

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
01-Jul-19	Europe unemployment rate (May)	7.6%	7.6%
02-Jul-19	Australia interest rate decision	1.25%	1.00%
03-Jul-19	Australia balance of trade (May)	\$4.9bn	\$5.3bn
03-Jul-19	Australia building permits m/m (May)	-4.7%	0%
03-Jul-19	China composite PMI (Jun)	51.5	NA
04-Jul-19	Australia retail sale m/m (May)	-0.1%	0.2%
05-Jul-19	US unemployment rate (May)	3.6%	3.6%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Another quiet week of data saw private sector credit provide the only release of note. The May number was in line with consensus at 0.2% over the month.

The RBA has been in focus in recent months as expectations of a rate cut built due to low inflation and a modest weakening in the labour market. A 0.25% cut was delivered in June and investors quickly moved to price in a follow up cut in the coming months. Expectations have gradually increased that the next move will come as soon as July, with a cut at the meeting on Tuesday priced at approximately a 70% chance. A third cut for the year is trading at around a 50% chance, with both UBS and CBA expecting a 0.75% cash rate by year end. This dramatic shift in interest rate expectations has seen some downward pressure on the Australian dollar, however similar dovish sentiment from the Fed in the US has so far limited the downside.

This week the RBA meeting is the highlight with building permits, trade numbers and retail sales the key data releases.



US

Durable goods orders underperformed at the headline level last week, but the poor result was largely attributed to the grounding of the Boeing 737 Max 8 jet. Excluding transport, the series gained ground in May. The inflation picture remains benign, as evidenced by the core PCE price index, which is the Fed's preferred inflation measure. The index was up 1.6% in the year to May, well below the 2% target.

Trade negotiations have been the key driver of sentiment for markets in recent months but last week saw increased emphasis on what has been a tense situation. Donald Trump met with Chinese president Xi Jinping following the G20 meeting in Osaka and the pair agreed to resume negotiations. There still appears to be a long road ahead as the two sides seek to find a compromise but Trump has agreed not to push through the threat of tariffs on a further US\$300bn of Chinese goods. Markets will likely react with cautious optimism to what is still a very uncertain situation.

Labour market data is the highlight in an otherwise quiet week ahead in the US.



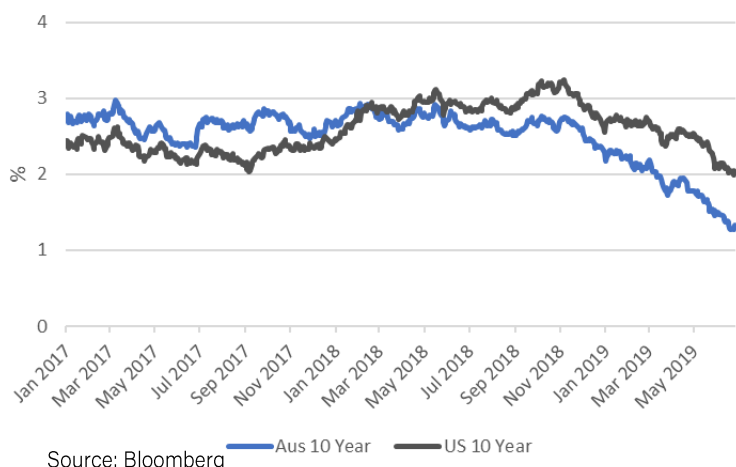
Europe

Business and economic sentiment are weak in Europe, with both series underperforming expectations last week. Core inflation remained subdued in May although prices did increase at an above expected 1.1% over the year. In the UK, consumer confidence remains weak, dropping to a below expected -13 in June. Brexit uncertainty and a slower global growth outlook are weighing on sentiment.

The conversation around Brexit has moved out of the headlines over the last month or so as the focus has shifted towards the selection of Theresa May's successor. Pro-Brexit Boris Johnson is a strong favourite to win the two-man race, which will conclude later this month. Regardless of the outcome the focus will likely return to the path ahead for Brexit, whether that is the increased potential for a no deal departure or, for a softer negotiation stance supported by Johnson's opponent, Jeremy Hunt.

House price data and PMIs are the main releases in the UK this week. Labour market data and retail sales are scheduled for publication in Europe.

Chart of the week—10 Year government bonds yields



Source: Bloomberg

Australian 10-year bond yields had been relatively stable over a period of 2 years from late 2016 to late 2018. Over the same period, US 10-year bonds yields had gradually shifted higher as the economy posted solid growth and the Fed pushed up interest rates.

The picture changed towards the end of last year as investors became concerned that global growth was faltering. Both Australian and US bond have rallied sharply over the last three quarter, with yields close to historic lows.

Looking ahead, bonds seem priced for economic slowing and would therefore be vulnerable to any upward surprises in data and to a more favourable trading relationship between the US and China.

Financial market movements

INDICATOR	AS AT 28-JUNE-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Accum. Index	70,291.79	-0.28	11.55	12.78	8.93
US S&P 500 TR^ Index	5,908.25	-0.10	10.42	14.11	10.56
Europe STOXX TR Index	751.78	0.21	2.26	9.33	5.20
UK FTSE 100 TR Index	6,732.44	0.33	1.56	8.48	5.89
Japan TOPIX TR Index	2,215.60	0.46	-8.57	9.37	5.86
MSCI World ex-Australia TR Index	4,825.73	0.04	6.58	11.83	8.05
FIXED INCOME	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.44	0.70	-48.40	-8.87	-20.97
Australian 10-year bond yield	1.37	7.20	-126.30	-19.57	-44.80
US 90-day bank bill yield	2.05	0.89	16.60	60.83	40.41
US 10-year bond yield	2.01	-4.89	-83.14	17.92	-10.60
UK 10-year bond yield	0.83	-1.20	-43.00	-4.27	-36.40
German 10-year bond yield	-0.33	-4.20	-64.60	-7.17	-31.98
COMMODITIES		%	%	%	%
Gold	1,397.05	-1.60	12.48	1.37	1.04
Oil—West Texas Crude	59.44	2.66	-19.84	6.66	-10.81
Iron Ore Spot Price Index	111.75	0.40	87.37	28.39	4.38
CURRENCIES		%	%	%	%
AUD:USD	0.70	0.93	-4.25	-2.13	-5.84
EUR:USD	1.14	-0.25	-2.31	0.70	-3.63
GBP:USD	1.27	-0.33	-3.36	-1.44	-5.83
USD:JPY	108.42	1.04	-2.24	1.88	1.32
NZD:USD	0.67	1.59	0.12	-2.14	-5.18
CHF:USD	1.02	-0.72	1.48	-0.19	-1.94
AUD:EUR	0.62	1.23	-1.97	-2.82	-2.30
AUD:GBP	0.55	1.27	-0.91	-0.72	-0.01
AUD:JPY	76.20	1.99	-6.38	-0.28	-4.60

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

IMPORTANT NOTE

This document has been prepared by Crestone Wealth Management Limited (ABN 50 005 311 937, AFS Licence No. 231127) (**Crestone Wealth Management**). The information contained in this document is of a general nature and is provided for information purposes only. It is not intended to constitute advice, nor to influence a person in making a decision in relation to any financial product. To the extent that advice is provided in this document, it is general advice only and has been prepared without taking into account your objectives, financial situation or needs (your **Personal Circumstances**). Before acting on any such general advice, we recommend that you obtain professional advice and consider the appropriateness of the advice having regard to your Personal Circumstances. If the advice relates to the acquisition, or possible acquisition of a financial product, you should obtain and consider a Product Disclosure Statement (PDS) or other disclosure document relating to the financial product before making any decision about whether to acquire it.

Although the information and opinions contained in this document are based on sources we believe to be reliable, to the extent permitted by law, Crestone Wealth Management and its associated entities do not warrant, represent or guarantee, expressly or impliedly, that the information contained in this document is accurate, complete, reliable or current. The information is subject to change without notice and we are under no obligation to update it. Past performance is not a reliable indicator of future performance. If you intend to rely on the information, you should independently verify and assess the accuracy and completeness and obtain professional advice regarding its suitability for your Personal Circumstances.

Crestone Wealth Management, its associated entities, and any of its or their officers, employees and agents (**Crestone Group**) may receive commissions and distribution fees relating to any financial products referred to in this document. The Crestone Group may also hold, or have held, interests in any such financial products and may at any time make purchases or sales in them as principal or agent. The Crestone Group may have, or may have had in the past, a relationship with the issuers of financial products referred to in this document. To the extent possible, the Crestone Group accepts no liability for any loss or damage relating to any use or reliance on the information in this document.

This document has been authorised for distribution in Australia only. It is intended for the use of Crestone Wealth Management clients and may not be distributed or reproduced without consent.

© Crestone Wealth Management Limited 2019.