

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
19-Feb-19	RBA meeting minutes	NA	NA
19-Feb-19	UK unemployment rate (Dec)	4.0%	4.0%
20-Feb-19	Australia wage price index y/y (Q4)	2.3%	2.3%
21-Feb-19	Australia unemployment rate (Jan)	5.0%	5.0%
21-Feb-19	Japan manufacturing PMI (Feb)	50.3	50.4
21-Feb-19	Europe composite PMI (Feb)	51.0	50.8
21-Feb-19	US durable goods orders m/m (Dec)	0.8%	1.8%
21-Feb-19	US composite PMI (Feb)	54.4	55.1

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Australian economic data has been in focus for the wrong reasons in recent weeks, painting a less than ideal picture. The run continued last week as home loan data surprised to the downside, fuelling expectations of ongoing house price declines in the year ahead. On a more positive note, business conditions rebounded, and business confidence also nudged higher. Consumers also showed improved confidence in February, a bounce in sentiment almost erasing January's sharp decline.

The recent shift in tone from the RBA was further explained in a speech by head of economic analysis Alexandra Heath last week. Heath cited weaker than expected retail sales and consumption as key drivers for the RBA's changing stance. The labour market will be a key determinant of RBA monetary policy from here.

This week the RBA meeting minutes, the Q4 wage price index and labour market data are the domestic highlights.



US

The data schedule in the US is slowly returning to normal following the recent government shutdown. Last week inflation data was inline with expectations, with core prices growing at 2.2% in the 12 months to January. Later in the week retail sales and industrial production missed expectations while consumer sentiment outperformed.

US-China trade talks were back in focus last week, with Trump suggesting the US may be open to extending the 1 March truce deadline if a deal appears close. Chinese President Xi Jinping also said that progress had been made on some of the key issues, spurring equity market gains late in the week. Negotiations now shift to Washington this week.

In the week ahead, PMI data is the highlight while durable goods orders and sales numbers for existing homes are also scheduled for release. The Fed minutes are published on Thursday.



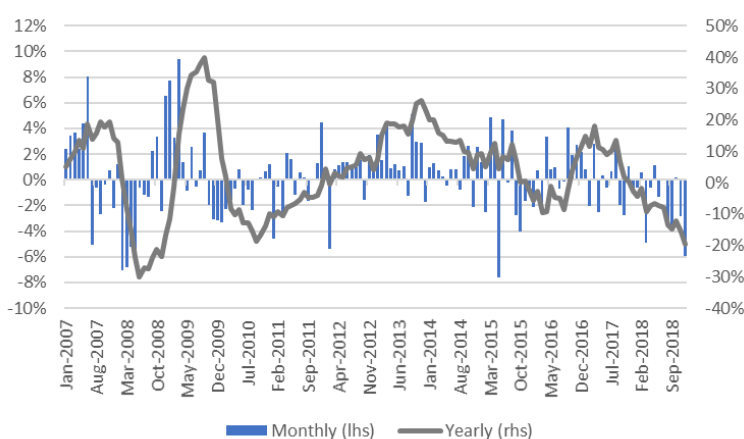
Europe

A sparse data schedule saw industrial production miss market expectations in Europe last week. In the UK the effects of Brexit may be increasingly impacting the economy, as December GDP growth shifted in to negative territory at -0.4% for the month, in contrast to market expectations of a flat reading. Bank of England governor Mark Carney also presented a bearish outlook and warned of the dangers of a no-deal Brexit.

There has been limited progress on Brexit negotiations over the last two weeks, with some confusion as to the next step. Last week Theresa May told parliament that she would provide a more detailed update on Feb 26, and that she needs further time to negotiate with Brussels. Cynics have suggested that she is running the clock down in order to make her deal the only alternative to a no-deal exit.

This week, PMI data is the highlight in Europe, while labour market data is the key release in the UK.

Chart of the week— Australian home loans



Home loan data has been particularly weak throughout 2018 and that continued when the December data was reported last week. Home loans declined 5.9% in December and 19.8% over the year, the worst annual number since the financial crisis.

The details were also weak. After investors drove falls for most of 2018, they were joined by both owner occupiers and first home buyers in December, who's numbers were down 6.4% and 8% respectively over the month.

Declining home loan data is not a good sign for the housing market and with loans decreasing more rapidly and by a greater amount than expected, it is not unreasonable to expect further house price declines ahead.

Source: Bloomberg

Financial market movements

INDICATOR	AS AT 15-FEB-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	63,251.19	0.19	7.20	11.39	6.99
US S&P 500 TR^ Index	5,533.27	2.56	3.60	15.43	10.81
Europe STOXX TR Index	700.52	3.51	-4.16	7.63	4.68
UK FTSE 100 TR Index	6,421.70	2.62	3.40	10.93	5.27
Japan TOPIX TR Index	2,227.90	0.53	-7.51	8.32	7.07
MSCI World ex-Australia TR Index	4,558.08	2.34	1.50	12.53	8.15
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.90	-0.00	0.17	-0.05	-0.10
Australian 10-year bond yield	2.13	0.07	-0.79	-0.13	-0.41
US 90-day bank bill yield	2.38	0.00	0.82	0.70	0.46
US 10-year bond yield	2.66	0.03	-0.25	0.30	-0.02
UK 10-year bond yield	1.16	0.01	-0.49	-0.09	-0.33
German 10-year bond yield	0.10	0.01	-0.66	-0.05	-0.32
COMMODITIES					
		%	%	%	%
Gold	1,322.49	0.62	-2.30	3.03	0.06
Oil—West Texas Crude	55.59	5.44	-9.37	23.60	-11.13
Iron Ore Spot Price Index	84.10	3.74	12.81	24.48	-7.32
CURRENCIES					
		%	%	%	%
AUD:USD	0.71	1.06	-9.81	-0.09	-4.59
EUR:USD	1.13	0.13	-8.99	0.55	-3.88
GBP:USD	1.29	0.38	-7.83	-3.45	-5.01
USD:JPY	110.47	0.08	3.64	-0.82	1.54
NZD:USD	0.69	1.86	-6.97	1.06	-3.76
CHF:USD	1.00	-0.08	-7.53	-0.39	-2.44
AUD:EUR	0.63	0.93	-0.89	-0.65	-0.74
AUD:GBP	0.55	0.71	-2.16	3.48	0.44
AUD:JPY	78.84	1.15	-6.53	-0.92	-3.12

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

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