

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
20-May-19	Japan GDP growth rate q/q (Q1)	0.5%	-0.1%
21-May-19	RBA meeting minutes	NA	NA
22-May-19	Australia construction work done q/q (Q1)	-3.1%	0.0%
22-May-19	UK core inflation rate y/y (Apr)	1.8%	1.9%
23-May-19	Europe composite PMI (May)	51.5	51.7
23-May-19	US composite PMI (May)	53.0	NA
23-May-19	US Fed meeting minutes	NA	NA

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Australia saw a number of significant data releases last week. Home lending data dropped more than expected, resuming a weaker trend after an unexpected bounce in February. Business confidence was below long-term averages and conditions dropped sharply. In a significant move, the employment component was below average level for the first time since 2016. The unemployment rate moved higher to 5.2% in April and wage growth figures showed a subdued picture in Q1, with the index up just 0.5%.

The election result shocked the nation over the weekend. For investors some uncertainty is removed with the more negative Labour policies around franking credits and the property market now off the table. The strength of the market reaction is not easy to predict as while Labour's policies were well known, investors were struggling to price the chance that they would be implemented.

This week, construction work and PMI numbers are the highlights in a quiet schedule of domestic data.



US

A mixed picture emerged from US data last week. Earlier in the week retail sales and industrial production missed expectations but on Thursday the publication of stronger housing and manufacturing data was encouraging. Consumer sentiment moved sharply higher later in the week.

The last two weeks have been dominated by trade tensions between the US and China. After increasing tariffs on Chinese exports to the US in the prior week Trump saw China retaliate last week. US exports to China will face higher and broader tariffs from 1 June. Despite these new measures equity markets were actually stronger last week as a more conciliatory tone from both sides suggest that negotiations have not broken down, spurring hope that a deal can still be agreed in the coming months.

This week housing data will be published along with PMIs and durable goods numbers. The minutes from the recent Fed meeting will also be reported, with investors looking for forward guidance on monetary policy.



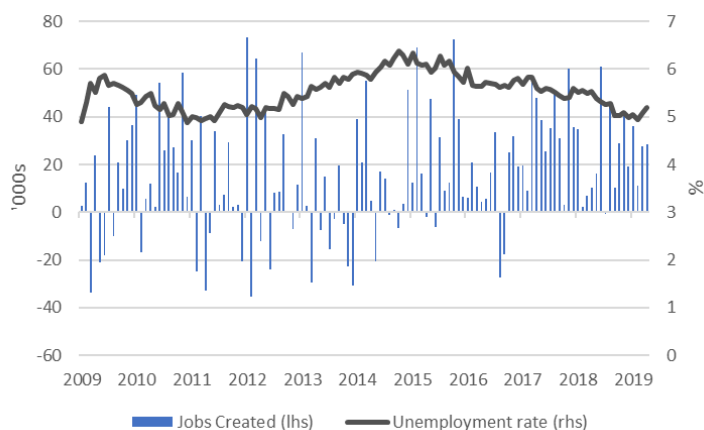
Europe

The economic picture in the UK remains solid. Last week the unemployment rate dipped from 3.9% to 3.8%, the lowest level since 1974. Wage growth is also healthy, delivering a boost to consumers via positive real wage growth. In Europe industrial production was in negative territory in March, albeit in line with market expectations. The inflationary environment remains subdued, with core prices up 1.3% in the year to April.

The Brexit landscape continues to evolve. In recent weeks the focus has been on negotiations between Theresa May and Jeremy Corbyn however evidence of meaningful progress has been lacking. While cross party discussions are ongoing Theresa May has her hopes pinned on resurrecting her previously defeated agreement. Parliament will vote on it again, presumably for the final time, in the first week in June.

A quiet week in Europe sees consumer confidence and PMI data form the highlights. In the UK inflation data and retail sales are scheduled for publication.

Chart of the week—Australian labour market data



Recent RBA commentary has placed increased significance on the domestic labour market, meaning that the data print last week was of key importance.

Overall the result was mixed, providing hope for optimists but with enough weakness to encourage those expecting the RBA to cut interest rates. The headline unemployment rate rose to 5.2% from an upwardly revised 5.1% in March. The number missed consensus but the 28k jobs created actually exceeded market expectations. A rising participation rate sees a record number of people in the work force however the dominance of part time jobs was underlined by a rising underemployment rate.

The monetary policy environment will be dictated by the RBA's view of whether the absolute number of jobs created, or the unemployment rate is most significant.

Source: Bloomberg

Financial market movements

INDICATOR	AS AT 17-MAY-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	67,430.65	1.40	9.17	10.60	7.92
US S&P 500 TR^ Index	5,730.89	1.77	7.53	13.97	11.10
Europe STOXX TR Index	740.87	1.58	-3.40	8.03	5.47
UK FTSE 100 TR Index	6,637.00	2.34	-1.29	10.50	5.66
Japan TOPIX TR Index	2,216.39	0.31	-12.64	6.95	8.07
MSCI World ex-Australia TR Index	4,713.98	1.85	3.09	11.49	8.53
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.59	-0.00	-0.13	-0.05	-0.18
Australian 10-year bond yield	1.65	-0.07	-1.25	-0.22	-0.42
US 90-day bank bill yield	2.35	-0.03	0.49	0.69	0.46
US 10-year bond yield	2.39	-0.08	-0.72	0.21	-0.03
UK 10-year bond yield	1.03	-0.10	-0.53	-0.11	-0.31
German 10-year bond yield	-0.10	-0.06	-0.74	-0.08	-0.29
COMMODITIES					
		%	%	%	%
Gold	1,278.20	-1.67	-1.11	0.69	-0.25
Oil—West Texas Crude	63.39	3.85	-11.07	9.90	-9.15
Iron Ore Spot Price Index	89.60	2.42	37.55	18.61	-1.95
CURRENCIES					
		%	%	%	%
AUD:USD	0.69	-0.76	-9.11	-1.55	-5.70
EUR:USD	1.12	-0.53	-5.33	-0.18	-4.02
GBP:USD	1.27	-1.78	-5.21	-4.26	-5.44
USD:JPY	110.04	0.68	-0.91	-0.03	1.66
NZD:USD	0.65	-0.65	-6.08	-1.20	-5.32
CHF:USD	0.99	-0.42	-1.32	-0.67	-2.46
AUD:EUR	0.62	-0.24	-4.00	-1.39	-1.76
AUD:GBP	0.54	1.03	-4.12	2.81	-0.27
AUD:JPY	75.82	-0.11	-9.94	-1.59	-4.14

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

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