

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
18-Aug-20	RBA meeting minutes	NA	NA
19-Aug-20	Fed meeting minutes	NA	NA
21-Aug-20	UK consumer confidence (Aug)	-27	-25
21-Aug-20	UK retail sales m/m (Jul)	13.9%	2.3%
21-Aug-20	Europe composite PMI (Aug)	54.9	54.7
21-Aug-20	UK composite PMI (Aug)	57.0	56.6
21-Aug-20	US composite PMI (Aug)	50.3	NA

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

A busy data schedule saw business and consumer confidence measures released last week as well as payroll data and the labour force survey. Confidence measures have moved quickly to capture the deterioration in Victoria compared to the prior month, with business confidence dropping sharply from +0.5 to -13.9 in July. As you would expect, VIC and NSW lead the declines, mirroring the underlying virus situation. The survey captured the stage 3 lockdown in VIC but not the move to stage 4. Consumer sentiment was also sharply lower, down around 10% in August. Somewhat surprisingly the decline was led by NSW, showing that effects of the virus on sentiment extend beyond where the physical restrictions are currently in force. The labour force survey outperformed but the timelier payroll data showed a deteriorating picture owing to the new restrictions in Victoria. Further weakness is expected in the period ahead.

A quiet week ahead sees the RBA meeting minutes and PMI numbers form the domestic highlights.



US

Inflation data surprised to the high side in the US last week, with the core number jumping 0.6% in July, well above the 0.2% expectation. The sharp recovery is expected to be short-lived however, with a more subdued inflation environment forecast in the period ahead. Encouragingly, weekly unemployment claims showed a surprisingly strong picture for the labour market. Retail sales data showed smaller gains in July, inching up 1.2% over the month after jumping 18% in May and 8% in June. Industrial production data was in line with expectations at 3% in in July, while consumer sentiment was marginally higher than consensus in August, grinding higher from 72.5 to 72.8.

The Fed minutes will be released this week, and while no policy changes were made at the meeting, they may include additional information around the potential for further policy support later in the year.

This week, building permits, housing starts and PMIs form the data highlights in the US.



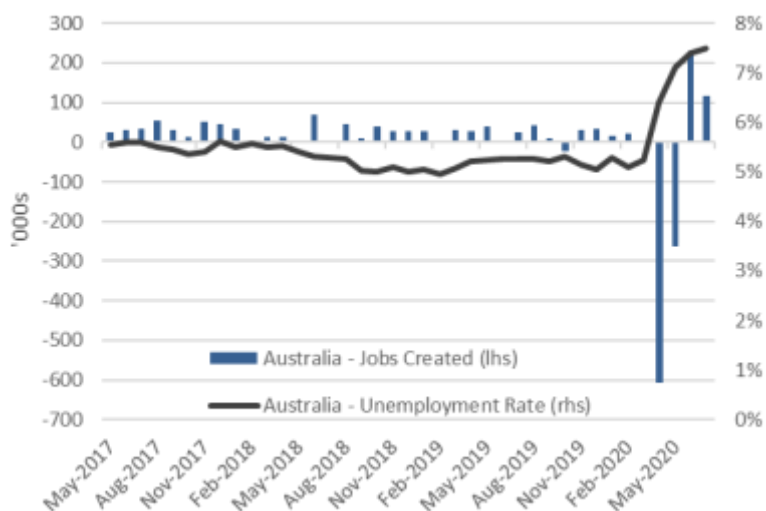
Europe

The UK economy contracted by 20.4% in the second quarter, broadly as expected. The annual decline was -21.7%, which was a little above consensus. Encouragingly, the monthly GDP series showed stronger than expected improvement in June, suggesting the recovery was well underway heading in to the third quarter. Labour market data and industrial production also outperformed expectations in the UK in what was a positive data week. In Europe, industrial production was weaker than expected.

Europe has been a relative outperformer in terms of Covid-19 in June and July as cases surged in the US and some emerging economies. In recent weeks this picture has changed, with cases surging in France, Germany and Spain. The opening of borders has seen summer holiday travel a likely driver of the resurgence in case numbers.

A busy week ahead in the UK sees PMI data, retail sales, consumer confidence and inflation all published. In Europe PMI data and consumer confidence are the highlights this week.

Chart of the week—Australia labour force survey



Source: ABS

The Australian labour force survey showed that 115k jobs were created in July and that the unemployment rate nudged higher from 7.4% to 7.5%, both of which were stronger outcomes than expected. The details showed a weaker underlying picture, with part-time jobs driving the gain and a lower participation rate helping keep the unemployment rate artificially low. Holding the participation rate constant at February levels would produce an unemployment rate of 9.1%.

The picture painted by the survey also hides the fact that since the survey period we have seen increased restrictions in Victoria, so weakness can be expected ahead. Most forecasters expect an increasing participation rate and ongoing labour market weakness to see the unemployment rate push higher towards 10% in the second half of the year before a gradual recovery over the course of 2021 and 2022.

Financial market movements

INDICATOR	AS AT 14-AUGUST-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	67,443.70	2.03	-1.23	6.04	7.10
US S&P 500 TR^ Index	6,924.28	0.69	19.01	13.75	12.17
Europe STOXX TR Index	739.28	1.48	2.56	0.96	2.34
UK FTSE 100 TR Index	5,769.12	1.31	-11.44	-2.43	2.56
Japan TOPIX TR Index	2,369.62	4.74	11.68	2.18	1.32
MSCI World ex-Australia TR Index	5,352.75	1.15	13.58	9.24	8.27
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.16	-0.50	-88.10	-50.05	-36.40
Australian 10-year bond yield	0.93	10.50	-0.90	-56.49	-37.26
US 90-day bank bill yield	0.09	0.43	-178.11	-30.82	0.16
US 10-year bond yield	0.71	14.54	-86.98	-50.56	-29.94
UK 10-year bond yield	0.24	10.40	-20.50	-27.68	-32.90
German 10-year bond yield	-0.42	8.80	22.90	-27.64	-21.71
COMMODITIES					
		%	%	%	%
Gold	1,945.12	-4.44	28.28	14.90	11.77
Oil—West Texas Crude	42.01	1.92	-23.94	-4.07	-0.23
Iron Ore Spot Price Index	117.22	3.41	62.09	28.07	na
CURRENCIES					
		%	%	%	%
AUD:USD	0.72	0.20	6.27	-2.98	-0.57
EUR:USD	1.18	0.47	6.31	0.18	1.29
GBP:USD	1.31	0.26	8.51	0.31	-3.51
USD:JPY	106.60	0.64	0.65	-0.93	-3.03
NZD:USD	0.65	-0.95	1.65	-3.53	-0.02
CHF:USD	1.10	0.38	7.09	2.26	1.44
AUD:EUR	0.61	-0.30	-0.05	-3.15	-1.84
AUD:GBP	0.55	-0.07	-2.07	-3.28	3.05
AUD:JPY	76.44	0.82	6.97	-3.88	-3.57

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

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