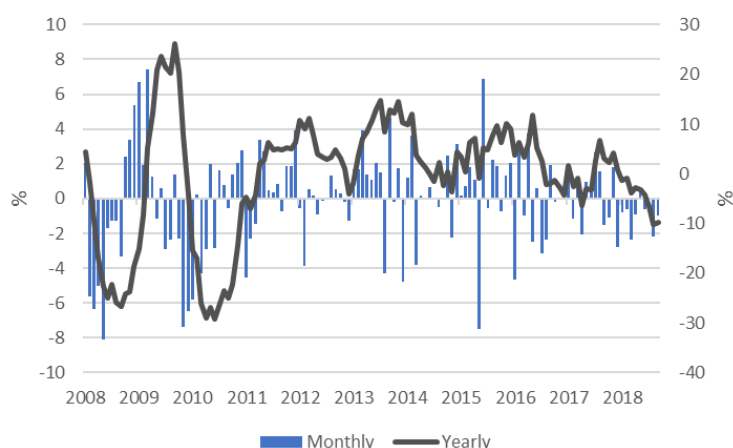
#### Europe

A quiet week of data in Europe saw retail sales return a flat result in September to be up just 0.8% on an annual basis. In the UK, industrial production was flat in September while GDP growth met expectations at 0.6% in Q3 and 1.5% year on year.

Brexit has drifted out of the headlines in the last couple of weeks but that could change in the week ahead. Theresa May is finalising support for an agreement, and a formal cabinet meeting seeking approval could be called this week. The key sticking point remains the post-Brexit treatment of the Irish border.

The week ahead sees a number of key data releases, particularly in the UK. Labour market data is expected to leave the unemployment rate at 4% with wage growth around 3% while headline inflation is expected to come in at 2.5%. In Europe, industrial production data will be released along with updated estimates of Q3 GDP and October inflation.

## Chart of the week— Australian housing finance



Housing lending has been on a downward trend this year as tighter lending conditions have impacted the supply side and a cooling housing market has impacted the demand side, particularly for investors. The investor segment has been leading the declines in lending growth, but owner occupiers are now also trending lower.

The flow of credit is closely linked to the direction of house prices, so the outlook for housing finance is weak, as prices are expected to continue their gradual decline. At this stage the RBA appear comfortable with the housing market, so implications for monetary policy are limited provided the broader economy continues to perform.

Source: Bloomberg.

## Financial market movements

INDICATOR	AS AT 09-NOV-18	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
<b>EQUITIES</b>		%	%	%	%
S&P/ASX 200 Index	5,921.8	1.24	-1.78	4.93	1.89
US S&P 500 Index	2,781.0	2.13	7.70	10.77	9.49
Europe STOXX 600 Index	365.7	0.46	-5.90	-0.61	2.60
UK FTSE 100 Index	7,105.3	0.16	-4.41	4.77	1.10
Japan TOPIX Index	1,673.0	0.86	-7.08	1.63	6.78
MSCI World ex-Australia Index	2,102.5	1.28	1.35	7.31	5.50
<b>FIXED INCOME</b>	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.94	0.00	0.27	-0.02	-0.10
Australian 10-year bond yield	2.72	-0.02	0.11	-0.08	-0.32
US 90-day bank bill yield	2.29	0.02	1.12	0.73	0.44
US 10-year bond yield	3.18	-0.03	0.84	0.28	0.09
UK 10-year bond yield	1.49	0.00	0.23	-0.18	-0.26
German 10-year bond yield	0.41	-0.02	0.03	-0.08	-0.27
<b>COMMODITIES</b>		%	%	%	%
Gold	1,209.7	-1.89	-5.87	3.46	-1.26
Oil—West Texas Crude	60.2	-4.67	5.28	11.12	-8.65
Iron Ore Spot Price Index	73.9	-1.24	20.11	16.14	-11.68
<b>CURRENCIES</b>		%	%	%	%
AUD:USD	0.72	0.11	-5.30	0.43	-4.94
EUR:USD	1.13	-0.69	-2.91	1.56	-3.36
GBP:USD	1.29	-0.84	-1.40	-5.31	-4.05
USD:JPY	113.85	0.58	0.20	-2.44	2.70
NZD:USD	0.67	1.07	-2.54	0.93	-3.93
CHF:USD	0.99	-0.10	-0.91	-0.18	-1.81
AUD:EUR	0.64	0.84	-2.45	-1.10	-1.64
AUD:GBP	0.56	0.97	-3.95	6.06	-0.93
AUD:JPY	82.19	0.70	-5.10	-2.02	-2.37

\*BP = Basis Point, Source: Bloomberg

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