

WEEKLY MARKET UPDATE / OVERVIEW FOR THE WEEK STARTING 01 APRIL 2019

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
01-Apr-19	Australia business confidence (Mar)	2	4
01-Apr-19	Europe core inflation rate y/y (Mar)	1.0%	0.9%
01-Apr-19	US Retail sales m/m (Feb)	0.2%	0.3%
02-Apr-19	Australia building permits m/m (Feb)	2.5%	-1.0%
02-Apr-19	Australia interest rate decision	1.50%	1.50%
03-Apr-19	Australia retail sales m/m (Feb)	0.1%	0.2%
05-Apr-19	US unemployment rate (Mar)	3.8%	3.8%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Last week was a quiet period in terms of domestic data publication. Private sector credit was the most notable release, matching expectations in February by growing at 0.3% over the month.

The RBA has joined global central banks in signalling a softer approach to monetary policy early in 2019. The change in rhetoric has seen a significant shift in interest rate expectations when compared to as recently as November last year. Market pricing has shifted from interest rate hikes this year to now suggesting between one and two interest rate cuts. The RBA meets this week and while the weak Q4 GDP data has been published since their prior meeting, the subsequent labour market data has also seen the unemployment rate dip below 5%. How the RBA assesses those two developments will be of key importance for the likely path of interest rates in the year ahead.

This week sees two key data releases in Australia. Building permits will help gauge the outlook for the housing market while retail sales will be watched for signs of consumer weakness.



US

US economic data was generally on the weaker side last week. Building permits and pending home sales were both below consensus while GDP growth was revised lower to a 2.3% annualised rate in the December quarter.

Away from data, the long running trade negotiations between the US and China were back in focus last week. On Thursday a delegation of senior officials arrived in Beijing from Washington to try and progress the largely positive progress made so far this year. Markets reacted favourably to early reports that China had made proposals on a range of issues, including the highly contentious issue of forced technology transfer. A favourable resolution to the current negotiations would be positive for markets, although current pricing already largely reflects this outcome. Longer-term this is likely to be an ongoing issue as China continues to challenge the US.

In the week ahead, retail sales and durable goods orders are released ahead of March labour market data on Friday.



Europe

A sparse data calendar in both the UK and Europe last week saw sentiment measures remain under pressure, which is not surprising given ongoing Brexit related uncertainty and the recent slowdown in economic growth.

The Brexit landscape remains fluid and extremely uncertain, with new developments on a daily basis. Last week saw developments on two fronts. Firstly, MPs voted on a series of alternative approaches to Brexit and were unable to identify anything with majority support. Secondly, Prime Minister May attempted to gain enough support for her exit agreement. She ultimately failed, meaning that the EU deadline for its approval has passed. The UK now seems likely to be forced to participate in the European parliamentary elections in May, although it is possible another extension would be approved if the exit deal gains UK approval this week.

Business confidence and trade data are released this week, but the focus will likely be on retail sales, as investors look for any signs of consumer weakness.

Chart of the week—Sterling volatility



Source: Bloomberg

Sterling has become increasingly volatile in recent months as the Brexit deadline approached, rising when a softer, less disruptive exit looked more likely and then falling when the outlook became less certain.

The EU had granted an initial extension to 12 April, with provision that this could be pushed out to 22 May if the exit agreement was approved by Friday last week. Because that did not occur there is now confusion over the next steps, but a longer delay seems inevitable.

Looking ahead, the pound is likely to rally modestly if a hard Brexit can be avoided, or at least delayed meaningfully. Having said that, a prolonged period of uncertainty will cap significant gains and keep volatility elevated.

Financial market movements

INDICATOR	AS AT 29-MAR-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	65,101.27	-0.20	12.06	12.07	7.42
US S&P 500 TR^ Index	5,664.46	1.31	9.50	13.27	10.75
Europe STOXX TR Index	721.32	1.20	0.60	7.59	4.84
UK FTSE 100 TR Index	6,515.26	1.06	7.69	10.18	5.87
Japan TOPIX TR Index	2,269.64	-0.67	-5.38	8.95	7.65
MSCI World ex-Australia TR Index	4,662.29	1.35	6.51	11.23	8.27
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.80	-0.02	-0.24	-0.08	-0.13
Australian 10-year bond yield	1.80	0.02	-0.80	-0.24	-0.47
US 90-day bank bill yield	2.37	-0.04	0.66	0.70	0.46
US 10-year bond yield	2.41	-0.03	-0.33	0.20	-0.06
UK 10-year bond yield	1.00	-0.01	-0.35	-0.14	-0.35
German 10-year bond yield	-0.07	-0.06	-0.57	-0.07	-0.33
COMMODITIES					
		%	%	%	%
Gold	1,292.84	-2.20	-3.61	1.88	0.22
Oil—West Texas Crude	60.14	1.86	-7.39	16.25	-9.97
Iron Ore Spot Price Index	81.10	-0.94	32.54	14.31	-5.23
CURRENCIES					
		%	%	%	%
AUD:USD	0.71	-0.03	-7.22	-2.53	-5.12
EUR:USD	1.12	-0.76	-8.75	-0.49	-4.03
GBP:USD	1.30	-1.22	-7.19	-2.88	-4.76
USD:JPY	110.96	0.90	4.79	-0.22	1.37
NZD:USD	0.68	-1.33	-5.49	-0.42	-4.62
CHF:USD	1.01	-0.26	-3.99	-1.25	-2.35
AUD:EUR	0.63	0.75	1.69	-2.05	-1.13
AUD:GBP	0.55	1.22	0.00	0.36	-0.38
AUD:JPY	78.90	0.87	-2.76	-2.71	-3.82

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

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