

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
09-Jul-19	Australia business confidence (Jun)	7	2
10-Jul-19	Australia consumer confidence (Jul)	100.7	NA
10-Jul-19	China inflation rate y/y (Jun)	2.7%	2.7%
10-Jul-19	UK GDP growth y/y (May)	1.3%	1.3%
10-Jul-19	Fed meeting minutes	NA	NA
11-Jul-19	US core inflation rate y/y (Jun)	2.0%	2.0%
12-Jul-19	China trade balance (Jun)	\$42bn	\$45bn

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Data was mixed last week. Building approvals were a marginal outperformer in May but the longer-term picture is weak. Retail sales was a little below consensus, up 0.1% in May, and the trade surplus hit a record high of \$5.7bn.

The RBA cut rates in June and pricing increasingly moved to factor in another cut at the July meeting last week. Going into the meeting a follow up cut was regarded as around a 75% chance and this proved to be accurate as a second cut in as many months was confirmed on Tuesday. The first back to back cuts since 2012 pushed the cash rate to a record low 1% and subsequent comments from RBA governor Lowe suggest another cut is not out of the question. Labour market data remains key to the monetary policy outlook, with further weakness likely to be met with another reduction in rates.

This week, business and consumer confidence will give some indication of the impact of lower interest rates and home loan data will provide further clarification over the health of the property market.



US

The Independence Day holiday split last week, with markets closed on Thursday. In the first half of the week PMI data was mixed, with the manufacturing index outperforming expectations and the services component a little below consensus. Later in the week the non-farm payroll data beat consensus by a healthy margin. 224k jobs were created in June, significantly higher than the 160k expectation. The unemployment rate ticked up from 3.6% to 3.7%.

The early positive signs for the trade tensions between the US and China gave markets a boost last week. The S&P 500 was up 1.7% over the week. Attention now shifts towards monetary policy. A 0.25% rate cut is fully priced for later this month, but the chance of a 0.50% drop has fallen on the back of the strong payroll data. The Fed meeting minutes are scheduled for release this week and will be an important guide ahead of this month's meeting and for the remainder of the year.

A quiet week ahead sees CPI data as the only major release. Inflation is expected to remain subdued.



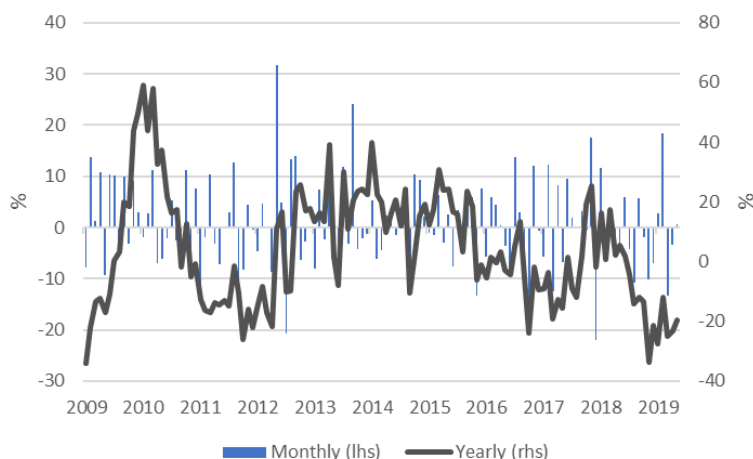
Europe

The European unemployment rate dipped to 7.5% in May. Retail sales was weaker however, down 0.3% in May against consensus for a 0.3% gain. In the UK, PMI numbers were weaker across the board in June.

Changing central bank sentiment has been a key global theme in 2019. An increasingly dovish stance by the Fed has been replicated in Europe, with ECB president Draghi reinforcing his long-standing promise to "do whatever it takes" to support the European economy. Last week Christine Lagarde, head of the International Monetary Fund, was announced as Draghi's replacement. Lagarde inherits a slowing economy with limited scope for interest rate cuts, with the headline rate sitting at -0.40%. Market consensus sees a 0.10% cut by year end but with more cuts expected in the US, the Euro currency should remain supported, despite the prospect of policy easing.

This week, industrial production data is due in both the UK and Europe while the monthly GDP series will also be published in the UK.

Chart of the week—Australia building approvals



Australian building approvals rose 0.7% in May, marginally higher than consensus expectations of a flat result. The annual figure however is down close to 20% and is sitting at the lowest level since 2013.

Looking ahead there are a number of factors that suggest this series can stabilise. A pattern of underbuilding relative to population growth is a key positive while recent RBA rate cuts, the coalition election victory and less restrictive lending rules should all provide support to the property market.

Decreasing approvals over the last year will obviously have an impact on construction in the period ahead – leading to a drag on Q2 GDP growth. UBS expects the economy to grow at 0.6% in the second quarter, bringing the annual growth rate down to 1.5%.

Source: Bloomberg

Financial market movements

INDICATOR	AS AT 05-JULY-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	71,704.77	2.01	12.38	13.65	8.83
US S&P 500 TR^ Index	6,008.31	1.69	10.56	14.24	11.03
Europe STOXX TR Index	763.99	1.62	2.61	10.49	6.01
UK FTSE 100 TR Index	6,849.82	1.74	3.58	9.03	6.45
Japan TOPIX TR Index	2,274.78	2.67	-3.94	11.67	6.43
MSCI World ex-Australia TR Index	4,907.22	0.83	7.34	12.33	8.56
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.15	-28.70	-77.20	-17.73	-27.09
Australian 10-year bond yield	1.35	-0.70	-127.50	-17.83	-44.88
US 90-day bank bill yield	2.12	6.78	21.85	62.39	41.79
US 10-year bond yield	2.03	2.87	-79.53	21.91	-12.12
UK 10-year bond yield	0.74	-9.50	-52.00	-1.10	-40.71
German 10-year bond yield	-0.36	-3.60	-66.20	-5.94	-32.77
COMMODITIES					
		%	%	%	%
Gold	1,395.72	0.83	10.98	0.71	1.13
Oil—West Texas Crude	57.72	-1.28	-21.79	8.32	-11.01
Iron Ore Spot Price Index	114.45	1.61	97.84	27.82	4.37
CURRENCIES					
		%	%	%	%
AUD:USD	0.70	0.24	-6.48	-2.65	-5.77
EUR:USD	1.12	-0.52	-4.46	0.53	-3.78
GBP:USD	1.25	-0.92	-5.54	-1.12	-6.07
USD:JPY	108.52	0.06	-2.10	2.58	1.33
NZD:USD	0.66	-0.63	-3.03	-3.18	-5.48
CHF:USD	1.01	-0.38	0.02	-0.27	-2.07
AUD:EUR	0.62	0.78	-2.11	-3.16	-2.07
AUD:GBP	0.56	1.18	-0.99	-1.56	0.32
AUD:JPY	75.78	0.33	-8.43	-0.14	-4.51

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

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