

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
26-Mar-19	US building permits m/m (Feb)	1.4%	NA
26-Mar-19	US housing starts m/m (Feb)	18.6%	NA
28-Mar-19	Europe economic sentiment	106.1	105.9
29-Mar-19	Japan unemployment rate (Feb)	2.5%	2.5%
29-Mar-19	UK consumer confidence (Mar)	-13	-14
29-Mar-19	Australia private sector credit m/m (Feb)	0.2%	0.2%
29-Mar-19	US Core PCE price index y/y (Jan)	1.9%	1.8%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

House prices extended the recent move lower in Q4 2018 according to data released last week. The path from here, and potential for spill over effects to the broader economy, will be a key determinant of economic health and monetary policy in the period ahead. Labour market data was also released and continues to paint a strong picture, which is somewhat at odds with other recent data.

The minutes from the most recent RBA meeting were published last week. There were no major developments, which is not surprising given the recent shift towards a more neutral stance. However, it should be noted that in the period since the meeting we have seen the weaker than expected Q4 GDP numbers and it remains to be seen how the RBA react to that. While the labour market remains strong the RBA will likely resist calls from some commentators to cut interest rates.

Private sector credit is the highlight in a quiet week ahead in Australia.



US

There was a relatively sparse schedule of data releases in the US last week. On Friday, PMI data came in below expectations for both the manufacturing and services sectors.

The Fed met last week and again spurred a strong market reaction as they took a further step away from policy tightening. The assessment of current economic conditions has clearly weakened while the outlook for this year and next was also downgraded. The Fed now expects GDP growth of 2.1% in 2019, from 2.3% in the previous forecast. The US central bank also made a significant shift in interest rate expectations, with the dot plot now indicating no hikes in the year ahead (previously 2) and just one over 2020 and 2021 (previously 3). The end of ongoing balance reduction was also flagged for September. The tightening cycle that has been underway since 2015 now appears at, or very close to its end.

In the week ahead building permits, housing starts and Core PCE inflation are the data highlights.



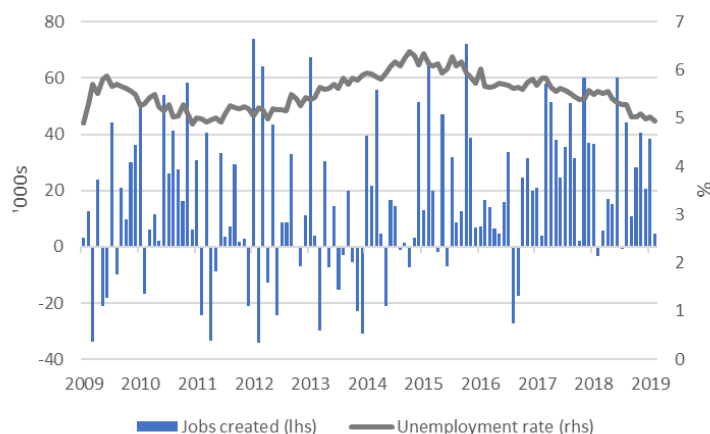
Europe

There were a number of data releases in the UK last week. The unemployment rate dipped from 4% to 3.9%, core inflation remained under control at 1.8% in the year to February while retail sales exceeded expectations again in February. The UK economy appears to be holding up well despite ongoing Brexit uncertainty. The Bank of England left rates at 0.75%, as widely expected.

The Brexit deadline is rapidly approaching. Without agreement of an alternative arrangement some time this week, the UK will crash out of the EU on Friday. Theresa May has requested an extension to the deadline, which the EU have agreed to on the provision that The Prime Minister can deliver parliamentary approval for her exit deal. Failing that the UK will likely request a longer delay but at this stage all options, both positive and negative, remain viable.

A quiet week of data in the UK and Europe in the week ahead sees economic sentiment measures released in Europe along with consumer confidence in the UK.

Chart of the week—Australian labour market data



Source: Bloomberg

Last week Australian labour market data showed that 4,600 jobs were created in February, below market expectations of a 15,000 gain. The unemployment rate dipped to 4.9%, below the 5% recorded in January and starting with a 4 for the first time since June 2011.

The latest data shows that the disconnect between labour market strength and broader economic weakness is still in place. With unemployment this low we would typically be talking about rate hikes, but the market is actually pricing RBA easing.

Looking ahead the RBA expect the labour market to remain well supported and for wage growth to increase very gradually. If this proves to be overly optimistic then calls for rate cuts will strengthen.

Financial market movements

INDICATOR	AS AT 22-MAR-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	65,234.92	0.35	11.14	11.53	7.67
US S&P 500 TR^ Index	5,595.50	-0.75	10.39	13.50	10.72
Europe STOXX TR Index	712.75	-2.05	0.90	6.94	5.24
UK FTSE 100 TR Index	6,447.10	-0.20	8.70	10.04	5.81
Japan TOPIX TR Index	2,284.96	1.82	-1.05	7.74	8.70
MSCI World ex-Australia TR Index	4,617.40	-1.17	7.58	11.16	8.43
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.82	-0.00	0.11	-0.07	-0.13
Australian 10-year bond yield	1.77	-0.21	-0.88	-0.27	-0.47
US 90-day bank bill yield	2.40	0.00	0.70	0.70	0.47
US 10-year bond yield	2.44	-0.15	-0.39	0.17	-0.06
UK 10-year bond yield	1.01	-0.20	-0.43	-0.15	-0.35
German 10-year bond yield	-0.02	-0.10	-0.54	-0.08	-0.33
COMMODITIES					
		%	%	%	%
Gold	1,313.70	0.77	-2.94	2.58	0.04
Oil—West Texas Crude	59.04	0.89	-8.18	12.51	-9.91
Iron Ore Spot Price Index	74.74	-9.58	18.39	9.39	-5.99
CURRENCIES					
		%	%	%	%
AUD:USD	0.71	-0.32	-8.61	-1.93	-5.03
EUR:USD	1.13	-0.36	-9.23	0.38	-3.96
GBP:USD	1.32	-0.32	-7.15	-2.22	-4.38
USD:JPY	110.02	-1.27	4.37	-0.91	1.47
NZD:USD	0.69	0.47	-5.66	0.98	-4.30
CHF:USD	1.01	0.76	-4.84	-0.54	-2.34
AUD:EUR	0.63	0.05	0.69	-2.30	-1.11
AUD:GBP	0.54	-	-1.57	0.30	-0.68
AUD:JPY	77.90	-1.58	-4.61	-2.82	-3.63

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

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