

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
18-Jun-19	RBA meeting minutes	NA	NA
18-Jun-19	Australia house price index q/q (Q1)	-2.4%	-1.6%
19-Jun-19	UK core inflation rate y/y (May)	1.8%	1.7%
19-Jun-19	US interest rate decision	2.50%	2.50%
20-Jun-19	UK interest rate decision	0.75%	0.75%
21-Jun-19	Europe composite PMI (Jun)	51.8	51.8
21-Jun-19	US composite PMI (Jun)	50.9	50.9

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

The business survey saw confidence jump last week, with the election result and rate cut likely responsible for the surge from 0 in April to +7 in May. The positive effect may prove to be short lived however as business conditions fell from 3 to 1 to sit well below average. On the consumer side the rate cut seems to have had the opposite effect, spurring concerns over the health of the economy. Consumer sentiment fell 0.6% and now sits below the long-term average. The labour market picture was also weaker.

Expectations of a follow up move have been building since the RBA delivered the 0.25% cut in May. Last week, RBA assistant governor Luci Ellis noted that lower rates of unemployment, potentially below 4.5%, will be required in order to generate wage growth and to push inflation towards target. The chance of another interest rate cut in the coming months has risen.

In the week ahead the RBA meeting minutes are the highlight, with house price and PMI data also scheduled for release.



US

We saw inflation remain under control last week with US core CPI advancing 2% over the year to May, below the 2.1% consensus number. Retail sales, industrial production and consumer sentiment were all broadly as expected.

Following a series of interest rate hikes in recent years the Fed signalled a pause in early 2019. The market is increasingly expecting that pause to end over the remainder of this year, with a move to cut rates, rather than resume the hikes. Concerns over slowing global growth, and the potential negative impact of the now re-invigorated trade tensions, have led investors to price a 0.25% cut as almost guaranteed by September, with greater than a 50% chance that will have seen a 0.50% reduction by then. The trade war will be a key factor, making it extremely difficult to predict the path of interest rates from here. The Fed meet this week and while the market is not expecting a cut, forward guidance will be important.

PMIs, building permits and housing starts are the data highlights in a relatively quiet week ahead.



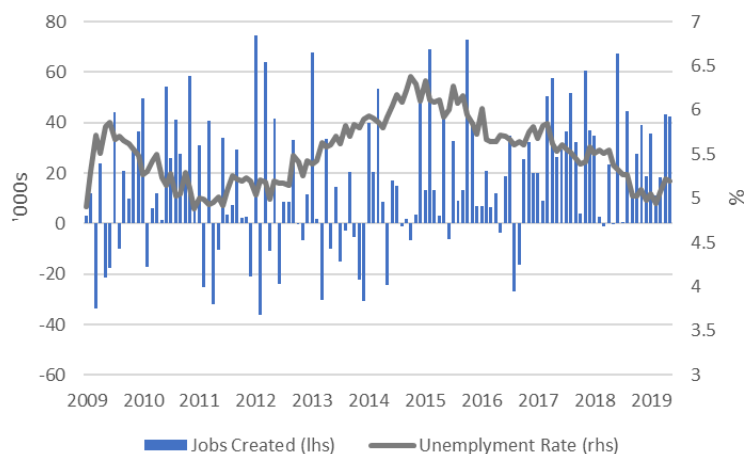
Europe

Economic data was on the weaker side in the UK last week, with the monthly GDP series and industrial production both well below expectations in April. The labour market remains strong however, with the unemployment rate holding at 3.8%. In Europe, industrial production was broadly in line with expectations in the only major data release.

The Bank of England meets this week but there are no monetary policy changes expected. A moderate tightening bias will likely be reaffirmed. In Europe the EU summit will be held on Thursday and Friday. The European Commission, Council and Central Bank will all see new presidents appointed. The new ECB leader will likely be seen as most relevant for investors in the short-term due to implications for the likely path of monetary policy from here.

This week the leadership contest continues in the UK conservative party while retail sales and CPI numbers are released. In Europe, consumer confidence and PMIs are the data highlights.

Chart of the week—Australia labour market



Source: Bloomberg

Australian labour market data has taken on increased significance in recent months with the RBA explicitly making it the trigger for policy moves.

Last week's release showed that 42k jobs were created in May, stronger than the 17k expected. The unemployment rate held at 5.2% as the participation rate edged higher. The details were weaker however, with part-time work accounting for almost all of the new jobs and hours worked actually declining over the month. The underutilisation rate has also been increasing in recent months, suggesting that there is spare capacity in the jobs market.

From here we expect labour market data to remain in focus and to continue to be a key factor for monetary policy.

Financial market movements

INDICATOR	AS AT 14-JUNE-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Accum. Index	69,463.05	2.69	12.28	13.03	8.63
US S&P 500 TR^ Index	5,795.96	0.53	5.97	13.98	10.51
Europe STOXX TR Index	734.31	0.26	-3.38	8.93	4.50
UK FTSE 100 TR Index	6,652.63	0.25	0.51	11.31	5.75
Japan TOPIX TR Index	2,206.55	0.93	-11.81	9.36	6.43
MSCI World ex-Australia TR Index	4,741.15	0.53	2.48	11.96	7.92
FIXED INCOME	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.45	-7.00	-47.10	-8.31	-20.22
Australian 10-year bond yield	1.37	-10.20	-135.20	-22.82	-48.75
US 90-day bank bill yield	2.13	-7.32	24.20	61.97	41.73
US 10-year bond yield	2.08	-0.05	-85.47	15.56	-10.48
UK 10-year bond yield	0.85	3.40	-48.70	-9.91	-38.25
German 10-year bond yield	-0.26	0.20	-68.10	-8.37	-32.57
COMMODITIES		%	%	%	%
Gold	1,341.70	0.06	3.03	1.43	0.99
Oil—West Texas Crude	52.51	-2.74	-21.50	2.69	-13.25
Iron Ore Spot Price Index	103.68	6.11	67.01	28.12	3.38
CURRENCIES		%	%	%	%
AUD:USD	0.69	-1.28	-7.42	-2.38	-5.95
EUR:USD	1.12	-0.88	-3.54	-0.19	-3.71
GBP:USD	1.26	-0.72	-4.92	-4.28	-5.78
USD:JPY	108.49	0.04	-1.86	1.37	1.21
NZD:USD	0.65	-1.69	-6.41	-2.68	-5.58
CHF:USD	1.00	-0.88	-0.34	-1.32	-2.07
AUD:EUR	0.61	-0.42	-4.04	-2.23	-2.32
AUD:GBP	0.55	-0.59	-2.66	1.95	-0.18
AUD:JPY	74.56	-1.23	-9.15	-1.06	-4.81

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

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