

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
20-July-21	RBA meeting minutes	NA	NA
20-July-21	US building permits m/m (Jun)	-2.9%	NA
21-July-21	Australia retail sales m/m (Jun)	0.1%	-0.5%
22-July-21	Europe interest rate decision	0.0%	0.0%
23-July-21	UK composite PMI (Jul)	62.2	61.9
23-July-21	Europe composite PMI (Jul)	59.5	60.0
23-July-21	US composite PMI (Jul)	63.7	NA

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Business confidence fell sharply in June, down 9 points to +11, with conditions also lower, down 12 points to +24. The survey was conducted in late June, when several states were in various stages of lockdown. Consumer confidence edged higher in July, with a sharp decline in NSW offset by gains elsewhere.

We are becoming accustomed to assessing the impact of lockdown measures aimed at curbing the spread of Covid-19. Last week saw Victoria enter its 5th lockdown, while Sydney's was extended by two weeks to the end of the month. While it is too early to estimate the impact of the latest measures in Victoria, various estimates suggest that the measures in NSW will reduce Australia's Q3 GDP growth by between 0.7% and 1.4%. Encouragingly, experience has shown that a sharp rebound occurs once restrictions are eased, so any economic damage is expected to be relatively short lived.

Retail sales data and the RBA meeting minutes are the highlights in the week ahead.



US

The June CPI print once again exceeded expectations in the US, with core prices up 0.9% over the month, and 4.5% year-on-year. Gains were driven by a few key components, with used cars up 10.5% over the month and lodging away from home, air fares and new cars all material contributors. These components account for 8% of the CPI basket but were responsible for 70% of the monthly gain, so price rises remain narrow. Elsewhere, retail sales strengthened in June, but consumer sentiment was lower in July.

The Fed believes that the current inflation spike will be transitory. Last week, Fed chair Powell gave testimony before the House and reinforced the fact that the Fed is prepared to look beyond the current spike, referencing the narrow contributors as an important factor. Looking ahead, central banks will likely continue to downplay higher inflation, but this could be tested if inflation persists in to Q4.

Housing starts, building permits, new home sales and PMI data are the highlights in the week ahead.



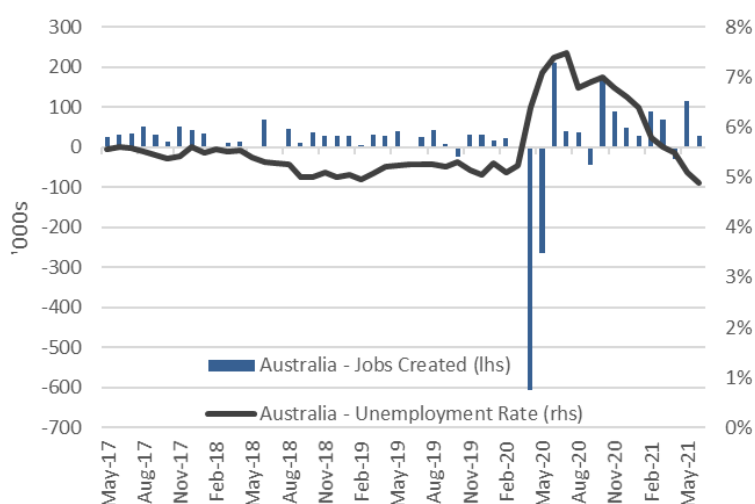
Europe

The UK's June CPI print exceeded expectations last week, while the unemployment rate also edged higher. In Europe, industrial production declined in May.

The ECB meet this week, and while no policy changes are expected, the forward guidance will likely be adjusted to reflect the recently adjusted policy framework, where the inflation target was changed to a symmetric 2%. In recent months we have seen other major central banks, including the Bank of Canada, Bank of England and the RBA announce plans to taper asset purchases. The Fed has not made a formal announcement, but the shift in interest rate expectations, along with less dovish commentary show similar sentiment to other central banks. The ECB is expected to lag peers in terms of policy tightening, but the market will be looking for signs of any shifts in guidance.

PMI and consumer confidence data will be published in both the UK and Europe this week. UK retail sales data is the other release of note.

Chart of the week—Australian labour force survey



The Australian labour market continued its remarkable recovery in June, with the labour force survey showing that 29,100 jobs were added over the month, pushing the unemployment rate down to 4.9%, its lowest level since 2008. Job numbers are 1.2% higher than pre-pandemic levels, and while hours worked declined 1.8% in June, the metric is almost 7% higher compared to this time last year.

The long-term labour market trend is positive but the various lockdown measures around the country will undoubtedly disturb that trend, although the effect is expected to be temporary. The June survey, carried out during the previous Victorian lockdown, showed that hours worked in the state were down 8.4%, while the rest of the country (not in lock down at that point), saw an increase of 0.5%. Weakness can therefore be expected in NSW next month, likely impacting the strength of the overall survey.

Source: Bloomberg

Financial market movements

INDICATOR	AS AT 16-JULY-21	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Accum. Index	83,340.04	1.03	25.55	9.37	10.36
US S&P 500 TR^ Index	9,009.89	-0.96	36.27	17.70	17.09
Europe STOXX TR Index	934.94	-0.80	25.21	7.51	9.81
UK FTSE 100 TR Index	6,825.73	-1.60	15.18	0.77	4.91
Japan TOPIX TR Index	2,871.22	1.04	24.98	5.44	9.82
MSCI World ex-Australia TR Index	6,877.39	-0.82	32.49	13.95	14.13
FIXED INCOME	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.02	-0.08	-7.58	-67.08	-39.02
Australian 10-year bond yield	1.28	-7.60	40.20	-45.24	-13.80
US 90-day bank bill yield	0.04	-0.11	-5.30	-64.02	-4.95
US 10-year bond yield	1.29	-6.92	67.35	-52.54	-5.22
UK 10-year bond yield	0.63	-2.90	48.70	-21.85	-4.16
German 10-year bond yield	-0.35	-6.00	11.20	-23.92	-7.19
COMMODITIES		%	%	%	%
Gold	1,812.05	0.21	0.83	13.45	6.26
Oil—West Texas Crude	71.81	-3.69	76.22	1.80	9.34
Iron Ore Spot Price Index	219.67	2.61	103.10	51.26	31.24
CURRENCIES		%	%	%	%
AUD:USD	0.74	-1.16	6.17	-0.08	-0.47
EUR:USD	1.18	-0.59	3.71	0.27	1.36
GBP:USD	1.38	-0.96	9.67	1.32	0.86
USD:JPY	110.07	-0.06	2.61	-0.66	0.97
NZD:USD	0.70	-0.01	7.10	1.08	-0.33
CHF:USD	1.09	-0.60	2.86	2.73	1.33
AUD:EUR	0.63	-0.60	2.37	-0.36	-1.80
AUD:GBP	0.54	-0.19	-3.21	-1.39	-1.29
AUD:JPY	81.44	-1.28	8.91	-0.75	0.49

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

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