

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
18-Dec-18	Reserve Bank of Australia (RBA) meeting minutes	NA	NA
19-Dec-18	UK core inflation rate year-on-year (Nov)	1.9%	1.8%
19-Dec-18	US interest rate decision	2.25%	2.50%
20-Dec-18	Australian unemployment rate (Nov)	5.0%	5.0%
20-Dec-18	Japanese interest rate decision	-0.1%	-0.1%
20-Dec-18	UK retail sales year-on-year (Nov)	2.2%	1.9%
20-Dec-18	UK interest rate decision	0.75%	0.75%
21-Dec-18	US core personal consumption expenditure price index year-on-year (Nov)	1.8%	1.9%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

Domestic markets followed global counterparts last week in a volatile period that saw sentiment see-saw from day to day and also with sharp intra-day swings in some cases. Data showed that house prices continued recent declines in Q3, but that home loan growth was stronger than expected in October. This provided some positive news for the weak property market. Business confidence declined in October, but consumers are holding up well, which is encouraging given possible signs of consumer softness in recent GDP data.

This year has seen the domestic equity market struggle to match global peers, with headwinds in the form of a slowing housing market, high household debt and negative sentiment from the banking Royal Commission all weighing on local performance.

This week, labour market data is the highlight and we will also receive the RBA meeting minutes.



#### US

There were two key themes driving sentiment in the US last week. Trade tensions eased, helping to provide support for risk assets—but President Trump picked fights with senior democratic figures as he sought funding for his Mexican border wall, which pulled markets lower. Without any funding agreement, the US faces the prospect of a partial government shutdown before Christmas.

Consumer Price Index inflation was reported in line with expectations for November, the core measure reading 2.2% annually. Purchasing Manager Index data was a little softer than expected, with the composite index dipping to 53.6 from 54.7.

The US Federal Reserve (Fed) meets this week and is universally expected to deliver a rate hike. Attention will therefore be focussed on the likely path for interest rates next year, with recent Fed commentary taking a more dovish tone. PCE inflation data is the highlight in a quiet week.



#### Europe

The European Central Bank (ECB) met last week and announced the end of its asset purchase program. This is in line with a timeline that has been flagged over the last 12-18 months. Thoughts now turn to the potential for interest rate hikes, which the bank has previously noted would not occur before the end of the European summer next year. A fairly dovish tone, both in terms of ECB President Draghi's comments on risk, and in the form of downgraded 2019 inflation (1.7% to 1.6%) and GDP growth (1.8% to 1.7%) forecasts, suggest that a cautious approach is likely.

In the UK, Prime Minister Theresa May delayed a parliamentary vote on the Brexit agreement last week and then faced a vote of no confidence from her Conservative Party. She won the vote by a margin of 200-117. The path from here is unclear, but May is pushing ahead with her attempt to gain sufficient support to get the deal over the line ahead of the 29 March deadline.

## Chart of the week—Australian consumer confidence



Source: Bloomberg

Consumer sentiment nudged higher in December, advancing from 104.3 to 104.4. Consumers appear to be holding up well in the face of headwinds such as high household debt, declining house prices and low wage growth. On the positive side, the labour market has been strong and the outlook remains solid.

The detail of the survey provided a glimmer of light for the housing market, with the house price expectation index nudging higher. However, the share of people who currently see real estate as the best investment dropped to 10%, which is a record low.

The weak Q3 GDP print has increased the focus on consumers, with fears that we may be starting to see some flow-on effects from house price declines. Sentiment measures so far fail to support this theory but will be closely scrutinised in the period ahead.

## Financial market movements

INDICATOR	AS AT 14-DEC-18	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
<b>EQUITIES</b>					
		%	%	%	%
S&P/ASX 200 Index	5,601.98	-1.40	-6.59	3.17	1.88
US S&P 500 Index	2,599.95	-1.26	-2.84	8.39	7.86
Europe STOXX 600 Index	347.21	0.51	-10.56	-1.64	2.21
UK FTSE 100 Index	6,845.17	0.99	-8.62	3.90	1.08
Japan TOPIX Index	1,592.16	-1.75	-11.22	0.58	5.26
MSCI World ex-Australia Index	1,979.84	-1.14	-6.72	5.53	4.24
<b>FIXED INCOME</b>					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.92	0.02	0.18	-0.03	-0.10
Australian 10-year bond yield	2.45	0.01	-0.07	-0.13	-0.36
US 90-day bank bill yield	2.39	0.02	1.12	0.71	0.46
US 10-year bond yield	2.89	0.04	0.54	0.22	0.00
UK 10-year bond yield	1.24	-0.03	0.07	-0.20	-0.33
German 10-year bond yield	0.25	0.00	-0.06	-0.11	-0.32
<b>COMMODITIES</b>					
		%	%	%	%
Gold	1,239.02	-0.82	-1.11	5.34	0.01
Oil—West Texas Crude	51.20	-2.68	-10.24	12.14	-11.92
Iron Ore Spot Price Index	68.12	2.30	2.16	21.59	-12.86
<b>CURRENCIES</b>					
		%	%	%	%
AUD:USD	0.72	-0.22	-6.39	0.21	-4.22
EUR:USD	1.13	-0.47	-4.07	1.45	-3.87
GBP:USD	1.26	0.33	-5.84	-5.43	-4.97
USD:JPY	113.36	0.03	0.72	-2.57	2.00
NZD:USD	0.68	-1.06	-2.82	0.48	-3.85
CHF:USD	1.00	-0.57	-1.05	0.01	-2.34
AUD:EUR	0.63	0.27	-2.41	-1.21	-0.36
AUD:GBP	0.57	-0.53	-0.60	5.98	0.80
AUD:JPY	81.33	-0.18	-5.71	-2.36	-2.30

\*BP = Basis Point, Source: Bloomberg

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