

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
11-Feb-19	UK GDP growth rate y/y (Q4)	1.5%	1.4%
11-Feb-19	UK industrial production y/y (Dec)	-1.5%	-0.4%
12-Feb-19	Australia home loans m/m (Dec)	-0.9%	-2.0%
12-Feb-19	Australia business confidence (Jan)	3	3
13-Feb-19	Australia consumer confidence (Feb)	99.6	NA
13-Feb-19	UK core inflation rate y/y (Jan)	1.9%	1.9%
13-Feb-19	US core inflation rate y/y (Jan)	2.2%	2.1%
14-Feb-19	US retail sales m/m (Dec)	0.2%	0.2%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

Australia's run of softer data continued last week with a series of weak releases. Building approvals slumped, services PMI dropped sharply and retail sales numbers for the all-important December period were well below consensus expectations.

Despite the emergence of a weaker economic backdrop the RBA remained upbeat while leaving rates on hold last Tuesday. The tone changed significantly as the week progressed however as it became clear that the prior tightening bias has been abandoned in favour of a neutral stance. Interest rate expectations now show a 50/50 chance of a cut by Q3 with a shift lower fully priced in by early next year. Later in the week the Statement on Monetary Policy formally downgraded GDP growth expectations from 3.25% to 3.0% for 2019.

This week we will get another indicator for the housing outlook in the form of home loan data. Both business and consumer confidence measures are also scheduled for release.



#### US

A quiet period in the US has been exacerbated by data delays owing to the recent partial government shut down. Several departments are still gathering the necessary information to catch up, with the delayed Q4 GDP print now scheduled for 28 Feb. Talks between Republican and Democratic negotiators have broken down, raising the prospect of another shutdown.

Trade negotiations between the US and China had been largely out of the headlines until late last week. Comments suggesting that a meeting between Trump and Chinese President Xi Jinping was unlikely to take place ahead of the 1 March deadline prompted risk off sentiment, pushing equity markets lower as the week drew to a close. If a deal can't be struck this month an extension of the current truce would be a welcome development for investors.

In the week ahead, inflation, retail sales and consumer sentiment are the data highlights.



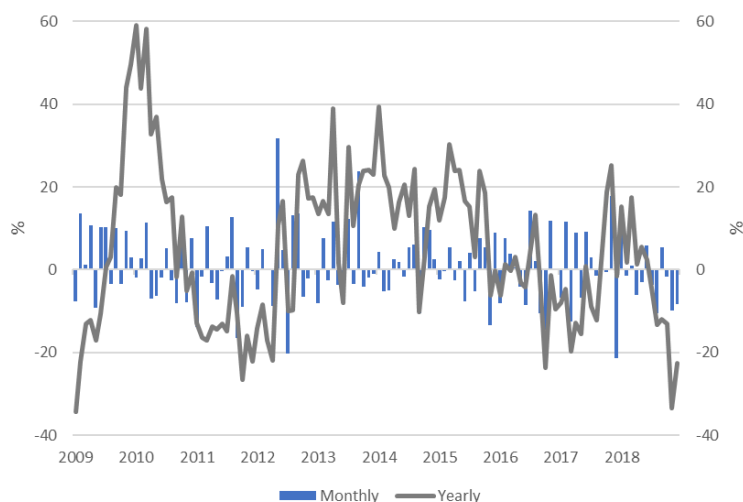
#### Europe

There was a light schedule of data releases in Europe last week. December retail sales data was in line with expectations at -1.6%. In the UK, the Bank of England's monetary policy meeting was the highlight. No changes were made but the comments by Governor Carney, caught investors attention as he outlined the Bank's expectations for the slowest year of economic growth since the global financial crisis, even if Brexit proceeds smoothly.

On the Brexit front, it appears there has been little progress since UK politicians voted to send Theresa May back to Brussels to renegotiate issues surrounding the Irish border. Last week the potential for delaying a second vote (originally scheduled for this week) was raised – an eventuality that seems increasingly likely.

This week, industrial production is the highlight in Europe while Q4 GDP, inflation and retail sales data are scheduled for release in the UK.

## Chart of the week— Australian building approvals



Source: Bloomberg

Residential building approvals were extremely weak in November last year but had been expected to post a modest rebound in December. The data proved disappointing, showing another sharp drop of 8.4% in December and -22.5% over the year.

The dramatic decline, predominantly felt in the second half of last year, has been driven by apartment approvals. Over the last six months this sector has experienced an average decline of 9% per month. While approvals for houses have also declined, the rate of decent is far less concerning for that part of the market.

In terms of economic implications, a solid pipeline of work will support construction activity in the near-term, but a sharp decline appears likely in the second half of the year, potentially weighing on employment and economic activity.

## Financial market movements

INDICATOR	AS AT 08-FEB-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
<b>EQUITIES</b>					
		%	%	%	%
S&P/ASX 200 Accum. Index	6,071.46	3.56	4.00	7.99	2.93
US S&P 500 TR^ Index	2,707.88	0.05	3.37	13.97	8.27
Europe STOXX TR Index	358.07	-0.46	-2.86	5.66	1.68
UK FTSE 100 TR Index	7,071.18	0.73	-0.30	8.49	1.17
Japan TOPIX TR Index	1,539.40	-1.61	-11.12	6.76	5.03
MSCI World ex-Australia TR Index	2,057.91	-0.49	-1.37	11.30	4.52
<b>FIXED INCOME</b>					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.90	-0.00	0.10	-0.05	-0.11
Australian 10-year bond yield	2.10	-0.10	-0.79	-0.16	-0.41
US 90-day bank bill yield	2.38	0.01	0.88	0.70	0.46
US 10-year bond yield	2.63	-0.05	-0.19	0.29	-0.01
UK 10-year bond yield	1.15	-0.10	-0.47	-0.09	-0.31
German 10-year bond yield	0.09	-0.08	-0.68	-0.04	-0.32
<b>COMMODITIES</b>					
		%	%	%	%
Gold	1,316.61	-0.10	-0.16	3.45	0.77
Oil—West Texas Crude	52.72	-4.60	-13.79	21.09	-12.00
Iron Ore Spot Price Index	81.07	11.47	12.33	25.11	-8.35
<b>CURRENCIES</b>					
		%	%	%	%
AUD:USD	0.71	-2.22	-9.83	-0.03	-4.55
EUR:USD	1.13	-1.16	-7.88	0.09	-3.66
GBP:USD	1.29	-1.03	-6.46	-3.76	-4.63
USD:JPY	109.72	0.20	0.98	-1.08	1.42
NZD:USD	0.67	-2.30	-7.20	0.27	-4.00
CHF:USD	1.00	-0.53	-6.46	-0.46	-2.14
AUD:EUR	0.63	-1.03	-2.13	-0.12	-0.92
AUD:GBP	0.55	-1.17	-3.61	3.88	0.08
AUD:JPY	77.77	-2.04	-8.97	-1.11	-3.20

\*BP = Basis Point, Source: Bloomberg; ^TR = Total Return

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