

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
26-Feb-19	Australia construction work done q/q (Q4)	-2.8%	0.4%
28-Feb-19	UK consumer confidence (Feb)	-14	-15
28-Feb-19	Australia private capex q/q (Q4)	-0.5%	0.5%
28-Feb-19	Australia private sector credit m/m (Jan)	0.2%	0.3%
28-Feb-19	US GDP growth rate q/q (Q4)	3.4%	2.4%
28-Feb-19	US core PCE prices q/q (Q4)	1.6%	1.6%
01-Mar-19	Europe unemployment rate (Jan)	7.9%	7.9%
01-Mar-19	Europe core inflation rate y/y (Feb)	1.1%	1.1%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

There were two significant data prints in Australia last week. Firstly, the wage price index for Q4 was published, missing expectations over the quarter but meeting consensus of 2.3% growth over the 2018 calendar year. Later in the week the January labour market data was strong, with just under 40k jobs created in the month. Elsewhere, PMI numbers were soft, dipping below the neutral level of 50.

The RBA minutes from the February meeting were published last week. The shift towards neutral was very much evident with the next move again described as being equally likely to be a cut or a hike. The path of house prices, along with the impact on the consumer and the health of the labour market will be key to RBA policy in the period ahead. Rates on hold is the base case for this year but there are growing calls for a cut.

This week construction work and private capex for Q4 as well as private sector credit for January are the highlights.



US

A relatively quiet week on the data front saw PMI numbers up at the composite level, with the underlying components showing weakness in the manufacturing sector that was more than offset by strength in the services sector. The composite number nudged up to 55.8, which is strong compared to global peers. Elsewhere durable goods orders nudged higher but missed market expectations.

Away from data the Fed meeting minutes were published, providing some more detail around the dovish shift that became evident in late January. It is now clear that there is less of a uniform opinion on the direction for rates this year and that the pace of the balance sheet reduction is also likely to be reduced. Later in the week the market began to factor in the potential for positive developments in US-China trade negotiations.

Q4 GDP as well as core PCE prices, the Fed's preferred inflation measure, are the key data releases this week.



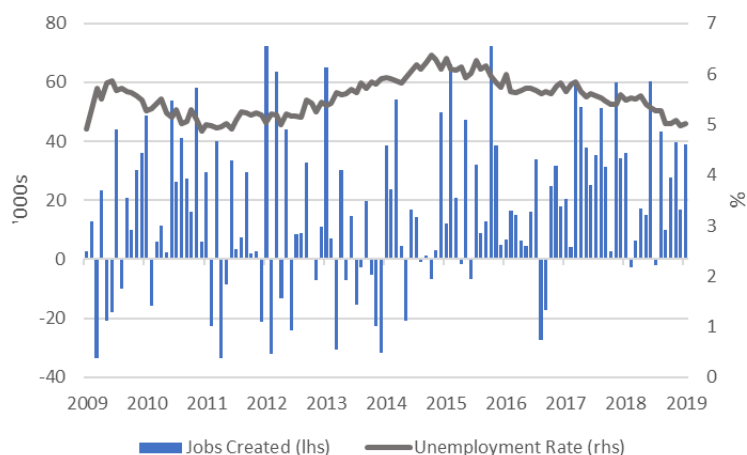
Europe

PMI numbers were the highlight in European data last week. In a similar pattern to the US, manufacturing was weaker while the services component was stronger, leading to a slightly stronger than expected result overall. In the UK the strong labour market picture continued, with the unemployment rate holding at 4% in December.

Brexit remains very much in focus as we approach the 29 March deadline. Prime minister May has held a series of talks with EU officials in recent weeks, but progress so far appears to have been limited. From here there are three realistic options. The first sees the approval of the current (or a similar) deal. The second path is a no deal Brexit, which would be the most damaging. The final possibility is a delay, which would bring the positive possibility a second referendum in to play, as well as a delayed version of options one and two above.

Inflation and labour market data are the highlights in Europe in the week ahead.

Chart of the week— Australian labour market



Source: Bloomberg

The labour market has been a bright spot in an otherwise weak period for Australian economic data, maintaining a picture strength in to the end of 2018. The first release for 2019 showed that picture continuing to kick off the year, with 39k jobs created in January versus consensus expectations of just 15k. The unemployment rate held at 5% as the participation rate ticked higher.

The underlying picture was also strong, with 65k full-time jobs offsetting a decline in the part-time component. Looking ahead, the labour market will be a crucial determinant of monetary policy in Australia. The RBA expects the unemployment rate to hold at current levels, while those calling for rate cuts expect a deterioration as the year progresses.

Financial market movements

INDICATOR	AS AT 22-FEB-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	64,417.45	1.84	7.24	12.85	7.14
US S&P 500 TR^ Index	5,569.45	1.76	3.68	14.99	10.90
Europe STOXX TR Index	706.33	0.83	-3.64	8.12	4.62
UK FTSE 100 TR Index	6,387.81	-0.53	3.27	10.44	5.01
Japan TOPIX TR Index	2,273.47	2.05	-6.86	9.14	7.34
MSCI World ex-Australia TR Index	4,594.36	0.80	1.77	12.47	8.19
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.90	0.00	0.18	-0.05	-0.10
Australian 10-year bond yield	2.09	-0.05	-0.76	-0.10	-0.42
US 90-day bank bill yield	2.40	0.02	0.80	0.69	0.47
US 10-year bond yield	2.65	-0.01	-0.27	0.30	-0.02
UK 10-year bond yield	1.16	-0.00	-0.39	-0.08	-0.33
German 10-year bond yield	0.10	-0.01	-0.61	-0.03	-0.32
COMMODITIES					
		%	%	%	%
Gold	1,329.40	0.52	-0.20	3.23	0.08
Oil—West Texas Crude	57.26	5.24	-8.78	22.07	-10.94
Iron Ore Spot Price Index	85.21	-3.26	14.30	23.63	-7.21
CURRENCIES					
		%	%	%	%
AUD:USD	0.71	0.08	-9.15	-0.46	-4.58
EUR:USD	1.13	0.24	-7.95	0.96	-3.78
GBP:USD	1.31	1.02	-6.53	-2.21	-4.78
USD:JPY	110.70	0.07	3.53	-0.68	1.60
NZD:USD	0.69	0.19	-6.05	0.68	-3.82
CHF:USD	1.00	0.42	-6.22	-0.33	-2.38
AUD:EUR	0.63	-0.16	-1.30	-1.41	-0.83
AUD:GBP	0.55	-0.94	-2.80	1.79	0.22
AUD:JPY	78.99	0.16	-5.95	-1.15	-3.05

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

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