

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
03-Dec-18	Australia building permits m/m (Oct)	3.3%	-2.0%
03-Nov-18	US manufacturing PMI (Nov)	57.7	57.8
04-Dec-18	Australia interest rate decision	1.5%	1.5%
05-Dec-18	Australia GDP growth rate y/y (Q3)	3.4%	3.3%
05-Dec-18	China composite PMI (Nov)	50.5	NA
05-Dec-18	Europe retail sales m/m (Oct)	0.0%	0.2%
06-Dec-18	Australia retail sales m/m (Oct)	0.2%	0.2%
07-Dec-18	Australia home loans m/m (Oct)	-1.0%	NA
07-Dec-18	US unemployment rate (Nov)	3.7%	3.7%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Equity markets breathed a sigh of relief last week, receiving support from the prospect of a more dovish Fed in the period ahead. Domestically we received updates on some of the components of Q3 GDP. Construction work and private capex were both on the disappointing side, suggesting some potential for a weaker print than was previously anticipated. Private sector credit advanced 0.4% in October, as expected.

The RBA meet on Tuesday this week and there is no expectation of any move in interest rates, which are expected to remain on hold until at least late next year. Recent improvement in wage growth will need to be extended and to have a positive impact on inflation before any meaningful conversation around rate hikes can take place.

A busy schedule of data releases this week sees building permits, trade data, retail sales and home loan data published but the highlight will be Q3 GDP on Wednesday.



US

Housing data continued to disappoint in the US last week, the one weak spot in an economy that has been extremely strong this year. The benign inflationary environment was also reaffirmed late in the week, supporting dovish comments made earlier by Fed Chair Jay Powell. It was that sentiment (a reversal of hawkish comments as recently as last month) that was the major market driver last week. Equity markets rallied as the prospect of few 2019 rate hikes was digested.

At the end of the week Donald Trump met with Chinese President Xi Jinping following the G20 summit in Buenos Aires. The outcome of the meeting was positive, with Trump agreeing not to increase tariffs on \$200bn of Chinese goods from 10% to 25% in January.

The week ahead is a busy one in terms of data releases. PMIs, trade data and factory orders are all reported ahead of non-farm payrolls, which is the highlight for the week.



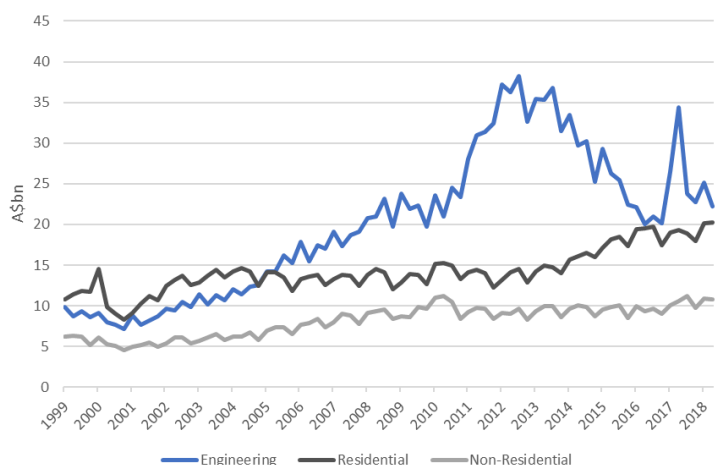
Europe

The major European data releases came late in the week last week, with business confidence beating consensus on Thursday and inflation and the unemployment rate both a little softer than expected on Friday.

Last week also saw the 27 EU nations unanimously approve the Brexit agreement that had been presented earlier in November. The next major hurdle, which is more of a significant one, is the vote by the UK parliament scheduled for 11 December. Theresa May's narrow majority and the widespread lack of support for the agreement suggest this will not be a straight forward process. Ultimately it seems likely that a deal will be agreed but the timing is still very much unknown.

In the week ahead we will receive PMI data in the UK, while retail sales data is the major release in Europe. An updated estimate of Q3 GDP will also be published for the Euro area.

Chart of the week— Australia Construction Work Done – Q3 2018



Total construction work done fell by 2.8% in Q3, missing market expectations of close to a 1% gain. The latest result pushed the annual figure down to -16.9%, largely driven by a sharp decline on the engineering side. This reflects ongoing declines following the end of the mining construction boom. Which has now largely run its course.

Building work was also down over the quarter, dropping 1.5%. Underling that number was a 1% dip in residential construction and a 2.4% fall in the non-residential sector. While residential has been trending lower for some time, the pipeline is still extremely strong, suggesting levels will remain elevated in the near term at least. The RBA has flagged the potential for tighter credit to developers, which may result in further declines in the medium-term.

Source: ABS.

Financial market movements

INDICATOR	AS AT 30-NOV-18	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Index	5,667.2	-0.86	-5.39	2.73	1.52
US S&P 500 Index	2,760.2	4.85	4.46	10.43	8.99
Europe STOXX 600 Index	357.5	0.99	-6.90	-1.33	2.30
UK FTSE 100 Index	6,980.2	0.39	-4.39	3.61	1.33
Japan TOPIX Index	1,667.5	2.36	-7.18	1.32	5.72
MSCI World ex-Australia Index	2,081.7	2.15	-1.15	6.85	5.06
FIXED INCOME	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.90	-0.01	0.16	-0.04	-0.11
Australian 10-year bond yield	2.61	-0.02	0.08	-0.08	-0.34
US 90-day bank bill yield	2.34	0.00	1.14	0.72	0.45
US 10-year bond yield	2.99	-0.05	0.58	0.26	0.05
UK 10-year bond yield	1.36	-0.02	0.03	-0.15	-0.28
German 10-year bond yield	0.31	-0.03	-0.05	-0.05	-0.28
COMMODITIES		%	%	%	%
Gold	1,220.5	-0.21	-4.27	4.66	-0.53
Oil—West Texas Crude	50.9	1.01	-11.27	6.93	-11.29
Iron Ore Spot Price Index	65.0	-11.14	-2.65	13.79	-13.73
CURRENCIES		%	%	%	%
AUD:USD	0.74	2.02	-2.88	0.32	-4.12
EUR:USD	1.14	0.13	-4.33	2.26	-3.47
GBP:USD	1.28	-0.35	-5.27	-5.12	-4.83
USD:JPY	113.80	0.74	1.24	-2.62	2.03
NZD:USD	0.69	2.02	0.86	1.38	-3.31
CHF:USD	1.00	-0.13	-1.36	0.65	-1.87
AUD:EUR	0.65	1.88	1.50	-1.90	-0.68
AUD:GBP	0.58	2.39	2.52	5.74	0.75
AUD:JPY	83.98	2.79	-1.68	-2.31	-2.18

*BP = Basis Point, Source: Bloomberg

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