

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
26-Aug-19	US durable goods orders m/m (Jul)	2%	1.1%
28-Aug-19	Australia construction work done q/q (Q2)	-1.9%	-1.0%
29-Aug-19	Australia private sector capex q/q (Q2)	-1.7%	0.5%
30-Aug-19	Australia building permits m/m (Jul)	-1.2%	-1%
30-Aug-19	Australia private sector credit m/m (Jul)	0.1%	0.2%
30-Aug-19	US core PCE prices y/y (Jul)	1.6%	1.7%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

A quiet week of data releases saw PMIs form the domestic highlight last week. The overall composite index dipped below the neutral 50 level, with manufacturing outperforming services in the sub-indices.

The RBA minutes were released last week. With the publication of the RBA's statement on monetary policy and Governor Lowe's testimony to parliament both occurring between the meeting and the publication of the minutes, there was limited scope for significant surprises. Overall, it's clear that RBA sentiment remains dovish but having delivered back to back cuts in June and July it would appear that a pause is now favoured. This provides the opportunity to assess the impact of the two moves as well as the recent tax cuts. Concerns over business investment globally means that the domestic picture will come under close scrutiny. Capex data published this week will therefore be important for the monetary policy outlook.

This week, Q2 construction work, the Capex report, building permits and private sector credit are the highlights.



US

Last week was also a relatively quiet period in the US in terms of data releases. PMI data saw the manufacturing series dip below 50 for the first time in close to a decade. The composite number remains just in positive territory at 50.9. In housing market data, existing home sales rose 2.5% in July while new home sales posted a surprise double digit drop.

The minutes from the most recent Fed meeting, where rates were cut 0.25%, were published last week. Overall the tone was slightly more hawkish than expected as it became apparent that several members did not support the cut. As expected, the rationale for the cut was slower global growth, not a weaker picture in the US. The Fed are using policy as a risk management tool. Later in the week the Fed's Jackson Hole economic symposium provided further insight into the Fed's thinking. The negative impacts of the trade dispute were an ongoing theme, with slower global growth cited as a key risk.

In the week ahead, PCE inflation data, durable goods orders and consumer sentiment are the key data releases.



Europe

A week of limited data releases globally was replicated in the UK and Europe last week. European PMI numbers posted a small gain, beating consensus. Manufacturing remains weak, particularly in Germany, but strength in the services component kept the composite index above neutral.

UK Prime Minister Boris Johnson met separately with both Germany's Angela Merkel and French leader Emmanuel Macron last week in an attempt to reopen Brexit negotiations. As has been the case over the last year, the key sticking point remains the Irish backstop, a part of the withdrawal agreement aimed at avoiding a hard border between Ireland and Northern Ireland, but which could see the UK tied to Europe indefinitely. Both Merkel and Macron have urged Johnson to lay out his alternative proposal as soon as possible but details so far have been extremely limited. The 31 October deadline is fast approaching.

In Europe, business confidence, inflation and labour data are the highlights this week. Consumer confidence will be released in the UK.

Chart of the week—European Manufacturing PMI



European PMIs posted a modest gain in August, beating consensus, which was focussed on a more negative outcome given the backdrop of Brexit uncertainty and ongoing trade tensions. Overall the picture remains weak however and the manufacturing index sits below 50, indicating a contractionary environment. The broader Composite Index is supported by a better services environment and remains in positive territory at 51.8.

Looking at the regional breakdown shows that Germany is struggling, with the manufacturing PMI index sitting at 43.6. One concerning detail showed that new manufacturing orders were weak, entirely driven by domestic weakness.

PMI numbers globally have fallen sharply since late 2018 and are indicative of the subdued environment.

Source: Bloomberg

Financial market movements

INDICATOR	AS AT 23-AUGUST-19	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	69,623.14	1.96	8.88	10.35	7.61
US S&P 500 TR^ Index	5,735.63	-2.60	1.07	11.71	9.55
Europe STOXX TR Index	723.01	0.30	-2.98	6.03	4.81
UK FTSE 100 TR Index	6,498.99	-0.23	-2.05	5.53	4.92
Japan TOPIX TR Index	2,145.96	1.14	-10.33	7.26	5.04
MSCI World ex-Australia TR Index	4,675.30	-1.91	-0.73	9.31	7.13
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.99	-3.20	-93.10	-20.51	-31.44
Australian 10-year bond yield	0.86	-5.80	-167.90	-33.38	-50.45
US 90-day bank bill yield	1.87	4.70	-14.75	52.51	36.86
US 10-year bond yield	1.54	-1.87	-129.10	-0.36	-17.41
UK 10-year bond yield	0.48	1.50	-78.90	-2.10	-38.78
German 10-year bond yield	-0.68	1.00	-101.40	-19.37	-33.36
COMMODITIES					
		%	%	%	%
Gold	1,548.70	3.53	27.85	5.44	3.87
Oil—West Texas Crude	53.06	-5.60	-22.79	3.66	-10.78
Iron Ore Spot Price Index	89.00	-3.85	42.77	14.75	0.29
CURRENCIES					
		%	%	%	%
AUD:USD	0.67	-1.08	-8.98	-4.01	-6.38
EUR:USD	1.12	0.69	-4.49	-0.13	-3.26
GBP:USD	1.23	1.16	-4.85	-2.26	-5.80
USD:JPY	104.75	-1.77	-5.70	0.94	0.13
NZD:USD	0.63	-1.06	-5.26	-4.30	-5.31
CHF:USD	1.03	0.96	0.75	0.20	-1.15
AUD:EUR	0.60	-1.77	-4.72	-3.89	-3.23
AUD:GBP	0.55	-2.22	-4.35	-1.78	-0.62
AUD:JPY	70.09	-2.84	-14.16	-3.10	-6.26

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

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