

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
29-Jan-19	Australia Core CPI y/y (Q4)	1.8%	1.8%
30-Jan-19	US interest rate decision	2.5%	2.5%
30-Jan-19	UK consumer confidence	-14	-15
31-Jan-19	Australia private sector credit m/m (Dec)	0.3%	0.3%
31-Jan-19	Europe GDP growth rate y/y (Q4)	1.6%	1.2%
31-Jan-19	Europe unemployment rate (Dec)	7.9%	7.9%
01-Feb-19	Europe core CPI y/y (Dec)	1.0%	1.0%
01-Feb-19	US unemployment rate (Jan)	3.9%	3.9%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Labour market data was solid in December, with the 22k jobs added marginally beating consensus expectations. The unemployment rate dipped from 5.1% to 5.0% on the back of a slight decline in the participation rate. Over the year, employment growth came in at 2.2%, lower than the early part of 2018 but significantly above population growth of 1.6%. Beyond the headline figures there were some signs warranting caution – namely the dominance of part-time jobs, with full-time numbers looking soft in Q4. Overall the employment numbers did little to alter RBA policy expectations and the CPI numbers, which are due this week, will be important in that regard.

Chinese president Xi Jinping set a cautionary tone last week, highlighting the need to support growth while mitigating risks. Q4 numbers showed that the economy grew at 6.4% in 2018.

Q4 CPI will be the focus this week and business confidence and private sector credit data are also set to be released.



US

The US data calendar remains impacted by the partial government shutdown. Last week PMI data surprised to the upside, delivering a welcome reprieve after weaker data earlier in the month. The manufacturing component was particularly strong, which is encouraging and supportive of the broader economic outlook.

Trade negotiations between the US and China continue to dominate global investor sentiment and after a run of positive developments we saw a minor setback last week. A lower level meeting was cancelled, with US officials citing insufficient progress from China as the driving factor. The next key step is a meeting between senior officials from both sides in Washington this week. A formal agreement seems unlikely, but an extension of the current truce would be a positive development.

The Fed meet this week, with no expectation of any policy changes. Labour market data is scheduled for release on Friday.



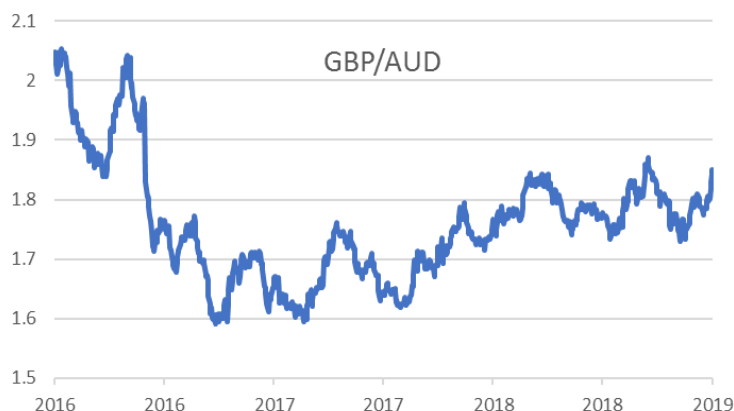
Europe

A quiet week for data releases in Europe saw the disappointing PMI numbers form the highlight. The composite index declined steadily throughout 2018 and has started the year on a weak footing, hovering just above the neutral level of 50. In the UK the labour market remains strong, with December data showing that the unemployment rate fell to 4%, the lowest level since 1975.

The ECB met last week, leaving monetary policy unchanged, as widely expected. The accompanying statement portrayed a slightly dovish shift while Mario Draghi spoke of the potential for economic growth to be weaker than forecast. Looking ahead, ECB policy will be extremely dependant on the health of the economy and there are risks that anticipated rate hikes in the second half of the year could be delayed.

European GDP growth and CPI are the data highlight this week while labour market data will also be released. In the UK, consumer confidence and manufacturing PMI are scheduled.

Chart of the week— Sterling rallies as Brexit uncertainty drags on



Source: Bloomberg

Sterling has followed a volatile path as Brexit negotiations have played out over the last two years. As we approach the 29 March deadline this volatility can be expected to persist, with the potential for both positive and negative scenarios both still

The most recent moves for the Pound have been positive as the prospects of a no deal Brexit have seemingly diminished. This week, Parliamentary amendments are set to be voted on Tuesday and should they pass, the chance of a no-deal outcome would be further reduced, likely providing additional support to the currency.

This week should prove crucial in the path towards Brexit. A delayed departure followed by further negotiations and potentially even a second referendum all viable outcomes.

Financial market movements

INDICATOR	AS AT 25-JAN-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Index	61,406.85	0.44	1.87	10.57	7.31
US S&P 500 Index	5,303.51	-0.21	-5.40	14.38	10.51
Europe STOXX 600 Index	679.40	0.42	-11.67	5.65	4.69
UK FTSE 100 Index	5,970.36	-3.21	-8.21	8.69	4.48
Japan TOPIX Index	2,196.99	-0.69	-15.74	4.69	6.22
MSCI World ex-Australia Index	4,389.82	-0.13	-7.09	11.16	7.92
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.91	-0.01	0.13	-0.04	-0.09
Australian 10-year bond yield	2.21	-0.10	-0.64	-0.16	-0.37
US 90-day bank bill yield	2.37	0.00	0.99	0.68	0.46
US 10-year bond yield	2.74	-0.04	0.08	0.25	-0.00
UK 10-year bond yield	1.27	-0.06	-0.18	-0.14	-0.31
German 10-year bond yield	0.21	-0.05	-0.42	-0.07	-0.30
COMMODITIES					
		%	%	%	%
Gold	1,303.56	1.43	-2.74	5.25	0.57
Oil—West Texas Crude	52.09	-3.18	-21.24	16.18	-11.77
Iron Ore Spot Price Index	72.73	-0.01	-1.42	20.66	-10.51
CURRENCIES					
		%	%	%	%
AUD:USD	0.72	0.60	-11.45	0.39	-3.89
EUR:USD	1.14	0.59	-7.72	1.80	-3.51
GBP:USD	1.32	1.54	-6.54	-2.62	-4.50
USD:JPY	109.32	-0.05	0.33	-3.36	1.34
NZD:USD	0.68	1.19	-6.72	1.75	-3.62
CHF:USD	1.01	0.54	-5.48	1.03	-2.05
AUD:EUR	0.63	-	-4.07	-1.40	-0.39
AUD:GBP	0.54	-0.93	-5.28	3.08	0.64
AUD:JPY	78.34	0.55	-11.17	-2.99	-2.60

*BP = Basis Point, Source: Bloomberg

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