

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
14-Sep-20	Europe industrial production (Jul)	9.1%	4.0%
15-Sep-20	RBA minutes (Sep)	--	--
15-Sep-20	China industrial production (Aug)	4.8%	5.2%
16-Sep-20	US retail sales (Aug)	1.2%	1.0%
16-Sep-20	US FOMC monetary policy decision (Sep)	0.0%-0.25%	0.0%-0.25%
17-Sep-20	AU employment ('000, Aug)	114.7	-35.0
11-Sep-20	UK BoE monetary policy decision (Sep)	0.1%	0.1%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Last week, highlights included the NAB business conditions index retracing all its previous month's gain, falling further below average in August, led by weaker job conditions. But business confidence rebounded, likely reflecting improving virus trends in Victoria, albeit still well below average. Consumer confidence jumped 18% in September, more than unwinding August's fall, despite news Australia had officially entered recession. New loan growth accelerated, indicating the housing sector maybe stabilising.

Focus this week will be on the August labour report, where more up-to-date weekly payroll data flag a fall in jobs, and a rise in unemployment from 7.5% to 7.7%. Victoria continues to show weaker trends than the rest of Australia.

The RBA will also release the minutes of its September board meeting where they eased further, increasing business lending facilities. At that meeting they noted that they would "maintain highly accommodative settings as long as is required". Given this, there will be scrutiny of any further discussion of potential easing measures.



US

In an otherwise quiet week, US inflation continued its recent trend of surprising higher. The annual rate lifted from 1.0% to 1.3% in August, still well below the US Fed's (new average) 2% inflation target. The details suggested that most of the strength was temporary or idiosyncratic, according to UBS. Weekly jobless claims data disappointed showing renewed slowing in the pace of improvement, suggesting some of the recent drop in US unemployment may be reversed. New virus cases continued to fall.

Ahead of the upcoming presidential election, polls are proving volatile but still signalling a Joe Biden victory.

Headlining a busy data week is the Fed's September policy meeting. No further stimulus is expected, though any discussion around their new inflation target will be a focus. Chair Powell is also scheduled to speak. Retail sales data for August are expected to reveal another solid 1% increase, consistent with a Q3 growth rebound in the US. Elsewhere, gains in industrial output are expected, while the recent strong trend in housing activity is seen continuing.



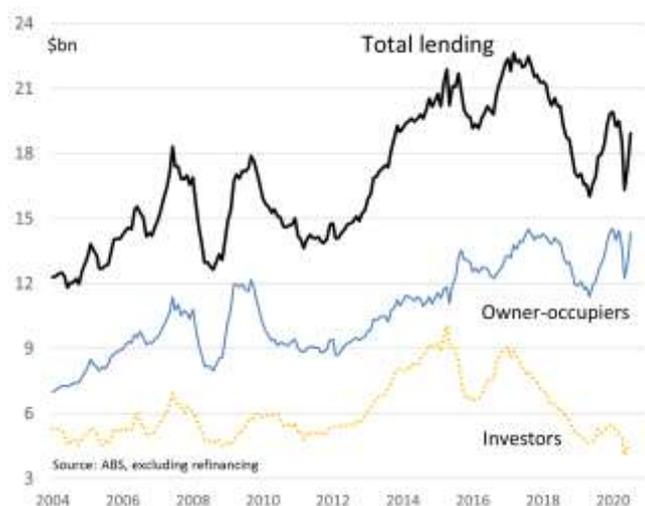
Europe

As expected, the ECB did not take any monetary policy decisions at its meeting last week, issuing an identical statement to the one following its meeting in July. However, it did moderately upgrade its growth projections for 2020 to -8.0% from -8.7%. Less positively, it noted risks to the outlook remained skewed to the downside. UK industrial output surged 5.2% in July, beating consensus, with its third month of gains, reinforcing hopes for a sharp Q3 growth rebound.

Tensions between Europe and the UK have escalated as Prime Minister Boris Johnson attempts to push through controversial legislation, which could override parts of the Brexit deal he reached with Brussels last October.

In another relatively quiet week for European data, industrial output for July is seen continuing its sharp rebound from June, albeit remaining well below levels a year ago. UK unemployment is seen rising from 3.9% to 4.1% in July, while August retail sales are expected to rise by a little under 1% after a near 4% jump last month. The BoE meets and is expected to leave policy unchanged.

Chart of the week—Home loans rebound



New lending for housing has almost recovered back to pre-COVID-19 levels. In July, the value of new lending for housing rose by a very sharp 8.9%. This follows a 6.4% lift in June.

The rise in lending in July was driven by a 10.7% jump in lending to owner-occupiers, who have been the strongest driver of new loans over recent months, particularly led by first homeowners. In contrast, lending to investors has been lacklustre at well below pre-virus levels, albeit new loans rose by 3.5% in July.

Looking ahead, owner-occupiers are likely to continue to be encouraged by record low borrowing rates. In contrast, investors concerned about restrictions on evictions and soft rental conditions will continue to focus on signs of easing COVID-19 restrictions as well as any sign international borders will be opened once again allowing migration. The recent trends for lending and auctions suggest house prices falls **to date** of around 2.5% may not materially increase.

Source: ABS, Crestone

Financial market movements

INDICATOR	AS AT 11-SEP-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
S&P/ASX 200 Accum. Index	65,066.28	-0.99	-9.27	4.71	7.16
US S&P 500 TR [^] Index	6,868.22	-3.28	13.20	12.38	13.61
Europe STOXX TR Index	743.55	1.80	-3.38	0.63	4.28
UK FTSE 100 TR Index	5,726.72	4.02	-15.29	-2.30	3.88
Japan TOPIX TR Index	2,389.20	1.24	3.87	2.09	4.25
MSCI World ex-Australia TR Index	5,329.36	-1.22	7.99	8.32	9.92
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.09	-	-92.50	-55.14	-42.09
Australian 10-year bond yield	0.91	2.10	-23.00	-56.75	-36.77
US 90-day bank bill yield	0.10	0.31	-177.58	-30.16	1.45
US 10-year bond yield	0.67	-5.22	-107.27	-49.07	-30.64
UK 10-year bond yield	0.18	-8.10	-45.50	-28.85	-33.16
German 10-year bond yield	-0.48	-0.90	8.30	-27.31	-22.78
COMMODITIES					
		%	%	%	%
Gold	1,940.55	0.34	29.61	13.49	11.86
Oil—West Texas Crude	37.33	-9.77	-33.04	-8.08	-3.51
Iron Ore Spot Price Index	123.51	-0.11	62.51	33.72	-
CURRENCIES					
		%	%	%	%
AUD:USD	0.73	0.03	6.15	-3.19	0.54
EUR:USD	1.18	0.07	7.59	-0.30	0.88
GBP:USD	1.28	-3.64	3.81	-0.94	-3.67
USD:JPY	106.16	-0.08	-1.54	-0.99	-2.52
NZD:USD	0.67	-0.82	3.95	-2.78	1.08
CHF:USD	1.10	0.50	9.23	1.71	1.30
AUD:EUR	0.61	-0.05	-1.36	-2.91	-0.34
AUD:GBP	0.57	3.81	2.23	-2.28	4.37
AUD:JPY	77.32	-0.05	4.49	-4.16	-1.99

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

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