

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
13-Aug-19	Australia business confidence (Jul)	2	3
13-Aug-19	US core inflation rate y/y (Jul)	2.1%	2.1%
14-Aug-19	Australia consumer confidence (Aug)	96.5	NA
14-Aug-19	Australia wage price index y/y (Q2)	2.3%	2.3%
15-Aug-19	Australia unemployment rate (Jul)	5.2%	5.2%
15-Aug-19	US retail sales m/m (Jul)	0.4%	0.3%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Data was largely positive in Australia last week. The trade balance was larger than expected at AUD 8 billion versus a consensus number of AUD 6 billion and home loan data showed some signs of stabilisation—up 1.9% in June. The election result, easing of lending restrictions by the regulator and two Reserve Bank of Australia (RBA) rate cuts have improved the landscape for the housing market.

Rates were left on hold last week, as expected, and commentary suggests that further policy easing will be delivered if required, making incoming data important in the months ahead. Later in the week, the RBA's *Statement on Monetary Policy* tweaked some forecasts, effectively pushing through minor downgrades to labour market and inflation projections. RBA Governor Lowe also reaffirmed the dovish stance and confirmed future policy will be data dependent.

A busy week ahead sees labour market data form the highlight but Q2 wage growth will also be closely watched. Consumer and business sentiment measures will also be released.



US

A quiet week of data saw the non-manufacturing purchasing managers' index paint a disappointing picture last week, posting an unexpected decline in July and reinforcing a weaker outlook for the period ahead.

Global markets were driven by concerns over US-China relations last week as the Chinese yuan pushed below the symbolically important level of USD 7. The US responded by labelling China a 'currency manipulator', a step not taken in more than 25 years. The recent escalation follows a lack of progress in the Shanghai-based negotiations in the prior week and President Trump's threat to push ahead with 10% tariffs on USD 300 billion worth of Chinese goods from September if a deal can't be reached. Markets were extremely volatile, with strong export data in China helping to counteract sharp declines early in the week.

A full schedule of US data sees CPI numbers, retail sales, industrial production, building permits, housing starts and consumer sentiment all due to be released.



Europe

European and UK markets were driven by global events last week, namely the deterioration in relations between the US and China. Data was limited, with the UK monthly GDP series and industrial production both missing expectations.

The Brexit landscape continues to evolve. Jeremy Corbyn, leader of the opposition Labour Party, has indicated he will call a 'no-confidence' vote when Parliament resumes in September. This entails a vote by all members of parliament on whether to continue supporting the sitting government. Should UK Prime Minister Boris Johnson lose the no-confidence vote, a complicated process would see attempts to form a new government. Should that fail, then a general election would be called. However, Johnson controls the date of the election, which could potentially be set to take place after the 31 October Brexit deadline. The path ahead is still extremely uncertain.

European business sentiment and industrial production, along with UK retail sales, labour market data and CPI, are the highlights this week.

Chart of the week—Australian dollar



The Australian dollar was relatively stable in the first half of the year, spending Q1 around the USD 0.71 level before dipping to around USD 0.70 in Q2. July saw a recovery back towards USD 0.71 before a re-escalation of trade tensions between the US and China precipitated a sharp decline to below 0.68, the lowest level since the global financial crisis.

Looking ahead, the Australian dollar is likely to be driven by global sentiment and, in particular, the state of relations between the US and China. Closer to home, the next steps from the RBA will also be important. Having delivered two rate cuts, the market is now priced for further moves later this year. Weaker data and steeper than expected policy easing would likely see further pressure on the Australian dollar.

Source: Bloomberg

Financial market movements

INDICATOR	AS AT 09-AUGUST-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Accum. Index	69,969.03	-2.67	9.50	10.60	8.22
US S&P 500 TR^ Index	5,873.47	2.65	5.10	12.37	10.83
Europe STOXX TR Index	726.12	-1.38	-2.53	5.87	6.02
UK FTSE 100 TR Index	6,614.50	-1.58	-1.19	5.80	5.99
Japan TOPIX TR Index	2,148.19	-1.93	-10.80	6.33	5.52
MSCI World ex-Australia TR Index	4,759.89	1.91	1.96	9.65	8.27
FIXED INCOME		BP	BP	BP	BP
Australian 90-day bank bill yield	1.03	-9.30	-89.00	-17.36	-30.73
Australian 10-year bond yield	0.98	-10.60	-161.00	-31.03	-49.28
US 90-day bank bill yield	1.93	-8.00	-5.66	55.49	38.02
US 10-year bond yield	1.74	-10.05	-118.11	6.59	-13.55
UK 10-year bond yield	0.48	-6.60	-81.20	-3.27	-39.84
German 10-year bond yield	-0.58	-8.10	-95.10	-16.69	-32.79
COMMODITIES		%	%	%	%
Gold	1,497.84	2.33	25.50	3.89	2.72
Oil—West Texas Crude	54.33	-0.66	-19.67	6.89	-11.01
Iron Ore Spot Price Index	96.56	-16.35	51.59	16.61	0.67
CURRENCIES		%	%	%	%
AUD:USD	0.68	0.37	-6.73	-3.95	-6.06
EUR:USD	1.12	-0.01	-1.82	0.12	-3.48
GBP:USD	1.20	-0.99	-5.86	-2.37	-6.49
USD:JPY	105.53	-0.40	-4.67	1.37	0.63
NZD:USD	0.65	-1.03	-1.79	-3.53	-5.19
CHF:USD	1.03	0.13	2.16	0.08	-1.37
AUD:EUR	0.61	0.36	-5.01	-4.06	-2.68
AUD:GBP	0.56	1.36	-0.97	-1.61	0.46
AUD:JPY	71.56	-0.04	-11.10	-2.63	-5.47

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

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