

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
09-Sept-19	Australia home loans m/m (Jul)	-0.9%	0.5%
10-Sept-19	Australia business confidence (Aug)	4	NA
10-Sept-19	UK unemployment rate (Jul)	3.9%	3.9%
11-Sept-19	Australia consumer confidence (Sep)	100	NA
12-Sept-19	European interest rate decision	-0.4%	-0.5%
12-Sept-19	US core inflation rate y/y (Aug)	2.2%	2.3%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Retail sales dipped in July, missing expectations and disappointing those hoping that June's bounce would be the start of a recovery. Looking ahead, tax cuts and lower interest rates are expected to have a positive impact on consumers and a recovery in house prices should also support retail spending. GDP numbers were also released last week, meeting consensus expectations but painting a weak picture. One bright spot was the current account surplus, the first since 1975, which should help support the Australian dollar.

The RBA left rates on hold last week, as expected. Board members remain concerned about the global backdrop, particularly the trade war's negative impact on business investment. Domestically the RBA will be hoping for a recovery in consumer spending, which has been an area of weakness. Market pricing shows that further interest rate cuts are expected, with the October meeting rated as a 50/50 chance for another 0.25% drop. This week, home loan data and the business and consumer confidence surveys will be published.



US

A busy week of US data releases got off to a disappointing start last week as the ISM Manufacturing PMI surprisingly dipped below 50, indicating a contractionary environment ahead. Investors took this as a sign that trade tensions are having a material impact on the manufacturing sector. Later in the week non-farm payrolls underperformed expectations but the unemployment rate held at 3.7%.

Trade tensions have put risk assets under pressure over the past month, but tentative signs of progress provided some encouragement last week. Latest indications suggest that negotiations will resume in the coming days and that a high-level meeting will take place next month in Washington. Longer term, the assumption remains that Trump will be keen to get a deal done in the build up to the late 2020 election. Questions remain over the timing of any potential deal, and also over whether both sides can reconcile their differences and come to an agreement.

This week, retail sales, inflation numbers and consumer sentiment are the data highlights.



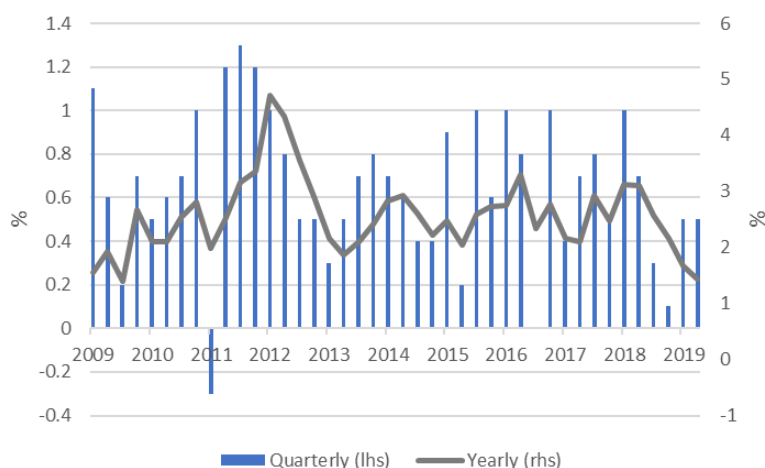
Europe

A sparse calendar of data releases in Europe and the UK last week saw European retail sales dip by 0.6% in July, in line with expectations.

Given the limited data schedule, Brexit developments were in focus even more than usual last week. The complex picture took several turns, with the Labour party securing enough support to take control of the parliamentary agenda and then pass legislation blocking a no-deal Brexit. A group of rebel conservatives supported the moves, ultimately leading to their expulsion from the party. As the week came to a close, Boris Johnson was trying to secure support for a general election in mid-October but labour blocked his path. Johnson will likely return with another election proposal early this week, and if the new, hard-Brexit blocking legislation has become law, he may have greater support.

In the week ahead, industrial production will be published in both the UK and Europe while labour market data is the highlight in the UK and the ECB are expected to cut interest rates.

Chart of the week—Australia Q2 GDP growth



GDP data for the second quarter was published last week and showed a subdued picture, as expected. The economy expanded 0.5% over the quarter and 1.4% over the year, growth levels not seen since the global financial crisis in 2008. The numbers were broadly in line with market consensus but were significantly lower than the RBA forecast published in August.

Over the last year we have seen an unusual situation where employment growth has exceeded economic growth, a picture which is typically reversed. A positive spin on that would see economic growth rebounding, however we could equally see the labour market deteriorate.

Looking ahead, positive impacts of tax cuts, lower interest rates and a stabilising housing market may see a stronger second half of 2019.

Source: Bloomberg

Financial market movements

INDICATOR	AS AT 06-SEPT-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Accum. Index	71,391.13	1.04	12.98	12.30	8.10
US S&P 500 TR [^] Index	6,006.07	1.83	5.84	14.13	10.67
Europe STOXX TR Index	758.53	2.07	5.09	7.42	5.53
UK FTSE 100 TR Index	6,681.81	1.20	4.72	6.81	5.46
Japan TOPIX TR Index	2,196.29	1.67	-6.89	6.56	5.29
MSCI World ex-Australia TR Index	4,872.32	1.75	4.50	11.04	8.02
FIXED INCOME		%	BP	BP	BP
Australian 90-day bank bill yield	1.00	-0.20	-96.80	-20.27	-31.44
Australian 10-year bond yield	1.04	12.20	-150.60	-30.83	-50.96
US 90-day bank bill yield	1.90	-1.29	-19.38	52.64	37.42
US 10-year bond yield	1.56	6.41	-131.29	0.87	-18.03
UK 10-year bond yield	0.51	2.70	-91.00	-5.17	-39.45
German 10-year bond yield	-0.64	6.20	-99.30	-17.60	-31.52
COMMODITIES		%	%	%	%
Gold	1,506.33	-1.50	25.96	4.29	3.71
Oil—West Texas Crude	56.87	3.21	-16.06	7.42	-9.32
Iron Ore Spot Price Index	93.61	7.95	49.32	17.44	2.46
CURRENCIES		%	%	%	%
AUD:USD	0.68	1.95	-3.77	-3.17	-5.74
EUR:USD	1.10	0.49	-4.92	-0.62	-3.15
GBP:USD	1.23	1.83	-5.67	-2.53	-5.27
USD:JPY	106.91	0.63	-3.80	1.35	0.13
NZD:USD	0.64	1.87	-1.53	-4.27	-4.86
CHF:USD	1.01	0.27	-1.34	-0.42	-1.14
AUD:EUR	0.62	1.44	1.21	-2.56	-2.68
AUD:GBP	0.56	0.10	2.03	-0.66	-0.50
AUD:JPY	73.20	2.60	-7.42	-1.86	-5.62

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

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