

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
04-Jun-19	Australia retail sales m/m (Apr)	0.3%	0.2%
04-Jun-19	Australia interest rate decision	1.50%	1.25%
04-Jun-19	Europe core inflation rate y/y (May)	1.3%	0.9%
04-Jun-19	Europe unemployment rate (May)	7.7%	7.7%
05-Jun-19	Australia GDP growth rate q/q (Q1)	0.2%	0.4%
07-Jun-19	Australia home loans m/m (Apr)	-2.5%	-0.2%
07-Jun-19	US unemployment rate (May)	3.6%	3.6%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

The capex report painted a mixed picture last week. It showed that spending unexpectedly declined in Q1, down 1.7% vs consensus for a flat result. That weaker picture was balanced by a stronger than expected outlook for the 2019/20 financial year. The weaker Q1 result is a negative for this week's GDP print, with UBS downgrading its expectations from 0.4% to a below consensus number of 0.3%. Building approvals and private sector credit were also disappointing.

This week the RBA is back in focus and is heavily expected to cut interest rates from 1.50% to 1.25% at Tuesday's meeting. Weaker CPI and tentative signs of a softer labour market have led the RBA to adopt an outright easing bias and a 0.25% cut is priced as a 97% chance.

On the data front the Q1 GDP report is the highlight this week. Data has been on the softer side and consensus expectations show a likely continuation of the slowdown that began in the second half of 2018. Retail sales, trade, and home loan data are also due.



#### US

A quiet week of data saw the second estimate of Q1 GDP growth outperform expectations and the inflation picture remain benign via both a revision lower to the Q1 data set and in the April monthly number.

Trade tensions between the US and China continue to dominate sentiment. The breakdown in negotiations is also driving heightened sensitivity to economic data as investors fear that the impact on global growth could be meaningful. Under the current tariffs the effects on the global economy are expected to be moderate, although further escalation would test that. Ultimately there is incentive from both sides for a deal to be done but that does not guarantee that it will occur. In the event that the picture does not improve, a supportive Fed and stimulus from China will likely limit the potential downside for the global economy.

This week sees PMI data released, with consensus expectations for some improvement in May. Non-farm payrolls will be reported at the end of the week and are likely to show ongoing strength.



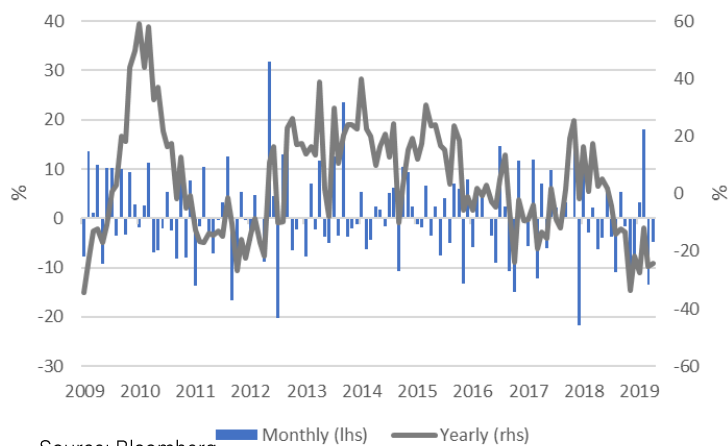
#### Europe

European economic sentiment outperformed expectations in May, positing a monthly increase for the first time in almost a year. On the consumer front the country specific data hit a two year low in Germany. In the UK consumers were upbeat with confidence jumping in May. Further gains will likely be constrained by ongoing Brexit uncertainty.

Politics continues to be a dominant factor in the UK, despite the absence of any Brexit progress. As the candidates to take over from Theresa May as Prime Minister make their case for support, the chances of a no-deal Brexit appear to be increasing. A number of leading prospects have outlined their intention to support leaving without a deal in the event that a satisfactory re-negotiation is not achieved by 31 October. However, at this stage the most likely course of action appears to be a further extension to the deadline.

This week CPI, labour data and retail sales are published along with the ECB meeting in a busy week for Europe. PMI data is the highlight in the UK.

## Chart of the week—Australia building approvals



Source: Bloomberg

■ Monthly (lhs) — Yearly (rhs)

Residential building approvals fell 4.7% in April, backing up a large drop in March and underperforming consensus expectations of a flat monthly reading. This is a volatile monthly series but the longer-term trend is clearly downward, with approvals around 24% lower over the year.

The current downturn should be considered in the context of the record upswing witnessed in recent years, and so with that in mind a drop in numbers is not surprising. From here, construction work in Sydney and Melbourne will remain elevated in the near-term as there is a strong pipeline of work. As this declines to more normal levels, housing investment will be a drag on GDP.

## Financial market movements

INDICATOR	AS AT 31-MAY-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
<b>EQUITIES</b>					
		%	%	%	%
S&P/ASX 200 Accum. Index	67,783.66	-0.90	11.48	11.01	7.79
US S&P 500 TR^ Index	5,519.27	-2.58	2.66	11.67	9.65
Europe STOXX TR Index	714.39	-1.84	-4.71	6.14	4.15
UK FTSE 100 TR Index	6,475.51	-0.88	-2.84	9.25	5.01
Japan TOPIX TR Index	2,156.62	-1.87	-11.79	6.14	6.13
MSCI World ex-Australia TR Index	4,554.88	-2.37	-0.06	9.53	7.22
<b>FIXED INCOME</b>					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.52	-6.70	-39.30	-6.77	-18.89
Australian 10-year bond yield	1.47	-7.60	-122.80	-25.33	-45.37
US 90-day bank bill yield	2.30	-0.01	44.44	65.85	45.12
US 10-year bond yield	2.13	-19.39	-77.59	14.18	-9.46
UK 10-year bond yield	0.89	-7.00	-34.40	-18.13	-33.91
German 10-year bond yield	-0.20	-8.50	-54.30	-11.38	-31.40
<b>COMMODITIES</b>					
		%	%	%	%
Gold	1,307.69	1.74	1.21	1.67	0.99
Oil—West Texas Crude	52.59	-10.30	-20.09	2.65	-12.52
Iron Ore Spot Price Index	98.94	6.50	61.11	27.35	1.42
<b>CURRENCIES</b>					
		%	%	%	%
AUD:USD	0.69	0.19	-9.38	-2.01	-5.64
EUR:USD	1.12	-0.20	-4.50	-0.58	-3.90
GBP:USD	1.26	-0.35	-5.09	-4.53	-5.48
USD:JPY	108.27	-1.13	-1.41	0.54	1.10
NZD:USD	0.65	-0.18	-7.06	-2.08	-4.97
CHF:USD	1.00	0.41	-1.20	-0.80	-2.16
AUD:EUR	0.62	0.39	-5.11	-1.43	-1.81
AUD:GBP	0.55	0.54	-4.51	2.63	-0.17
AUD:JPY	75.04	-0.94	-10.63	-1.49	-4.60

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

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