

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
10-May-22	Australia business confidence (Apr)	16	NA
11-May-22	Australia consumer confidence (May)	95.7	NA
11-May-22	China inflation rate m/m (Apr)	0%	0.2%
11-May-22	US core inflation rate y/y (Apr)	6.5%	6.0%
12-May-22	UK GDP growth q/q (Q1)	1.3%	1.0%
13-May-22	Australia new home sales m/m (Apr)	3.9%	NA
13-May-22	US consumer sentiment (May)	65.2	64

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Domestic data was mixed last week, with retail sales and home loans both outperforming in March but building permits falling more than expected.

The RBA hiked rates by 0.25% last week, more than the circa 0.15% expected by the market but below some expectations of a 0.40% move. The RBA also announced the start of balance sheet reduction and materially revised its inflation forecasts higher. The overall result of the meeting saw cash rate expectations for the year ahead shift higher but there is still a material difference between what is priced in by futures markets and what most major researchers are forecasting. Market pricing shows a cash rate of around 3.75% in late 2023, while UBS and CBA both expect the RBA to stop hiking rates well below the 2% mark. In the near-term, the wage price index, which is published next week, will be a key determinant of the RBA's next move. Current market pricing implies a 0.25% hike in June.

Business and consumer confidence are the key data releases in the week ahead.



US

Non-farm payroll data outperformed expectations last week but the unemployment rate held at 3.6% in April. ISM PMIs were a little weaker than expected in April but remain elevated.

The Fed meeting last week spurred some extreme market volatility, with the initial positive reaction to the 0.50% hike quickly unwound the following day. Commentary following the meeting saw chair Powell play down the potential for 0.75% hikes but noting that further 0.50% moves were very much on the table. Expectations now centre on 0.50% moves at the next two meetings, before a 0.25% pace sees the cash rate approach 3% at the end of the year. The Fed also announced the start of quantitative tightening, where it will let the size of its balance sheet shrink over time. This will begin in June, later than some had been expecting. The Fed's attempts to control surging inflation will be the key market driver in the months ahead.

The inflation print is the key US data release in the week ahead. Consumer sentiment data will also be published.



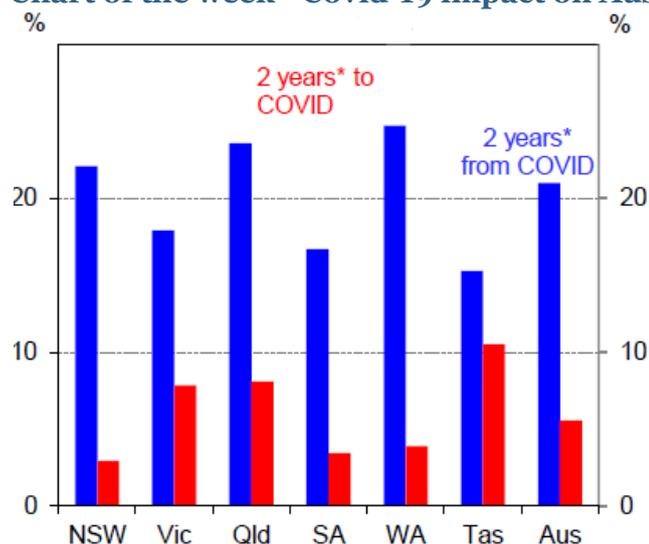
Europe

European data was soft last week, with the labour market series, retail sales and economic sentiment all reported below consensus. There were no major data prints in the UK.

The Bank of England (BoE) concluded a busy week of central bank activity with a 0.25% rate hike last week, meeting market expectations. The cash rate now stands at 1% and there is potential for further hikes as inflation remains elevated. The meeting statement noted that rates can do little to combat the primary drivers of price rises, namely soaring commodity prices on the back of conflict in Ukraine, and supply chain disruptions, further exacerbated by renewed lockdowns in China. BoE language suggests further rate hikes in the coming months, but a shift in tone does suggest that a pause may soon be warranted in order to assess the economic landscape.

The UK GDP print is the major data release in the week ahead. Industrial production numbers will also be published in both Europe and the UK.

Chart of the week—Covid-19 impact on Australian retail trade



This week's chart of the week looks at the amazing impact that Covid-19 has had on retail trade in Australia. Taking February 2020 as the reference point, CBA has used ABS retail trade data to look at the 2 years immediately before Covid-19 and the 2 years prior to its onset. The result shows a material shift in spending across all states and territories in Australia. Consumer spending habits have clearly been impacted by Covid-19, with the most obvious change being a shift away from spending on services and towards spending on goods. Fiscal stimulus has also increased the overall level of spending.

While the household sector remains strong, as evidenced by the 1.6% monthly growth in retail trade in March, there may be headwinds in the medium-term outlook. Elevated inflation and the likelihood of ongoing rate hikes are expected to weigh on consumer spending, particularly for discretionary items.

Source: CBA, ABS

Financial market movements

INDICATOR	AS AT 06-MAY-22	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Index	84,609.54	-3.08	5.93	8.45	8.41
US S&P 500 Index	8,680.97	-0.74	-1.22	14.74	13.49
EURO STOXX	859.42	-3.79	-6.77	5.78	3.07
UK FTSE 100 Index	7,424.24	-1.61	7.45	4.59	4.10
Japan TOPIX Index	2,899.37	2.10	1.10	9.45	5.95
MSCI World ex-Australia Index	6,544.17	-1.15	-2.37	11.63	9.96
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90 day bank bill yield	0.92	20.84	88.04	-21.00	-16.35
Australian 10 year bond yield	3.47	34.50	177.10	57.44	16.39
US 90 day bank bill yield	0.83	0.75	82.49	-51.09	-0.18
US 10 year bond yield	3.13	19.29	155.69	21.86	15.51
UK 10 year bond yield	2.00	9.00	120.30	25.80	17.50
German 10 year bond yield	1.13	19.40	135.70	37.39	14.24
COMMODITIES					
		%	%	%	%
Gold	1,883.81	-0.69	3.78	13.72	8.93
Oil—West Texas Crude	109.77	4.85	69.63	20.81	18.89
Iron Ore Spot Price Index	137.55	-8.67	-33.32	13.47	17.75
CURRENCIES					
		%	%	%	%
AUD:USD	0.71	0.16	-9.68	0.40	-0.87
EUR:USD	1.05	0.04	-13.03	-1.95	-0.70
GBP:USD	1.24	-1.73	-12.47	-1.69	-0.92
USD:JPY	130.50	0.62	19.93	5.83	2.87
NZD:USD	0.64	-0.81	-11.97	-0.86	-1.50
CHF:USD	1.01	-1.36	-8.69	1.11	0.24
AUD:EUR	0.67	0.06	3.81	2.38	-0.18
AUD:GBP	0.57	1.92	3.21	2.12	0.05
AUD:JPY	92.35	0.76	8.37	6.27	2.00

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

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