

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
06-Aug-19	Australia trade balance (Jun)	A\$5.7b	A\$5.4b
06-Aug-19	Australia interest rate decision	1.00%	1.00%
07-Aug-19	Australia home loans (Jun)	0.0%	0.6%
08-Aug-19	China trade balance (Jul)	\$51b	\$40b
09-Aug-19	RBA Statement on Monetary Policy	na	na
09-Aug-19	UK GDP growth y/y (Q2)	1.8%	1.4%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

There was a full schedule of data releases in Australia last week. Building approvals and private sector credit were both below consensus and remain subdued, while retail sales edged up just 0.4%. The inflationary environment has been benign for a prolonged period of time and this continued in Q2, with the core number reported at 1.6% over the quarter, well below the RBA's 2-3% target range.

The RBA will be paying close attention to incoming data following the two recent rate cuts. The inflation data last week will have done little to prevent another cut, if required. Looking ahead, it seems likely that the RBA will now pause in order to gauge the impact of the prior cuts as well as the tax cuts and improving housing sentiment. Current pricing suggests another move is unlikely in August but at least one further cut is expected by November.

Trade data and home loan numbers are the highlights this week and the RBA Statement on Monetary Policy will also be published.



#### US

A below consensus inflation number confirmed that the low inflation environment persisted in July last week. Manufacturing ISM fell to 51.2 in July, the slowest pace of growth in nearly 3 years, driven primarily by a dip in construction spending, which fell 1.3% in June.

The focus last week was on the Fed, who had been widely expected to cut interest rates going into the late July meeting. Debate around whether to expect a 0.25% or a 0.50% cut settled on a likely 0.25% move in the days ahead of the meeting and this proved to be correct. From here, the key question is whether the Fed are commencing the start of a prolonged easing cycle or whether this is a precautionary step and more of a one-off move. Commentary from Fed Chair Powell, along with more positive recent data, suggests the latter scenario is more likely, although far from certain.

A quiet week ahead sees non-manufacturing ISM form the data highlight.



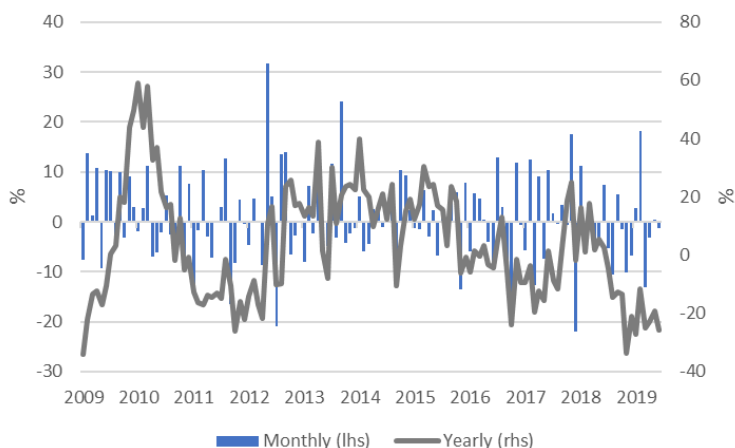
#### Europe

A quiet week of data in the UK saw consumer confidence nudge higher and the BoE hold rates, as expected. In Europe there were several key data releases. Q2 GDP growth was a little higher than expected, with the economy growing at 1.1% over the year. Core inflation was lower than expected in Q2, supporting the ECB's increasingly dovish tone. Retail sales bounced back in June, lifting 1.1% for the month and reversing a decline seen since the beginning of the year.

In the UK, Boris Johnson reinforced his intention to lead the UK out of Europe by the current 31 October deadline. Sterling dropped to its lowest level since March 2017 and has lost more than 3% since Johnson became prime minister. The EU's apparent unwillingness to negotiate a new deal, Johnson's determination to push ahead with Brexit and the UK parliament's lack of appetite for a no-deal Brexit suggest a challenging period ahead.

Industrial production and GDP numbers are due in the UK this week. There are no major data releases in Europe.

## Chart of the week—Australia building permits



Residential building approvals have been extremely weak in Australia over the last year. The June data release saw a continuation of that trend, with approvals down 1.2% over the month almost 26% lower over the year.

Despite this weak picture, the housing market has received a boost in recent months. The election result ended the discussion around negative gearing, and we have since seen two RBA rate cuts and a loosening of lending restrictions by the regulator.

Looking ahead, the outlook for house prices has improved but credit conditions remain tight and building approvals (and therefore residential construction) are both likely to remain subdued for some time.

Source: Bloomberg

## Financial market movements

INDICATOR	AS AT 02-AUGUST-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
<b>EQUITIES</b>					
		%	%	%	%
S&P/ASX 200 Accum. Index	70,528.57	-2.72	10.52	11.17	8.46
US S&P 500 TR^ Index	5,897.10	-2.91	5.33	12.56	11.10
Europe STOXX TR Index	721.66	-5.64	-4.38	6.50	5.59
UK FTSE 100 TR Index	6,554.66	-6.01	-1.50	6.30	5.68
Japan TOPIX TR Index	2,151.09	-3.99	-11.34	7.57	5.65
MSCI World ex-Australia TR Index	4,796.18	-2.90	2.36	10.27	8.46
<b>FIXED INCOME</b>					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.12	-0.20	-80.20	-15.76	-28.87
Australian 10-year bond yield	1.09	-12.40	-164.00	-26.24	-48.10
US 90-day bank bill yield	1.99	-6.61	2.05	57.74	39.04
US 10-year bond yield	1.71	-35.75	-124.13	3.97	-15.59
UK 10-year bond yield	0.51	-14.20	-81.70	-5.34	-41.69
German 10-year bond yield	-0.52	-12.50	-92.40	-14.99	-33.89
<b>COMMODITIES</b>					
		%	%	%	%
Gold	1,463.63	2.29	21.20	3.09	2.31
Oil—West Texas Crude	54.95	-3.38	-19.77	9.55	-10.81
Iron Ore Spot Price Index	112.71	-2.42	88.54	23.18	3.99
<b>CURRENCIES</b>					
		%	%	%	%
AUD:USD	0.68	-1.69	-8.54	-3.93	-6.30
EUR:USD	1.12	0.44	-3.03	0.35	-3.49
GBP:USD	1.21	-0.07	-6.19	-2.43	-6.35
USD:JPY	105.97	-2.43	-4.87	1.34	0.75
NZD:USD	0.65	-1.26	-3.02	-2.95	-5.09
CHF:USD	1.03	1.79	2.44	0.27	-1.38
AUD:EUR	0.60	-2.13	-5.69	-4.27	-2.91
AUD:GBP	0.56	-1.62	-2.50	-1.58	0.05
AUD:JPY	71.60	-4.08	-13.00	-2.64	-5.60

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

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