

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
27-Sep-21	US durable goods orders m/m (Aug)	-0.1%	0.7%
28-Sep-21	Australia retail sales m/m (Aug)	-2.7%	NA
28-Sept-21	US consumer confidence (Sep)	113.8	114.5
29-Sept-21	Australia building permits m/m (Aug)	-8.6%	-5.0%
30-Sept-21	Europe unemployment rate (Aug)	7.6%	7.5%
01-Oct-21	Australia home loans m/m (Aug)	-0.4%	-2.0%
01-Oct-21	Europe core inflation rate y/y (Sep)	1.6%	1.9%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Domestic payroll data showed a 1.3% decline in the 2 weeks to 28 August, with Victoria, NSW and ACT all in negative territory. Elsewhere, the RBA minutes provided little new information.

Equity markets came under pressure last week as Chinese property developer Evergrande edged towards defaulting on its debts. Australian equities were no exception, and sharp falls in the price of iron ore prompted some steep declines, particularly early in the week. As the week progressed, an agreement around one of the due interest payments, as well as a capital injection into the banking system from the People's Bank of China, helped calm fears of broader systemic issues. While Evergrande may ultimately fail, there is an expectation that Chinese authorities will step in to prevent broader economic fallout and that in particular there is a strong desire to maintain faith in the housing sector by ensuring that construction projects are completed.

Retail sales, private credit, building permits and home loans are the data highlights in the week ahead.



US

PMI data was a little weaker than expected in September, but the absolute level remains high. Building permits and housing starts were both stronger than expected in August.

The Fed meeting was the key event for markets last week. Guidance was given on the plan to taper asset purchases, with Chair Powell suggesting that an announcement will come at the November meeting, if labour market data holds up between now and then. The intention is to reduce asset purchases to zero by the mid-2022. Fed member's expectation for interest rates show a split between those who see a hike next year, and those who believe 2023 is the more appropriate. There is also a split over the magnitude of expected hikes, with some forecasting four or fewer by 2024 and another group looking for eight or more. Powell is believed to be in the more dovish group, suggesting rates may rise more slowly than the median expectation.

Durable good orders, consumer confidence and monthly inflation data are this week's highlights.



Europe

PMI data was a little weaker than expected in both Europe and the UK last week, although like the US, absolute levels are elevated. In the UK, consumer confidence weakened in September, while the European index strengthened.

The Bank of England met last week and although no policy changes were made, the overall tone was a little more hawkish than expected. Two more members voted to reduce asset purchases and the Committee noted that there are signs that inflation may prove more persistent than originally expected. Overall, it was stated that the case to tighten policy had strengthened, assuming the economy performs broadly in line with expectations. UBS are forecasting a rate hike as soon as May 2022.

European inflation data is the highlight in the week ahead and the labour market and consumer sentiment series will also be published. The German election result should come early in the week, although we will likely see protracted negotiations before a coalition is formed.

Chart of the week—Australian dollar to US dollar



Source: Factset

The Australian dollar has come under downward pressure against the US dollar for much of 2021, undoing a large proportion of the gains registered in Q4 2020. After briefly trading around 80 cents in late February, the Aussie has traded in a range between 70 and 75 cents in recent months.

Australian dollar weakness has partly been driven by a feeling of uncertainty in the global economy, with most major economies passing the peak growth of the recovery phase and moving towards a slower long-term profile. Risk-off sentiment around rising Covid-19 cases has also been a headwind for the Australian dollar, although improving virus case trends has seen a bounce from August lows.

Looking ahead, most forecasts have the Aussie higher over the next year or so. By the end of next year CBA and UBS target USD0.80 and USD0.81 respectively, while Credit Suisse expect USD0.77 in 12 months' time.

Financial market movements

INDICATOR	AS AT 24-SEPT-21	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	84,466.89	-0.81	27.48	9.86	10.58
US S&P 500 TR [^] Index	9,301.49	2.25	37.09	17.30	17.78
Europe STOXX TR Index	965.63	0.44	36.07	8.84	9.97
UK FTSE 100 TR Index	6,942.35	1.27	25.14	1.62	4.74
Japan TOPIX TR Index	3,107.95	-0.27	30.27	6.99	11.27
MSCI World ex-Australia TR Index	7,093.68	1.94	34.93	14.08	14.63
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.02	0.25	-6.40	-64.38	-34.62
Australian 10-year bond yield	1.41	10.70	61.20	-42.78	-11.23
US 90-day bank bill yield	0.03	-0.54	-4.85	-71.71	-2.96
US 10-year bond yield	1.45	8.93	78.50	-54.90	-3.35
UK 10-year bond yield	0.93	7.90	70.60	-22.99	3.90
German 10-year bond yield	-0.23	5.20	27.30	-24.66	-2.92
COMMODITIES					
		%	%	%	%
Gold	1,749.54	-0.83	-7.01	13.94	5.68
Oil—West Texas Crude	74.69	6.26	85.57	1.17	10.83
Iron Ore Spot Price Index	120.00	6.10	-2.77	20.48	16.21
CURRENCIES					
		%	%	%	%
AUD:USD	0.73	0.17	2.73	0.26	-1.07
EUR:USD	1.17	-0.03	0.48	0.23	0.89
GBP:USD	1.37	0.07	6.49	1.48	0.97
USD:JPY	110.75	1.20	4.98	-0.78	1.98
NZD:USD	0.70	-0.19	7.02	1.96	-0.80
CHF:USD	1.08	0.34	-0.03	1.86	0.98
AUD:EUR	0.62	0.19	2.23	0.03	-1.94
AUD:GBP	0.53	0.09	-3.56	-1.20	-2.03
AUD:JPY	80.45	1.41	7.82	-0.52	0.88

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

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