

Major upcoming global economic releases and events

| DATE | DATA/EVENT | PREVIOUS | CONSENSUS |
|-----------|--------------------------------------|----------|-----------|
| 11-Jun-19 | Australia business confidence (May) | 0 | NA |
| 11-Jun-19 | UK unemployment rate (Apr) | 3.8% | 3.8% |
| 12-Jun-19 | Australia consumer confidence (June) | 101.3 | NA |
| 12-Jun-19 | US core inflation rate y/y (May) | 2.1% | 2.1% |
| 13-Jun-19 | Australia unemployment rate (May) | 5.2% | 5.1% |
| 14-Jun-19 | US retail sales m/m (May) | -0.2% | 0.6% |
| 14-Jun-19 | China fixed asset investment (May) | 6.1% | 6.1% |

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Data was largely on the softer side in Australia last week. GDP growth was 0.4% in Q1, bringing the annual rate to 1.8%, well below the RBA's expectation of 2.75% in 2019. Retail sales was also weaker, posting a surprise 0.1% decline in April. Later in the week home loan data fell more than expected.

The RBA has been in focus recently and expectations of a rate cut had been building steadily in the lead up to last week's meeting. The 0.25% cut was no surprise and despite providing limited forward guidance at the time of the meeting, governor Lowe has subsequently confirmed an easing bias. The labour market remains a crucial factor in the RBA's eyes and any further signs of weakness from here will strengthen calls for a follow up cut in the coming months. Current market pricing implies around a 72% chance of a cut to 1% by the August meeting.

Business and consumer confidence are both published this week and we may see a bounce following the election and the RBA rate cut. Labour market data will be closely watched on Thursday.



US

A quiet start to last week saw PMI data present a mixed picture. Manufacturing was weaker while the services index pushed higher in May. The highlight came on Friday with the release of non-farm payrolls. 75k jobs were created in May, below consensus for an 185k rise. The unemployment rate held at 3.6% supporting a solid level of wage growth, which was reported up 3.1% over the year, marginally missing market expectations.

Global trade tensions, driven by the US, have spurred market volatility and heightened concerns of a slowdown in economic growth. Last week, Fed chair Jerome Powell provided some comfort for investors, emphasising the potential to cut rates if the economy stalls. The Fed have more firepower than other major central banks, having raised rates steadily in recent years.

Inflation is expected to remain under control in this week's data highlight. Consensus shows core prices up 2.1% over the year to 31 May. Retail sales and industrial production will also be released.



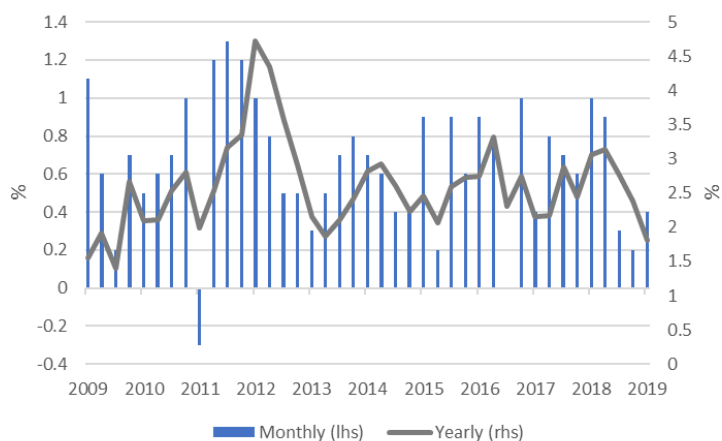
Europe

The inflationary environment remains benign in Europe, as confirmed by weaker than expected price gains in May. Core inflation was up a below consensus 0.8% over the year. The unemployment rate ticked lower from 7.7% to 7.6% and retail sales dipped 0.4% in April, in line with expectations. In the UK, services PMI data nudged higher to 51.

The ECB met last week and continued the recent theme of dovish central bank sentiment around the world. President Draghi said that the ECB stands "ready to use all the instruments that are in the tool box" if the current manufacturing slowdown impacts the broader economy. Rates are set to remain on hold until at least the middle of next year, which is a dovish shift relative to prior guidance that a hike could be delivered late this year.

This week we have already seen industrial production disappoint in the UK while the labour market is expected to remain strong. Industrial production is the only release of note in Europe.

Chart of the week—Australia GDP



Australian economic growth has slowed and now sits at a below trend 1.8% over the year. Weakness in the second half of 2018, where quarterly figures of 0.3% and 0.2% were reported for the third and fourth quarters respectively has spilled over in to 2019, with growth of just 0.4% in Q1.

Against a weaker backdrop, both domestically and globally, there are some positives in the domestic outlook. While Australia remains vulnerable to international trade developments, upcoming tax cuts, lower interest rates and the potential for stabilisation in the property market all point towards firmer growth ahead. The labour market also remains strong, although there have been recent signs of possible softening.

Source: Bloomberg

Financial market movements

| INDICATOR | AS AT 10-JUNE-19 | 1 WEEK CHANGE | 1 YEAR CHANGE | 3 YEAR CHANGE (ANNUALISED) | 5 YEAR CHANGE (ANNUALISED) |
|-----------------------------------|------------------|---------------|---------------|----------------------------|----------------------------|
| EQUITIES | | | | | |
| | | % | % | % | % |
| S&P/ASX 200 Accum. Index | 68,291.95 | 0.75 | 11.28 | 11.32 | 7.99 |
| US S&P 500 TR^ Index | 5,792.56 | 3.03 | 5.87 | 13.53 | 10.48 |
| Europe STOXX TR Index | 734.58 | 2.40 | -2.78 | 8.08 | 4.43 |
| UK FTSE 100 TR Index | 6,675.47 | 2.76 | -0.44 | 10.86 | 5.60 |
| Japan TOPIX TR Index | 2,215.43 | 3.64 | -11.35 | 7.27 | 6.50 |
| MSCI World ex-Australia TR Index | 4,741.62 | 2.70 | 2.48 | 11.29 | 7.88 |
| FIXED INCOME | | | | | |
| | % | BP | BP | BP | BP |
| Australian 90-day bank bill yield | 1.52 | 0.10 | -40.00 | -6.37 | -18.05 |
| Australian 10-year bond yield | 1.48 | -1.80 | -129.20 | -20.68 | -47.75 |
| US 90-day bank bill yield | 2.21 | -6.49 | 31.84 | 65.07 | 43.36 |
| US 10-year bond yield | 2.15 | 7.74 | -79.77 | 16.90 | -9.93 |
| UK 10-year bond yield | 0.84 | -2.30 | -54.90 | -13.12 | -37.91 |
| German 10-year bond yield | -0.22 | -1.80 | -66.80 | -7.97 | -32.67 |
| COMMODITIES | | | | | |
| | | % | % | % | % |
| Gold | 1,329.13 | 0.27 | 2.20 | 1.42 | 1.06 |
| Oil—West Texas Crude | 53.33 | -0.28 | -19.32 | 2.81 | -12.57 |
| Iron Ore Spot Price Index | 97.71 | -1.24 | 55.24 | 26.74 | 1.34 |
| CURRENCIES | | | | | |
| | | % | % | % | % |
| AUD:USD | 0.70 | -0.43 | -8.52 | -1.90 | -5.80 |
| EUR:USD | 1.13 | 0.57 | -3.97 | 0.19 | -3.51 |
| GBP:USD | 1.27 | -0.06 | -5.15 | -3.81 | -5.44 |
| USD:JPY | 108.39 | 0.22 | -1.49 | 0.44 | 1.21 |
| NZD:USD | 0.66 | 0.03 | -5.92 | -2.15 | -5.01 |
| CHF:USD | 1.01 | 0.28 | -0.41 | -0.85 | -1.88 |
| AUD:EUR | 0.62 | -1.00 | -4.74 | -2.10 | -2.37 |
| AUD:GBP | 0.55 | -0.35 | -3.55 | 1.97 | -0.37 |
| AUD:JPY | 75.45 | -0.21 | -9.90 | -1.47 | -4.66 |

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

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