

## WEEKLY MARKET UPDATE / OVERVIEW FOR THE WEEK STARTING 29 APRIL 2019

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
29-Apr-19	US core PCE price index y/y (Mar)	1.8%	1.7%
30-Apr-19	UK consumer confidence (Apr)	-13	-12
30-Apr-19	Australia private sector credit m/m (Mar)	0.3%	0.3%
30-Apr-19	Europe unemployment rate (Mar)	7.8%	7.8%
30-Apr-19	Europe GDP growth rate y/y (Q1)	1.1%	1.1%
02-May-19	UK interest rate decision	0.75%	0.75%
03-May-19	Australia building permits m/m (Mar)	19.1%	-1.0%
03-May-19	US unemployment rate (Apr)	3.8%	3.8%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

There was a sparse schedule of data releases in Australia last week as the end of the Easter weekend followed by Anzac Day on Thursday shortened the working week. The highlight was the inflation report, which was published on Wednesday. Headline CPI was flat in Q1 meaning that the annual number was just 1.3%, well below the 1.5% consensus number. The underlying measures were also all weak and a long way below the RBA's own expectations. Underlying inflation has now been at the bottom of, or below, the RBA's 2-3% target range for the last 13 quarters. Such a weak inflationary environment is spurring talk of a rate cut, with the May meeting now seen as a live chance of a shift lower.

Away from data, the upcoming Federal election continues to dominate headlines in Australia. Polling suggests a change in government and this kind of uncertainty is typically seen as a negative for markets.

Private sector credit and building approvals are the highlights this week.



#### US

Recent data has suggested some stabilisation in the US economy after a slow down in late 2018. That trend continued last week as new home sales and durable goods orders both beat expectations and Q1 GDP was reported at 3.2%, well above the consensus number of 2.2%. Consumer confidence also outperformed.

The US political landscape, which has been so influential for investment markets in recent years is gearing up for more developments in the coming year. Last week former US vice president Joe Biden officially put himself forward as a Democratic presidential candidate for next year's election. Biden is seen as a front runner and joins Senator Bernie Sanders, who is favourite to contest Trump in the eyes of many. Democratic presidential primaries will take place in the first half of next year ahead of the election in late 2020.

Inflation data and labour market numbers are the highlights this week alongside the Fed meeting.



#### Europe

The shortened post Easter week was a quiet one in the UK and Europe. Consumer confidence missed expectations in Europe with negatives in the form of social unrest in France and Brexit uncertainty adding to concerns over slower economic growth in late 2018.

The Brexit process is ongoing, with a series of extensions pushing the saga beyond the original March 29 deadline. Behind the scenes Theresa May is now negotiating with the opposition Labour party in an attempt to find some common ground for a deal that could be achieved before the European parliamentary elections, which are to be held between 23 and 26 May. The outlook is still extremely uncertain.

A busy European calendar see Q1 GDP, labour market data, and inflation numbers released in the week ahead. In the UK, consumer confidence data is published while the Bank of England will also meet and publish the inflation report.

## Chart of the week—Australian dollar



The Australian dollar has been on a downward path against the US dollar over the last year. The declines were sharpest throughout the second half of 2018, where the US Fed were raising rates and delivering a hawkish outlook and the RBA were keeping rates on hold and giving more neutral guidance.

The exchange rate is little changed year to date, with the current level matching that recorded in early January. The lack of change masks some volatility, as both the Fed and the RBA have adjusted their outlooks and adopted a more cautious tone.

Last week the underwhelming Q1 CPI data in Australia spurred expectations of a rate cut in May, sending the local currency sharply lower, with the Aussie briefly dipping below 70 US cents in intraday trading.

Source: Bloomberg

## Financial market movements

INDICATOR	AS AT 26-APR-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
<b>EQUITIES</b>					
		%	%	%	%
S&P/ASX 200 Accum. Index	67,277.45	1.74	12.00	11.45	7.73
US S&P 500 TR^ Index	5,881.48	1.11	12.33	14.79	11.65
Europe STOXX TR Index	754.49	0.40	0.62	8.28	5.75
UK FTSE 100 TR Index	6,675.78	-0.42	3.38	10.38	5.97
Japan TOPIX TR Index	2,307.16	0.06	-7.12	8.47	8.80
MSCI World ex-Australia TR Index	4,831.45	0.75	7.90	12.20	9.09
<b>FIXED INCOME</b>					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.65	-0.12	-0.31	-0.13	-0.16
Australian 10-year bond yield	1.78	-0.17	-1.08	-0.29	-0.44
US 90-day bank bill yield	2.38	-0.00	0.61	0.71	0.47
US 10-year bond yield	2.50	-0.06	-0.48	0.19	-0.03
UK 10-year bond yield	1.14	-0.06	-0.36	-0.17	-0.30
German 10-year bond yield	-0.02	-0.05	-0.62	-0.11	-0.30
<b>COMMODITIES</b>					
		%	%	%	%
Gold	1,286.12	0.87	-2.23	-0.19	-0.15
Oil—West Texas Crude	62.86	-4.32	-7.69	11.03	-9.10
Iron Ore Spot Price Index	87.16	0.80	35.36	8.73	-4.18
<b>CURRENCIES</b>					
		%	%	%	%
AUD:USD	0.70	-1.33	-6.52	-2.54	-5.35
EUR:USD	1.11	-0.96	-7.69	-0.89	-4.19
GBP:USD	1.29	-0.49	-6.14	-4.02	-5.15
USD:JPY	111.58	-0.32	2.05	1.57	1.68
NZD:USD	0.67	-0.33	-5.36	-1.55	-4.88
CHF:USD	0.98	-0.39	-2.83	-2.01	-2.83
AUD:EUR	0.63	-0.36	1.28	-1.66	-1.21
AUD:GBP	0.54	-0.84	-0.41	1.55	-0.22
AUD:JPY	78.56	-1.63	-4.59	-1.00	-3.76

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

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