

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
04-Feb-19	Australia housing approvals m/m (Dec)	-9.1%	1.8%
04-Feb-19	US factory orders m/m (Nov)	-2.1%	0.2%
05-Feb-19	Australia retail sales m/m (Dec)	0.4%	-0.1%
05-Feb-19	Australia interest rate decision	1.5%	1.5%
05-Feb-19	Europe retail sales m/m (Dec)	0.6%	-1.6%
05-Feb-19	US non-manufacturing PMI (Jan)	58	57
07-Feb-19	UK interest rate decision	0.75%	0.75%
08-Feb-19	Australia Statement on Monetary Policy	NA	NA

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

A run of softer data has spurred talk of downside risks to the domestic economy and prompted expectations of a more dovish stance from the RBA. Last week saw Q4 CPI numbers remain benign, with core prices rising at just 1.8% in 2018, 15 out of the last 17 prints have been below the RBA's 2-3% target band. Private sector credit was also weak in December and data showed that house prices fell 1% in January.

The RBA will be in focus this week with the monthly meeting on Tuesday, a speech by Governor Lowe on Wednesday and the release of the Statement on Monetary Policy on Friday. No changes are expected to monetary policy, but the focus will be very much on the outlook for the rest of the year and on growth and inflation forecasts, given the surprisingly weak Q3 GDP growth number.

Retail sales and building approvals are the data highlights in the week ahead and the final report from the Hayne royal commission will also be published.



US

Having spooked investors in December the Fed have since adopted a softer approach and this continued at the most recent meeting last week. No changes were made to monetary policy but the meeting statement and post meeting press conference both adopted a dovish tone. The key emphasis was on a patient and flexible approach, suggesting that further interest rate hikes will be dependent on market conditions. Recent market volatility and benign inflation appear to be the key drivers and it now seems likely that the Fed will keep rates steady for the first half of the year. Economic data remains solid, as evidenced by the strong labour market data released last week.

Although still uncertain, the trade picture took a positive turn last week as Trump suggested a deal with China was possible, either in the near-term or following an extension to the truce.

Factory orders and PMI data are scheduled for release in a quiet week ahead.



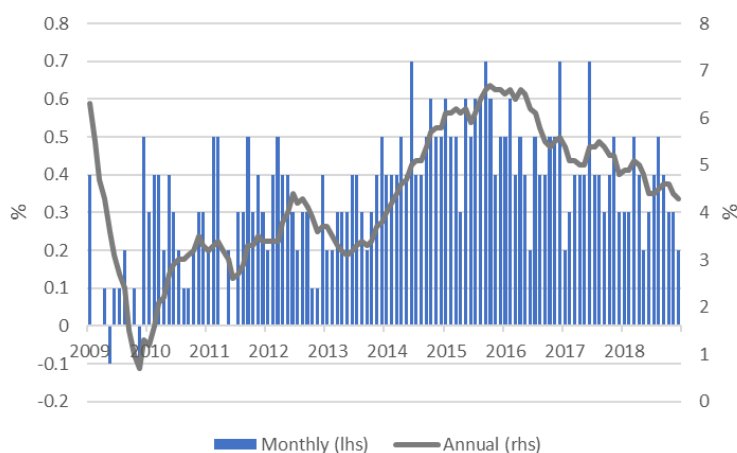
Europe

Fourth quarter GDP data completed the 2018 picture for Europe last week. Having posted strong growth of 2.7% in the 2017 calendar year, the European economy lost momentum last year, declining steadily throughout the year to post 0.2% in Q4 and 1.2% annually.

Brexit was very much in focus last week as UK politicians voted on several proposals in an attempt to determine a path that would attract the required level of support to gain parliamentary approval. Key amendments seeking to hand more control to parliament were narrowly defeated but a vote to accept Theresa May's prior agreement was passed on the provision that the treatment of the Irish border be renegotiated. It remains to be seen whether the EU will be open to any new discussions and the path from here is still uncertain ahead of the 29 March exit date.

Retail sales data is released in Europe this week while the Bank of England meeting is the highlight in the UK.

Chart of the week— Australian private sector credit



Last week, private sector credit continued its weak recent run as December growth missed expectations. Month on month growth of just 0.2% (the lowest level since 2012) pulled the annual growth rate down to a 5-year low of 4.3%.

Underlying data showed weakness in personal credit, but it is the housing side of the equation that is receiving most attention. Both investor and owner occupier numbers are in decline. Falling prices, the transition from interest only to principal and interest and tighter credit standards are all contributing factors.

Looking ahead, implications from the Hayne royal commission final report, debt to income limits as well as the potential for negative gearing and CGT changes all suggest ongoing weak credit growth here.

Source: Bloomberg

Financial market movements

INDICATOR	AS AT 01-FEB-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Index	60,962.08	-0.05	-0.04	10.27	7.48
US S&P 500 Index	5,389.19	1.62	-0.06	14.53	11.32
Europe STOXX 600 Index	685.05	-0.02	-8.18	6.67	5.32
UK FTSE 100 Index	6,212.04	3.10	-1.64	10.32	5.71
Japan TOPIX Index	2,210.01	-0.09	-14.50	5.97	8.45
MSCI World ex-Australia Index	4,448.40	1.33	-2.65	11.51	8.73
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.90	-0.00	0.15	-0.05	-0.10
Australian 10-year bond yield	2.21	-0.01	-0.60	-0.14	-0.36
US 90-day bank bill yield	2.37	0.01	0.94	0.68	0.46
US 10-year bond yield	2.68	-0.07	-0.11	0.24	0.01
UK 10-year bond yield	1.25	-0.06	-0.28	-0.12	-0.29
German 10-year bond yield	0.17	-0.03	-0.56	-0.06	-0.30
COMMODITIES					
		%	%	%	%
Gold	1,317.98	0.98	-2.28	5.31	1.15
Oil—West Texas Crude	55.26	2.92	-16.02	20.45	-10.73
Iron Ore Spot Price Index	81.07	11.47	12.33	25.11	-8.35
CURRENCIES					
		%	%	%	%
AUD:USD	0.72	0.96	-8.00	0.37	-3.70
EUR:USD	1.15	0.39	-7.41	1.03	-3.28
GBP:USD	1.31	-0.92	-6.34	-3.62	-4.32
USD:JPY	109.51	-0.04	0.39	-2.43	1.64
NZD:USD	0.69	0.78	-5.13	1.11	-3.14
CHF:USD	1.00	-0.22	-6.40	0.30	-1.98
AUD:EUR	0.63	0.57	-0.63	-0.65	-0.44
AUD:GBP	0.55	1.89	-1.77	4.13	0.65
AUD:JPY	79.35	0.89	-7.67	-2.08	-2.13

*BP = Basis Point, Source: Bloomberg

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