

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
13-Oct-20	China trade balance (Sep)	-US\$58.9b	-US\$60.0b
13-Oct-20	UK unemployment rate (Aug)	4.1%	4.3%
13-Oct-20	US core inflation rate m/m (Sep)	0.4%	0.2%
14-Oct-20	Australia consumer confidence (Oct)	93.8	NA
15-Oct-20	Australia unemployment rate (Sep)	6.8%	7.1%
16-Oct-20	US retail sales m/m (Sep)	0.6%	0.6%
16-Oct-20	US industrial production m/m (Sep)	0.4%	0.6%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Australian business confidence improved in September but remains subdued in absolute terms. The trade balance posted a smaller than expected surplus in August as exports fell more than imports.

A busy domestic week saw the RBA in action and the budget announcement. The RBA was on hold, surprising those expecting a rate cut but in line with the expectations of most forecasters. The budget delivered on the stimulus outlined in the build up to the announcement and backed the RBA's calls for a combined fiscal and monetary policy response. Personal tax cuts, labour market support, infrastructure spend, and business investment incentives are all part of the package that will drive the largest budget deficit since the end of world war 2. In addition, there is also provision for a vaccine roll out, which the government expect to be in place by the second half of next year.

Consumer confidence is expected to remain subdued and the unemployment rate is expected to push higher in the key domestic data releases this week.



US

A quiet week of data in the US saw the trade balance post a larger than expected deficit in August and the weekly unemployment claim series paint a mixed picture for the labour market.

The Fed minutes were released last week and showed a level of disagreement between members on both the forward guidance for rates and the best course of action for asset purchases. The group also flagged concerns over fiscal stimulus, noting that there were risks that any stimulus could be delayed or lower than expected. Looking ahead, the expectation is for interest rates to remain ultra-low for an extended period of time. Inflation is only forecast to hit 2% at the end of 2023 and under the new framework an overshoot is likely required to prompt higher interest rates. This is confirmed in the Fed's dot plot, which doesn't foresee rate hikes until 2024.

This week, inflation data, retail sales and industrial production and consumer sentiment are the data highlights in the US.



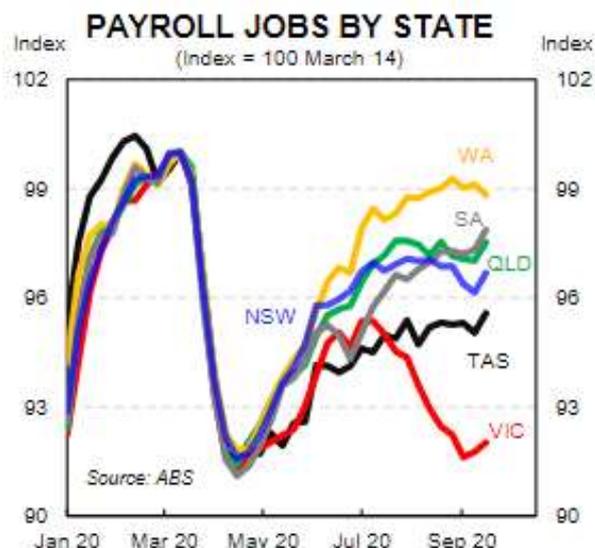
Europe

European retail sales surged 4.4% in August, well above the 2% consensus number. In the UK, industrial production advanced 2.5% in August.

The COVID-19 picture is evolving around the world and the response is varied by country. In Europe there has been a general reluctance to reimpose restrictions, with a lower hospitalisation rate than during the first wave encouraging governments to keep economies open as numbers rise in the second wave. In the UK the approach is different and as daily numbers passed the peak recorded in the first wave, Boris Johnson announced that some restrictions would come back into force. With cases remaining elevated the prospect of more stringent measures is now on the table, with talk of business closures as early as this week. In Scotland, pubs and restaurants in parts of the country have already been ordered to close.

This week, inflation and industrial production are the key releases in Europe. Labour market data is the highlight in the UK.

Chart of the week—ABS Payroll data



ABS data showed that payrolls were up 0.3% in the two weeks to 19 September, partly offsetting the 0.5% decline in the prior two-week period. A reasonable result given the ongoing lockdown in Victoria. The picture varies by state, with Victoria the key underperformer for obvious reasons.

Looking ahead, there are positives in store for the labour market. In the near-term the expected easing of restrictions in Victoria and opening of the economy should provide a boost. Beyond that, the measures announced in the budget last week will support re-hiring and continue to provide additional support for those who are unemployed.

Longer-term, the recovery of the labour market is likely to be protracted as the economic damage caused by the pandemic is slowly unwound.

Source: CBA, ABS

Financial market movements

INDICATOR	AS AT 9-OCT-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
S&P/ASX 200 Accum. Index	67,794.87	5.37	-4.63	5.79	7.46
US S&P 500 TR [^] Index	7,157.92	3.89	19.30	13.06	13.78
Europe STOXX TR Index	744.56	2.76	-3.41	-0.08	3.81
UK FTSE 100 TR Index	5,718.30	1.95	-14.22	-3.54	2.89
Japan TOPIX TR Index	2,422.05	2.37	5.40	0.95	3.67
MSCI World ex-Australia TR Index	5,511.73	3.40	12.79	8.59	9.97
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.08	-1.00	-76.00	-54.13	-42.36
Australian 10-year bond yield	0.85	1.80	-3.20	-66.14	-37.44
US 90-day bank bill yield	0.09	0.83	-149.77	-31.46	1.77
US 10-year bond yield	0.77	7.32	-80.99	-53.12	-26.43
UK 10-year bond yield	0.28	3.40	-18.00	-36.03	-31.84
German 10-year bond yield	-0.53	0.90	2.10	-32.47	-22.95
COMMODITIES					
		%	%	%	%
Gold	1,930.40	1.61	28.22	14.56	10.79
Oil—West Texas Crude	40.60	9.58	-22.80	-6.44	-3.94
Iron Ore Spot Price Index	121.00	4.01	72.34	34.49	NA
CURRENCIES					
		%	%	%	%
AUD:USD	0.72	1.10	7.66	-2.26	-0.26
EUR:USD	1.18	0.94	7.79	0.24	0.81
GBP:USD	1.30	0.78	6.80	-0.27	-3.18
USD:JPY	105.62	0.31	-1.73	-2.13	-2.56
NZD:USD	0.67	0.38	5.93	-1.91	-0.06
CHF:USD	1.10	1.14	9.42	2.49	1.11
AUD:EUR	0.61	0.13	-0.15	-2.51	-1.07
AUD:GBP	0.55	0.24	0.72	-2.02	3.00
AUD:JPY	76.47	1.38	5.80	-4.35	-2.81

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

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