

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
02-Sept-19	China manufacturing PMI (Aug)	49.9	49.8
03-Aug-19	Australia retail sales m/m (Jul)	0.4%	0.2%
03-Aug-19	Australia interest rate decision (Q2)	1%	1%
03-Aug-19	US manufacturing PMI (Aug)	51.2	51
04-Aug-19	Australia GDP growth rate y/y (Q2)	1.8%	1.4%
06-Aug-19	US unemployment rate (Aug)	3.7%	3.7%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

Data was on the weaker side in Australia last week. Construction numbers missed expectations in Q2, declining 3.8%, more than the forecast 1% dip. Private Capex was also weaker in the second quarter, with spending falling 0.5% versus consensus for a 0.5% gain. Residential building approvals slumped in July while private sector credit was in line with expectations, up 0.2% over the month.

The private capex report, which was released last week contains information pertaining to expenditure plans for the year ahead, something that was closely watched given the RBA's concerns over business investment globally. The latest report contained the third estimate of FY19/20 spending, which was little changed from the second estimate. This will have provided some comfort to the RBA, as declining business confidence, weakened by global trade concerns, has yet to impact actual expenditure plans.

GDP data is the highlight in the week ahead, with consensus expectations showing 0.5% in Q2 and 1.4% over the year. Retail sales and trade data will also be released and the RBA meet.



#### US

Updated GDP data confirmed that the US economy grew at a 2% annualised pace in the second quarter. Elsewhere, durable goods orders were strong in July, inflation remains under control and consumer sentiment dipped in August.

Investor sentiment was dominated by ongoing trade tensions last week. Sharp declines at the end of the prior week were driven by retaliatory Chinese tariffs and the subsequent response from the US. The S&P500 fell around 3% but that move was largely erased last week after Trump announced that negotiations had resumed and comments out of China suggested appetite to agree a deal. Looking ahead, volatility is likely to persist in the near-term but Trump's desire to approach next year's presidential election with a strong domestic economy suggest that a deal is the most likely outcome, although the timing is uncertain.

PMI data will be released in the week ahead, with the manufacturing series particularly important for signs of trade related impacts. Non-farm payrolls should see the unemployment rate remain at 3.7%.



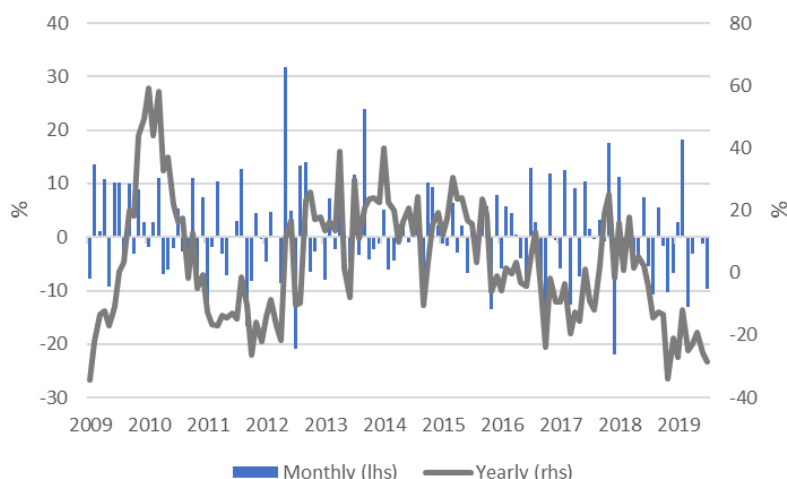
#### Europe

The inflationary environment remains subdued in Europe, with core prices up just 0.9% in August. Business sentiment bounced in August but remains weak and the unemployment rate held at 7.5% as expected. In the UK consumer confidence was the only data release of note last week and painted a weak picture.

The path towards Brexit took another twist last week as Boris Johnson asked the Queen to suspend parliament, limiting potential for his opponents to push through legislation blocking a hard Brexit. Parliament will be suspended for five weeks from next week until mid-October. This leaves little time between now and the 31 October deadline, prompting some to suggest that a vote of no confidence will be brought early this week. Should that prove successful, the path ahead would still be uncertain as there is limited time to form a new government, and little appetite to support opposition leader Corbyn as temporary prime minister.

Retail sales is the data highlight in Europe this week while PMI data is scheduled for release in the UK.

## Chart of the week—Australia building approvals



Residential building approvals posted a sharp 9.7% decline in July, underperforming market expectations of a flat reading and pushing the year on year number to -28.5%.

Building approvals is a volatile data series that can be impacted by large swings in multi-dwelling projects (i.e. high rise) and this appears to be the case in July, with that segment collapsing close to 20% over the month and 44% over the year. Houses were also weaker while renovations were more resilient.

Despite signs that house prices are recovering, with strong auction clearance rates and solid price growth, it is clear that activity is still subdued – as evidenced by approvals sitting at a six-year low. Looking ahead housing based construction activity is likely to be a drag on Australian GDP growth.

Source: Bloomberg

## Financial market movements

INDICATOR	AS AT 30-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	70,654.10	1.48	9.04	11.76	7.75
US S&P 500 TR^ Index	5,898.23	2.83	2.92	12.54	10.13
Europe STOXX TR Index	743.14	2.78	0.28	6.32	5.49
UK FTSE 100 TR Index	6,602.49	1.12	1.45	5.79	5.23
Japan TOPIX TR Index	2,160.23	0.66	-11.11	6.05	4.98
MSCI World ex-Australia TR Index	4,786.34	1.79	1.08	9.74	7.61
<b>FIXED INCOME</b>					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.00	1.80	-95.90	-20.21	-30.87
Australian 10-year bond yield	0.89	0.50	-162.80	-32.17	-49.65
US 90-day bank bill yield	1.91	3.95	-14.30	53.42	37.68
US 10-year bond yield	1.50	-3.90	-135.89	-2.34	-17.00
UK 10-year bond yield	0.48	-0.20	-97.60	-5.30	-38.07
German 10-year bond yield	-0.70	-2.50	-104.60	-20.34	-32.00
<b>COMMODITIES</b>					
		%	%	%	%
Gold	1,529.09	0.12	27.29	4.89	3.86
Oil—West Texas Crude	54.80	2.16	-21.49	7.23	-10.01
Iron Ore Spot Price Index	86.72	-2.56	41.72	14.15	0.12
<b>CURRENCIES</b>					
		%	%	%	%
AUD:USD	0.67	-0.63	-6.68	-3.85	-6.21
EUR:USD	1.10	-1.00	-5.40	-0.50	-3.50
GBP:USD	1.22	-0.44	-5.49	-2.92	-5.88
USD:JPY	106.12	-	-4.46	0.70	0.20
NZD:USD	0.63	-1.38	-4.47	-4.70	-5.38
CHF:USD	1.01	-1.05	-2.04	-0.30	-1.46
AUD:EUR	0.61	0.36	-1.35	-3.37	-2.81
AUD:GBP	0.55	-0.18	-1.26	-0.95	-0.35
AUD:JPY	71.44	-0.64	-10.84	-3.16	-6.02

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

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