

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
20-Aug-19	Reserve Bank of Australia (RBA) meeting minutes	NA	NA
21-Aug-19	US Federal Reserve (Fed) meeting minutes	NA	NA
22-Aug-19	Australia composite purchasing managers' index (PMI)—Aug	52.1	NA
22-Aug-19	Europe composite PMI—Aug	51.5	51.2
22-Aug-19	US composite PMI—Aug	52.6	NA
22-Aug-19	Europe consumer confidence—Aug	-6.6	-7

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

A busy schedule saw several key data releases last week. The labour market report was the highlight, positing a strong 41,000 gain in jobs during the month of July. The unemployment rate held at 5.2% as the participation rate ticked higher. Both business and consumer confidence measures moved in a positive direction but remain subdued. Within the business survey the employment component fell sharply suggesting a weaker labour market ahead. Wage growth data was a little stronger than expected in Q2—but at 2.3% year-on-year, it remains well below the RBA's estimate of normal levels.

The policy outlook for the RBA remains data dependent with a particular focus on the labour market. With leading indicators signalling a further softening ahead, the market is expecting further rate cuts in the coming months. Current pricing suggests that at least one 0.25% move is a 90% chance at or before the November meeting.

A quieter week ahead sees PMI data released along with the publication of the RBA meeting minutes and a speech by RBA Governor Lowe.



#### US

A number of data releases painted a mixed picture in the US last week. Inflation remains in check and close to the Fed's 2% target, while retail sales posted a strong result in July. Industrial production, housing starts and consumer sentiment were on the weaker side but building permits outperformed.

Markets saw some sharp moves last week as the two to 10-year US yield curve briefly inverted on the back of weaker data in China. An inverted yield curve, where short-term bonds offer a higher yield than longer-term bonds, has historically been a good predictor of US recessions, although a number of market commentators have suggested that this is not likely to be the case in the current environment. Nonetheless, caution appears warranted amid heightened volatility.

PMI numbers form the data highlight this week and are likely to remain subdued. New and existing home sales are also scheduled for release. The Fed meeting minutes will help inform the potential for further policy easing in the coming months.



#### Europe

In Europe, economic sentiment tumbled and industrial production was significantly below expectations in a disappointing run of data last week. In the UK, retail sales posted a surprise gain in July while the unemployment rate nudged a little higher. Inflation was marginally higher than expected but remains around target.

As the UK parliamentary summer recess nears its end we are just two weeks away from the next decisive step toward Brexit. Opposition leader, Jeremy Corbyn, has previously announced that he will call a no-confidence vote in the current government and has now outlined his intentions should that vote prove successful. Corbyn will attempt to form government and take over as caretaker prime minister, delaying Brexit, calling a snap general election and campaigning for a second referendum. The coming weeks will see Corbyn try to build support for his plan ahead of the no-confidence vote.

PMI data and the consumer confidence index are the highlights in Europe this week. There are no major data releases in the UK.

## Chart of the week—China retail sales



Source: Bloomberg

The trade war escalation in recent weeks has spurred a bout of heightened market volatility and made investors particularly sensitive to economic data. The largest market moves have been driven by data points that suggest growth is slowing as a result of the trade tensions. Last week Chinese data was in focus and the weaker-than-expected result caused sharp equity market falls.

Retail sales growth dropped from 9.8% year-on-year in June to 7.6% year-on-year in July, below consensus expectations of an 8.6% gain. Industrial production and fixed asset investment also disappointed.

Looking ahead, further weakness appears likely—although the recent delay of half the upcoming additional tariffs may see some of this effect pushed into early 2020 rather than Q4 2019.

## Financial market movements

INDICATOR	AS AT 16-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	68,281.78	-2.41	5.49	9.63	7.26
US S&P 500 TR^ Index	5,818.17	0.26	3.42	11.99	10.07
Europe STOXX TR Index	720.83	-0.73	-1.77	6.33	5.40
UK FTSE 100 TR Index	6,514.15	-1.52	-1.52	5.52	5.13
Japan TOPIX TR Index	2,121.70	-0.89	-10.73	6.64	4.88
MSCI World ex-Australia TR Index	4,712.96	-0.10	0.96	9.49	7.56
<b>FIXED INCOME</b>					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	1.02	-1.10	-91.30	-17.33	-31.92
Australian 10-year bond yield	0.92	-3.70	-162.50	-31.43	-50.20
US 90-day bank bill yield	1.83	-10.75	-17.41	51.36	35.81
US 10-year bond yield	1.55	-19.09	-131.21	-0.69	-15.77
UK 10-year bond yield	0.47	-1.80	-77.40	-3.97	-37.48
German 10-year bond yield	-0.69	-10.90	-100.50	-21.88	-32.98
<b>COMMODITIES</b>					
		%	%	%	%
Gold	1,510.23	-0.06	26.86	4.03	3.11
Oil—West Texas Crude	55.04	0.20	-16.49	4.29	-10.24
Iron Ore Spot Price Index	92.56	-4.14	45.17	16.66	0.47
<b>CURRENCIES</b>					
		%	%	%	%
AUD:USD	0.68	0.47	-7.57	-3.83	-6.12
EUR:USD	1.11	-1.06	-3.37	-0.68	-3.59
GBP:USD	1.22	0.66	-5.02	-2.40	-6.06
USD:JPY	106.44	1.08	-3.30	2.03	0.67
NZD:USD	0.64	-0.29	-3.19	-4.02	-5.25
CHF:USD	1.02	-0.98	1.29	-0.64	-1.47
AUD:EUR	0.61	1.56	-4.33	-3.17	-2.62
AUD:GBP	0.56	-0.18	-2.67	-1.43	-0.06
AUD:JPY	72.22	1.58	-10.59	-1.88	-5.48

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

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