

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
06-May-19	European retail sales y/y (Mar)	2.8%	2.3%
07-May-19	Australian retail sales m/m (Mar)	0.8%	0.2%
07-May-19	RBA interest rate decision	1.5%	1.5%
08-May-19	China inflation rate y/y (Apr)	2.3%	2.5%
10-May-19	RBA Statement on Monetary Policy	NA	NA
10-May-19	UK GDP growth rate y/y (Q1)	1.4%	1.8%
10-May-19	US core inflation rate y/y (Apr)	2.0%	2.1%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Private sector credit data continued its weak recent trend last week, as expected. The annual rate declined from 4.1% to 3.9% in the year to the end of February. House price data was also reported and we have now seen the longest and largest fall in dwelling prices since 1980. On a more positive note, the pace of decline has moderated in recent months, leading some to suggest that the worst price falls are behind us. Late in the week building approvals data retraced after a strong result in the prior month.

The monetary policy outlook for Australia has been under scrutiny in recent weeks, particularly after the weaker than expected inflation report. The RBA meet this week, with the market currently pricing 42% of a rate cut.

On the data front, the week ahead sees trade and retail sales data released as well as the publication of the RBA's Statement on Monetary Policy on Friday.



US

We received an update on the inflation environment in the US last week. The numbers were soft in both February and March, pushing the core figure down to 1.6% in the year to March, well below the Fed's 2% target. Inflation is expected to gradually increase from here but will likely sit below target for the remainder of this year at least. Late in the week we received the latest release of US payroll data, which was stronger than expected with 263k jobs created in April. The unemployment rate dropped to 3.6%.

The Fed met last week and left rates on hold with a range of 2.25-2.50%, which was universally expected. The view of the economy was upgraded and is now described as "solid" while inflation is now described as running below target, rather than close to target. Looking ahead, the Fed doesn't see a strong case for a policy shift in either direction.

A relatively light data schedule sees trade data and CPI numbers form the highlights in the US this week.



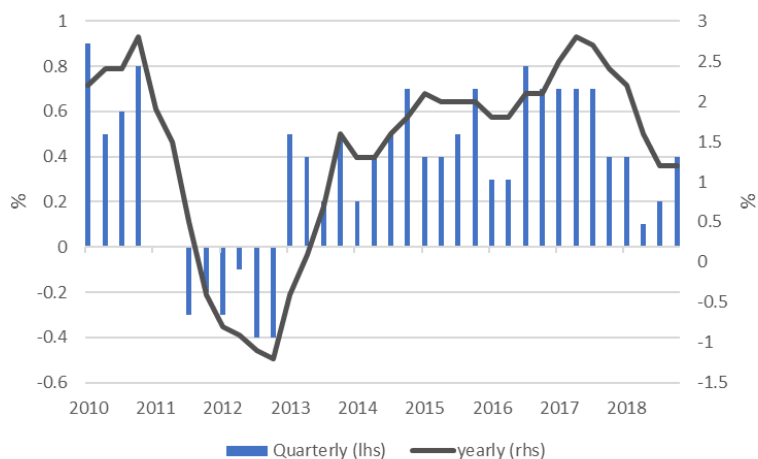
Europe

The recent positive shift in European data continued last week with stronger than expected GDP growth in the first quarter and a lower than expected unemployment rate in March. Later in the week CPI surprised to the high side. In the UK, consumer confidence remained weak in April, reflecting ongoing uncertainty around the Brexit outcome, where the deadline has now been extended to 31 October.

The Bank of England met last week and left interest rates on hold, as expected. With just one rate hike currently priced in before 2021, Governor Carney warned that rates may have to move more aggressively than currently expected if the Bank's growth and inflation forecasts eventuate. The path ahead is dependent on the Brexit outcome.

A quieter week for data in Europe sees retail sales form the highlight. In the UK, industrial production data is published this week but Q1 GDP growth is the major release.

Chart of the week—European GDP growth



European GDP growth was stronger than expected in the first quarter, advancing 0.4% against a consensus figure of 0.3% and twice the 0.2% rate that was recorded in Q4 2018. The annual number held at 1.2%, also beating market expectations of a dip to 1.1%.

The underlying country level data showed that Italy has moved out of the recession recorded in the second half of 2018. The country's economy gained 0.7% after successive 0.1% declines in the third and fourth quarter last year.

Overall, the positive surprise supports the notion that global growth has stabilised after slowing in the second half of 2018. While major economies are expected to regain some momentum, a return to the strong growth recorded in 2017 seems unlikely in the near-term.

Source: Bloomberg

Financial market movements

INDICATOR	AS AT 03-MAY-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	66,758.16	-0.77	9.13	10.88	7.59
US S&P 500 TR^ Index	5,894.30	0.11	12.82	15.00	11.82
Europe STOXX TR Index	754.66	0.02	-0.45	9.09	6.00
UK FTSE 100 TR Index	6,637.05	-0.58	1.85	10.82	5.74
Japan TOPIX TR Index	2,307.16	0.06	-7.12	8.47	8.80
MSCI World ex-Australia TR Index	4,837.69	-0.00	7.93	12.71	9.17
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.59	-0.06	-0.39	-0.09	-0.18
Australian 10-year bond yield	1.74	-0.05	-1.03	-0.18	-0.43
US 90-day bank bill yield	2.38	-0.00	0.58	0.72	0.47
US 10-year bond yield	2.53	0.03	-0.42	0.24	-0.01
UK 10-year bond yield	1.22	0.08	-0.17	-0.10	-0.29
German 10-year bond yield	0.03	0.05	-0.51	-0.06	-0.29
COMMODITIES					
		%	%	%	%
Gold	1,283.45	0.28	-2.34	-0.14	-0.38
Oil—West Texas Crude	60.73	-4.36	-12.89	10.79	-9.40
Iron Ore Spot Price Index	86.94	0.67	36.44	9.79	-4.23
CURRENCIES					
		%	%	%	%
AUD:USD	0.70	-0.84	-6.92	-1.70	-5.64
EUR:USD	1.12	0.12	-6.06	-0.60	-4.27
GBP:USD	1.32	1.80	-2.85	-2.99	-4.95
USD:JPY	110.80	-0.76	1.57	1.13	1.73
NZD:USD	0.66	-0.60	-5.57	-1.01	-5.39
CHF:USD	0.98	0.35	-1.32	-1.45	-2.96
AUD:EUR	0.62	-0.97	-0.90	-1.10	-1.43
AUD:GBP	0.53	-2.62	-4.20	1.33	-0.72
AUD:JPY	77.52	-1.62	-5.47	-0.59	-4.00

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

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