

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
26-Oct-20	US new home sales m/m (Sep)	4.8%	2.8%
27-Oct-20	US durable goods orders m/m (Sep)	0.4%	0.5%
28-Oct-20	Australia core inflation y/y (Q3)	1.3%	1.3%
29-Oct-20	US GDP growth rate q/q annualised (Q3)	-31.4%	31.9%
29-Oct-20	Europe interest rate decision	0.0%	0.0%
30-Oct-20	Europe GDP growth q/q (Q3)	-11.8%	9.2%
30-Oct-20	US core PCE price index m/m (Sep)	0.3%	0.2%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Payroll data weakened in the two weeks to 3 October, declining 0.9% to sit at the lowest level since June. The decline is not just a lockdown story, with Victoria performing in line with the rest of Australia, although easing restrictions would be expected to be a positive factor going forward. Fiscal stimulus and likely monetary policy easing should also provide support in the period ahead. Preliminary retail sales also declined, down 1.9% in September, but similar positives should see a return to growth in the months ahead.

The RBA meeting minutes affirmed the increasingly strong expectations of a rate cut next week. There is also potential for some form of quantitative easing via the purchase of longer dated government and semi-government bonds. UBS suggest that a package of around \$100b in government and \$20b in semi-government bonds would be reasonable and would likely apply downward pressure on bond yields as demand is artificially increased.

Inflation data and private sector credit are the highlights this week.



US

The US housing market continues to represent an area of strength. Building permits gained a strong 5.2% in September while housing starts were up 1.9% over the month and existing home sales surged 9.4% in October, well ahead of consensus. PMI data outperformed other regions with the services component driving a solid gain in October.

The debate over US fiscal stimulus continues to drive market volatility, with daily moves often attributed to the changing probabilities of a stimulus package getting approved. With negotiations seemingly stalled it is increasingly likely that the US election, which is now little more than a week away, will take place before any agreement is reached. Current polling suggests a Biden victory. If that is accompanied by a democrat-controlled house, then then the probability of material fiscal stimulus getting approved in the near-term will increase.

GDP data in the highlight this week, durable goods orders and new home sales will also be released.



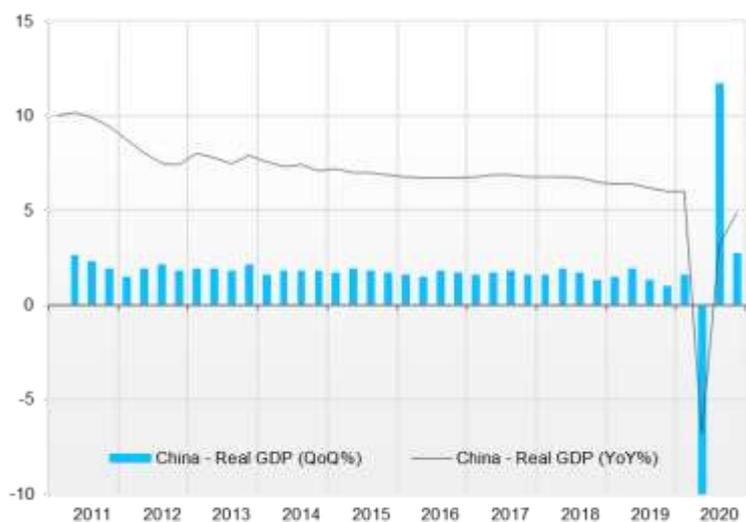
Europe

UK retail sales outperformed expectations in September but both consumer sentiment and PMI data were weaker, perhaps reflecting the renewed mobility restrictions. In Europe, PMIs weakened a little, in line with expectations.

The development of a viable Covid-19 vaccine is of key importance, particularly in countries where the second wave is currently proving particularly damaging. This is the case in the UK and Europe and while there have been positive updates around a potential vaccine, it seems highly likely that the timeframe would see its implantation in 2021 or beyond, making the upcoming winter months a daunting prospect. Last week saw additional restrictions imposed in various European countries and in the UK as government have seemingly now been forced to abandon the earlier approach of keeping economies open, despite surging virus cases.

A busy European schedule sees GDP growth, inflation numbers, labour market data and the ECB meeting in the week ahead.

Chart of the week—Chinese GDP growth



China's remarkably consistent economic growth profile endured a wild swing this year, as did almost every economy around the world. Data published last week showed that the economy expanded 4.9% in Q3, a little below the 5.5% consensus number.

Although the result did not hit the market expectation, the September data release showed outperformance across a number of metrics. Property investment, retail sales and industrial production were all stronger than expected over the month, providing a positive sign that the return to normal is continuing.

Looking ahead, some of the sectors that were underperformers due to capacity constraints in Q3 should contribute positively in Q4 as restrictions are eased further. On a more negative note, the strong rebound to date makes further stimulus less likely. Overall, further improvement is expected in Q4, with annual GDP growth likely to push back above 5%.

Source: Factset

Financial market movements

INDICATOR	AS AT 23-OCT-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	68,516.97	-0.16	-5.51	5.43	7.22
US S&P 500 TR [^] Index	7,135.81	-0.51	16.84	12.79	13.10
Europe STOXX TR Index	730.00	-1.30	-6.67	-1.04	2.47
UK FTSE 100 TR Index	5,572.92	-0.97	-17.32	-4.08	2.18
Japan TOPIX TR Index	2,389.62	0.47	0.63	-0.54	2.80
MSCI World ex-Australia TR Index	5,467.88	-0.63	9.91	8.07	9.25
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.06	-2.00	-84.07	-54.97	-42.26
Australian 10-year bond yield	0.86	13.40	-24.70	-65.12	-35.35
US 90-day bank bill yield	0.09	-0.38	-148.58	-32.47	1.77
US 10-year bond yield	0.84	9.73	-92.13	-51.04	-25.00
UK 10-year bond yield	0.28	9.80	-40.50	-34.52	-31.82
German 10-year bond yield	-0.57	4.80	-18.00	-33.65	-21.81
COMMODITIES					
		%	%	%	%
Gold	1,902.05	0.15	27.47	14.05	10.31
Oil—West Texas Crude	39.85	-2.52	-28.80	-8.43	-2.23
Iron Ore Spot Price Index	113.75	-1.46	62.06	29.90	-
CURRENCIES					
		%	%	%	%
AUD:USD	0.71	0.82	4.17	-2.94	-0.21
EUR:USD	1.19	1.21	6.56	0.31	1.48
GBP:USD	1.30	0.96	0.98	-0.40	-3.17
USD:JPY	104.71	-0.65	-3.66	-2.63	-2.93
NZD:USD	0.67	1.35	4.17	-1.34	-0.18
CHF:USD	1.11	1.18	9.55	2.89	1.60
AUD:EUR	0.60	-0.38	-2.26	-3.24	-1.69
AUD:GBP	0.55	-0.17	3.10	-2.56	3.04
AUD:JPY	74.76	0.18	0.36	-5.49	-3.13

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

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