

### Major upcoming global economic releases and events

| DATE      | DATA/EVENT                                 | PREVIOUS | CONSENSUS |
|-----------|--|----------|-----------|
| 11-Mar-19 | US retail sales m/m (Jan)                  | -1.2%    | 0.0%      |
| 12-Mar-19 | Australia business confidence (Feb)        | 4        | 3         |
| 12-Mar-19 | UK GDP growth rate m/m (Jan)               | -0.4%    | 0.2%      |
| 12-Mar-19 | US core inflation rate y/y (Jan)           | 2.2%     | 2.2%      |
| 13-Mar-19 | Australian consumer confidence (Mar)       | 103.8    | NA        |
| 13-Mar-19 | Australian home loans m/m (Jan)            | -6.1%    | 1.0%      |
| 13-Mar-19 | UK parliamentary vote on Brexit deal       | -        | -         |
| 13-Mar-19 | China fixed asset investment y/y (Jan-Feb) | 5.9%     | 6.0%      |

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

It was a busy week in Australia last week with some key data releases. GDP growth came in below expectations in Q4 2018, missing both RBA and market expectations. Later in the week, retail sales numbers were also on the weaker side, advancing just 0.1% in January. The soft retail picture appears to be confirming spill over effects from the weak housing market. Since house prices peaked in September 2017 the weakest retail sector has been household goods, which have suffered from decreased turnover in dwelling sales. Evidence of a broader effects in clothing and cafes would be a red flag for the domestic economy.

The RBA left rates on hold last week. Weaker data supports their recent shift to a neutral stance, but the weak GDP data means that their recently revised forecasts are already looking tough to achieve.

This week business and consumer confidence measure are reported as well as home lending data.



#### US

A relatively quiet week in the US saw the data highlights reported on Friday US-time, after the end of the Australian week. Non-farm payrolls came in at 20k jobs created in February, well below consensus of 180k. The unemployment rate pushed lower from 4% in January to 3.8%, showing that the labour market remains strong. Average hourly earnings, which has gradually improved in recent months, was up 0.4%, exceeding market expectations of a 0.3% gain. Both housing starts and building approvals were stronger than expected, an encouraging result given housing market measures have been weak recently.

The US sees a busy week on the data front. Retail sales, durable goods, new home sales, industrial production and consumer sentiment are all released. The data highlight is February CPI number, which is expected to remain close to the Fed's 2% target, supporting the recent move to a more patient approach to interest rate hikes.



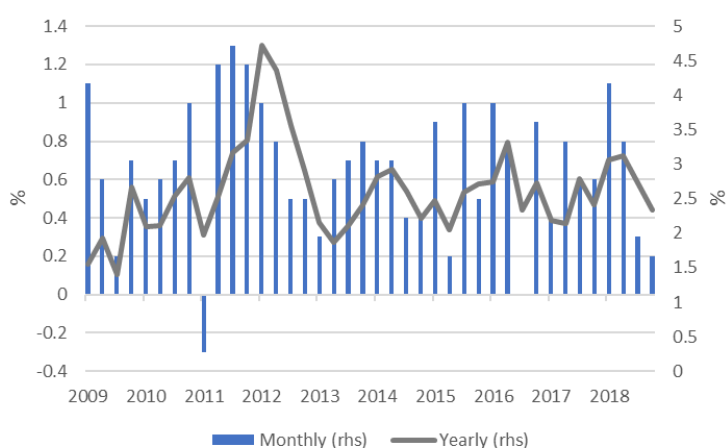
#### Europe

A sparse data schedule last week saw a weaker construction PMI number offset by a strong services sector result in the UK while in Europe retail sales data was broadly in line with expectations.

It was a busy week for central banks last week with both the Bank of England and the ECB meeting. In the UK there was a distinctly dovish tone but in Europe the ECB went beyond market expectations, lowering economic forecasts, pushing out the timing of potential rate hikes, introducing further easing measures and emphasising downside risks. The GDP forecast for 2019 was slashed from 1.7% to 1.1% and the 2020 forecast was also trimmed from 1.7% to 1.6%. Inflation is expected to hit 1.6% by 2021 (previously 1.8%), suggesting upward pressure on interest rates is unlikely in the medium term. The Euro fell sharply following the ECB announcement.

This week the key event for both the UK and Europe is the UK parliamentary vote on Brexit, which is scheduled to take place on Tuesday.

## Chart of the week—Australian GDP growth



Source: Bloomberg

Australian GDP growth painted an underwhelming picture when it was reported for the fourth quarter of 2018 last week. The economy grew at 0.2%, bringing the annual number to 2.3%, both below consensus and well below the RBA's expectations. The Q4 result follows a weak 0.3% number in Q3 and means that the Australian economy advanced just 0.9% in the second half of 2018, a dramatic slowdown from the 3.8% outcome in the first half of the year.

From an RBA perspective the weaker growth number supports the recent move to a neutral stance but there will no doubt be disappointment that the GDP forecast, revised lower as recently as last month, already appears to be off track. From here the labour market will be of key importance for the monetary policy outlook.

## Financial market movements

| INDICATOR                         | AS AT 08-MAR-19 | 1 WEEK CHANGE | 1 YEAR CHANGE | 3 YEAR CHANGE (ANNUALISED) | 5 YEAR CHANGE (ANNUALISED) |
|-----------------------------------|-----------------|---------------|---------------|----------------------------|----------------------------|
| <b>EQUITIES</b>                   |                 | %             | %             | %                          | %                          |
| S&P/ASX 200 Accum. Index          | 65,274.96       | 0.57          | 8.63          | 10.98                      | 7.40                       |
| US S&P 500 TR^ Index              | 5,476.39        | -2.12         | 0.41          | 12.95                      | 10.24                      |
| Europe STOXX TR Index             | 706.96          | -1.25         | -3.27         | 5.99                       | 4.98                       |
| UK FTSE 100 TR Index              | 6,345.99        | 0.15          | 2.63          | 9.33                       | 5.29                       |
| Japan TOPIX TR Index              | 2,221.80        | -2.67         | -6.62         | 6.91                       | 6.85                       |
| MSCI World ex-Australia TR Index  | 4,531.45        | -1.82         | -0.28         | 10.47                      | 7.85                       |
| <b>FIXED INCOME</b>               | %               | BP            | BP            | BP                         | BP                         |
| Australian 90-day bank bill yield | 1.82            | -0.08         | 0.10          | -0.08                      | -0.13                      |
| Australian 10-year bond yield     | 2.03            | -0.12         | -0.77         | -0.18                      | -0.43                      |
| US 90-day bank bill yield         | 2.40            | -0.00         | 0.75          | 0.70                       | 0.47                       |
| US 10-year bond yield             | 2.63            | -0.12         | -0.23         | 0.27                       | -0.03                      |
| UK 10-year bond yield             | 1.19            | -0.11         | -0.29         | -0.07                      | -0.32                      |
| German 10-year bond yield         | 0.07            | -0.11         | -0.56         | -0.04                      | -0.32                      |
| <b>COMMODITIES</b>                |                 | %             | %             | %                          | %                          |
| Gold                              | 1,298.30        | 0.38          | -1.79         | 0.96                       | -0.63                      |
| Oil—West Texas Crude              | 56.07           | 0.48          | -6.74         | 15.38                      | -11.38                     |
| Iron Ore Spot Price Index         | 83.17           | 1.91          | 14.51         | 9.88                       | -5.49                      |
| <b>CURRENCIES</b>                 |                 | %             | %             | %                          | %                          |
| AUD:USD                           | 0.70            | -0.68         | -10.69        | -1.93                      | -4.86                      |
| EUR:USD                           | 1.12            | -1.15         | -8.92         | 0.17                       | -4.14                      |
| GBP:USD                           | 1.30            | -1.85         | -6.82         | -3.19                      | -4.88                      |
| USD:JPY                           | 111.04          | -0.76         | 4.34          | -0.64                      | 1.46                       |
| NZD:USD                           | 0.68            | -0.10         | -6.89         | 0.62                       | -4.32                      |
| CHF:USD                           | 0.99            | -0.85         | -5.96         | -0.76                      | -2.72                      |
| AUD:EUR                           | 0.63            | 0.50          | -1.93         | -2.09                      | -0.75                      |
| AUD:GBP                           | 0.54            | 1.21          | -4.15         | 1.30                       | 0.03                       |
| AUD:JPY                           | 78.08           | -1.46         | -6.80         | -2.56                      | -3.47                      |

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

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