

WEEKLY MARKET UPDATE / OVERVIEW FOR THE WEEK STARTING 24 JUNE 2019

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
26-Jun-19	US durable goods orders m/m (May)	-2.1%	0.0%
27-Jun-19	European business confidence (Jun)	0.30	0.23
28-Jun-19	UK consumer confidence (Jun)	-10	-11
28-Jun-19	Japan unemployment rate (May)	2.4%	2.4%
28-Jun-19	Australia private sector credit m/m (May)	0.2%	0.3%
28-Jun-19	Europe core inflation rate y/y (Jun)	1.2%	1.2%
28-Jun-19	US core PCE inflation y/y (May)	1.6%	1.6%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

A quiet week of data releases saw house prices continue their decline in Q1 and PMI numbers deliver a welcome positive surprise as the composite number lifted to 53.1 in June.

The RBA minutes provided some forward guidance last week following the recent 0.25% rate cut. The overall tone was dovish, with the key statement reading *"Members agreed that it was more likely than not that further policy easing would be appropriate in the period ahead"*. This clear indication of further policy easing was backed up later in the week in a speech by RBA governor Lowe, who said that more cuts would be required in order to reduce unemployment and push inflation back towards target. Looking ahead, markets are increasingly pricing in another 0.25% cut in August, with risks that it could come in July. Labour market data remains key, with further softening likely to be met with lower interest rate and potentially the introduction of more unconventional stimulus.

Private sector credit is the data highlight in a quiet week.



US

The data calendar was sparse in the US last week. Building permits outperformed in May while housing starts were a little weaker than expected. PMI numbers were a little below consensus again in June.

The Fed was in focus last week, with some expecting an interest rate cut at the meeting on Wednesday. In the end rates were left on hold, but it was the forward guidance that received most attention. References to the patient approach, which have been heavily used this year, were removed and replaced by a more cautious tone. The new wording focuses on increasing uncertainty. Overall, the forward guidance has certainly become more dovish, and the market is now pricing in a cut as a guarantee in July, with some calling for a 0.50% reduction rather than the more typical 0.25% move. Policy changes from here are data dependent, but it is clear that the hurdle for a cut is now very low.

Durable goods orders and inflation data are the main releases this week.



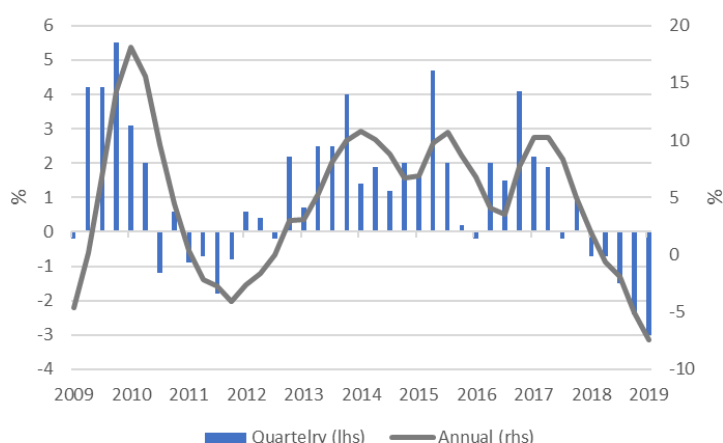
Europe

Inflation remains benign in the UK, while retail sales was weaker in May. The Bank of England held interest rates at 0.75% as expected and Brexit uncertainty and global trade tensions are weighing on growth. In Europe PMI numbers were mixed but the composite number was higher overall. The EU summit ended on Friday but failed to determine who will fill the senior roles.

In the UK the political landscape continues to evolve as the conservative leadership contest progresses. Conservative MPs have chosen Boris Johnson and Jeremy Hunt as the two contenders who will now go to a vote by around 160,000 conservative party members. Johnson is widely expected to win the contest and has been open around his intention to try and renegotiate a Brexit deal with the EU while sticking to the 31 October exit deadline, even if that means leaving without a deal.

This week, business sentiment and inflation data are published in Europe while consumer confidence and PMI data are the highlights in the UK.

Chart of the week—Australia house price index



Australian house prices have posted sharp declines over the last year. The latest quarterly data shows that home values are down 7.4% over the year and a weaker than expected -3% in Q1.

Although the outlook is still uncertain, recent developments have reduced the likelihood of some of the more negative scenarios eventuating. Less restrictive lending requirements, which will enable home buyers to borrow more, should provide support to the market, while the recent RBA rate cut is also a positive.

Confidence remains low however and the boost in sentiment following the rate cut was less than we have seen in the past, suggesting that the market will remain subdued in the near-term.

Source: Bloomberg

Financial market movements

INDICATOR	AS AT 21-JUNE-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Accum. Index	70,491.13	1.48	11.54	13.95	8.82
US S&P 500 TR^ Index	5,924.54	2.12	9.28	15.44	10.90
Europe STOXX TR Index	750.24	2.17	0.59	10.43	5.02
UK FTSE 100 TR Index	6,710.25	0.87	0.71	10.90	5.87
Japan TOPIX TR Index	2,205.39	-0.05	-9.62	10.73	5.91
MSCI World ex-Australia TR Index	4,832.34	1.85	5.49	13.17	8.24
FIXED INCOME	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.43	-1.90	-49.00	-9.78	-20.97
Australian 10-year bond yield	1.31	-7.50	-133.60	-23.22	-46.94
US 90-day bank bill yield	2.05	-8.74	14.47	59.46	40.39
US 10-year bond yield	2.05	-2.64	-84.27	11.59	-11.05
UK 10-year bond yield	0.85	-0.20	-43.20	-14.76	-38.60
German 10-year bond yield	-0.29	-3.00	-62.00	-11.18	-32.77
COMMODITIES		%	%	%	%
Gold	1,404.04	4.81	10.94	2.19	1.27
Oil—West Texas Crude	57.72	11.15	-15.84	6.61	-11.45
Iron Ore Spot Price Index	111.30	7.35	84.52	31.27	5.34
CURRENCIES		%	%	%	%
AUD:USD	0.69	1.18	-6.47	-2.43	-5.84
EUR:USD	1.14	1.39	-2.82	0.76	-3.52
GBP:USD	1.27	1.68	-4.04	-2.33	-5.58
USD:JPY	107.35	-1.10	-2.20	1.65	1.03
NZD:USD	0.66	1.48	-4.52	-2.56	-5.34
CHF:USD	1.02	2.35	1.11	-0.09	-1.75
AUD:EUR	0.61	-0.20	-3.76	-3.26	-2.40
AUD:GBP	0.54	-0.48	-2.54	-0.17	-0.27
AUD:JPY	74.44	0.08	-8.53	-0.82	-4.87

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

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