

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
05-Oct-21	Australia trade balance (Aug)	\$12.2b	\$10.7b
05-Oct-21	US factory orders m/m (Aug)	0.4%	1.0%
06-Oct-21	Australia interest rate decision	0.1%	0.1%
06-Oct-21	Europe retail sales y/y (Aug)	3.1%	0.4%
06-Oct-21	US ISM non-manufacturing PMI (Sep)	61.7	60
08-Oct-21	RBA financial stability review	NA	NA
08-Oct-21	US unemployment rate (Sep)	5.2%	5.1%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

A number of housing metrics were published in Australia last week. Prices were up 1.5% across capital market cities in September, and building approvals also jumped in August, defying market expectations of a decline. Home lending declined more than expected in August and the mix saw loans to owner occupiers move backwards and investors gain. Expectations of macroprudential are gaining steam, and the regulator announced last week that it plans to publish a paper on its framework for implementing such policy. It would not be surprising to see lending standards tightened in the months ahead.

The RBA has had a busy few months but the October meeting is not a major focus for markets this week. The Financial Stability Review (published on Friday) will be more important, particularly in relation to how the RBA is viewing the housing market and the impact of recent price gains.

Aside from the RBA, trade data and weekly payroll figures are the key data releases in the week ahead.



US

Inflation data has been very much in focus in recent months and last week we saw the fed's preferred measure, the Core PCE, stabilise at an annual pace of 3.6%, in line with expectations. Elsewhere, durable goods orders were stronger than expected in August, but consumer confidence posted a surprise decline in September, with consumers less willing to purchase big ticket items, and job security fears growing.

Commentary from Fed Chair Powell and Secretary of Treasury Yellen outlined the damaging effects should the US fail to raise the debt ceiling. Yellen said that Congress must come to an agreement to either increase or suspend the ceiling before 18 October to avoid severe economic consequences. We also heard from St Louis Fed president Bullard that he believes inflationary pressures will prompt two rate hikes in 2022, which helped push bond yields higher.

Non-farm payroll data is the highlight this week, with the market looking for strong jobs growth and for the unemployment rate to decline to 5.1%.



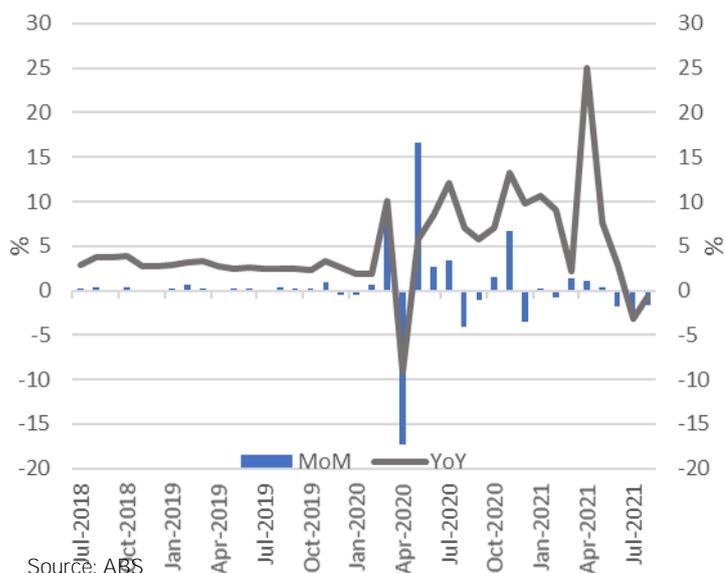
Europe

Data was largely as expected last week, with European consumer sentiment improving in September, the unemployment rate dipping to 7.5% and core inflation rising to 1.9% in the year to 30 September. The German election saw the Social Democratic Party claim a narrow victory over Angela Merkel's Christian Democratic Union. Both parties are now working through the lengthy process of trying to form a coalition government.

The UK is facing supply issues across a number of industries, with petrol shortages the most recent sector to face disruption. A lack of heavy goods vehicle drivers has resulted in pumps running dry across the country. Brexit has prompted many drivers to leave the country, either by choice or out of necessity, and the pandemic has also spurred additional foreign workers to return home, as well as many others to retire. Panic buying and stockpiling has exacerbated the problem.

European retail sales data is the highlight in a quiet week ahead for both the UK and Europe.

Chart of the week—Australian retail sales



Source: ABS

Retail sales fell 1.7% in August, according to the preliminary data. The result was better than consensus expectations, which were centered around a 2% decline, and showed an improvement compared to the prior month, which showed a 2.7% drop. Retail trade is now just over 6% lower than levels recorded in May.

The details of the data were predictable, with NSW, Vic, ACT and Qld all in negative territory after experiencing varying levels of lockdown over the month, and WA and SA both positive over the month. The sector breakdown was also guided by mobility restrictions, with bricks and mortar retailers particularly hard hit, along with negative results for restaurants and takeaway. Conversely, the food retailing and 'other' categories (which includes online) were in positive territory.

Looking ahead, further weakness can be expected in September and October before consumption increases as restrictions are eased.

Financial market movements

INDICATOR	AS AT 01-OCT-21	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	83,671.30	-1.50	30.05	9.54	10.05
US S&P 500 TR [^] Index	9,098.25	-1.91	32.06	16.59	17.35
Europe STOXX TR Index	939.38	-2.72	29.65	8.62	8.97
UK FTSE 100 TR Index	6,923.96	-0.26	23.45	2.07	3.88
Japan TOPIX TR Index	2,972.23	-4.23	25.63	5.39	10.27
MSCI World ex-Australia TR Index	6,926.60	-2.09	29.94	13.46	14.01
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.02	0.34	-7.35	-64.43	-34.65
Australian 10-year bond yield	1.49	8.50	59.40	-39.42	-8.37
US 90-day bank bill yield	0.02	0.16	-6.30	-72.26	-5.86
US 10-year bond yield	1.47	-1.34	77.32	-57.44	-4.26
UK 10-year bond yield	1.00	7.70	76.80	-19.57	5.11
German 10-year bond yield	-0.22	0.40	31.20	-23.22	-2.10
COMMODITIES					
		%	%	%	%
Gold	1,761.03	0.62	-7.97	13.64	6.78
Oil—West Texas Crude	75.59	0.19	104.02	0.56	9.20
Iron Ore Spot Price Index	121.20	0.62	0.74	20.60	17.02
CURRENCIES					
		%	%	%	%
AUD:USD	0.73	-0.21	1.25	0.91	-0.93
EUR:USD	1.16	-0.85	-1.59	0.24	0.69
GBP:USD	1.35	-1.10	4.38	1.33	1.26
USD:JPY	111.04	0.04	5.00	-0.85	1.53
NZD:USD	0.69	-1.04	4.48	2.34	-0.75
CHF:USD	1.07	-0.53	-1.67	2.14	1.01
AUD:EUR	0.63	0.66	2.84	0.67	-1.61
AUD:GBP	0.54	0.94	-3.01	-0.41	-2.16
AUD:JPY	80.74	-0.18	6.33	0.05	0.59

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

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