

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
22-Sep-20	Australia weekly payrolls (5 <sup>th</sup> Sep)	0.3%	na
22-Sep-20	Australia RBA Deputy Governor Debelle speech (Sep)	--	--
23-Sep-20	Australia retail sales (Aug preliminary)	3.2%	na
23-Sep-20	Europe composite PMI (Sep)	51.9	51.7
23-Sep-20	UK composite PMI (Sep)	59.1	56.5
23-Sep-20	US composite PMI (Sep)	54.6	na
25-Sep-20	US durable goods orders (Aug)	11.2%	1.5%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

Last week, the August jobs data showed an unexpectedly strong rise of 111,000, adding to the gain of 119,000 in July. Despite forecasts for a further move higher, the unemployment rate dropped from 7.5% to 6.8%. While flat labour hours-worked growth and elevated underemployment of 18% suggest a weaker underlying jobs market, the result was nonetheless better than expected. The RBA disappointed those looking for dovish tones, with its minutes signally no imminent further policy easing ahead nor concern about the recent rise in the Australian dollar.

Focus this week will be on the more up-to-date job payrolls to 5<sup>th</sup> of September, and trends in wages. Retail sales data for August, key to assessing the likely pace of Q3 growth, are also due. After recent strong growth, aided by panic buying as Victoria re-entered lockdown, a 3% correction is anticipated (albeit growth over the year will likely remain above pre-virus levels).

RBA Deputy Governor Debelle speaks on Tuesday on the Bank's outlook for growth and monetary policy.



#### US

As expected, the US Federal Reserve left its already highly accommodative policy unchanged. Updated forecasts suggest interest rates will remain near zero until 2024, despite a modest upgrade to the central bank's growth outlook. There was some disappointment that extra quantitative easing was not announced, raising the risk that 'peak stimulus' has been reached. There was little further progress towards additional fiscal stimulus, despite renewed efforts by President Trump to foster a deal.

Housing data eased back as expected but continued to paint the picture of a fast recovering sector. Retail sales for August fell a little short of forecasts, providing early signs of weakness as prior government stimulus eased.

This week brings the next round of global PMI leading indicators, with US data for September due mid-week. Recent strong regional surveys suggest only a modest pull-back after the sharp jump in August. Durable goods data—a leading indicator of business capex—is expected to rise more modestly after solid gains over recent months.



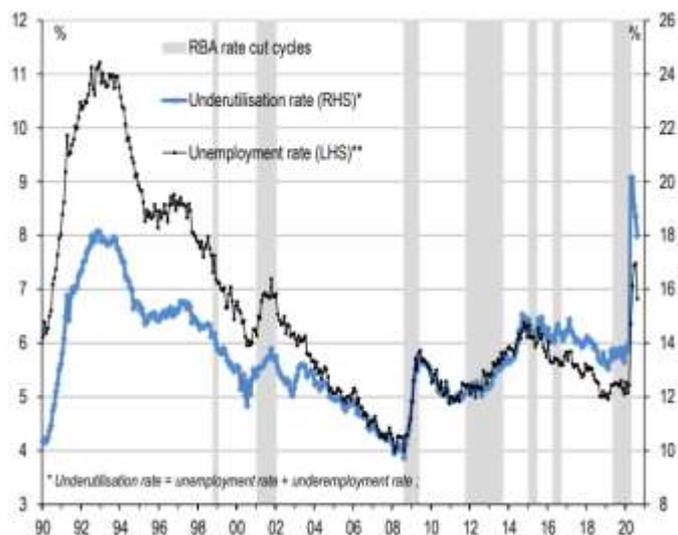
#### Europe

Industrial output beat expectations, up 4.1% in July, after June's 9.5% gain. The data support forecasts for a strong recovery in Europe's growth in Q3. UK Prime Minister Johnson came under pressure to withdraw his latest bill that reneges on parts of last year's Brexit deal with Europe. COVID-19 case growth continues to rise in parts of Europe, with expectations additional mobility restrictions may be reinstated in the UK in coming days.

The Bank of England left policy unchanged as widely expected, but created some volatility with its plan to investigate how negative interest rates could impact the economy. As expected, the UK's unemployment rate moved higher to 4.1% in July, from 3.9% in June.

September PMI leading indicators for both the UK and Europe are due. After rising to an 82 month high of 59, the UK data will signal whether the recent recovery in activity is levelling off. For Europe, after falling back from 55 to 52 in July, focus will be on whether the recovery is regaining any momentum.

## Chart of the week—unemployment falls



Source: ABS, UBS, RBA

Australia's unemployment rate in August unexpectedly fell from 7.5% to 6.8%, against expectations for a move higher to 7.8%. It remains well above the 5% rate prior to the pandemic.

A surge in 'sole traders' returning to work contributed to a strong gain in new jobs, albeit employment is still 2.6% below year ago levels (and particularly weak in Victoria). Moreover, while under employment rates also improved from 18.7% to 18.0%, this remains extremely elevated, and around the highs of the 1990s recession, consistent with soft underlying labour market conditions.

Despite the improvement for August, expectations remain for a further rise in unemployment as the final quarter of the year unfolds. The fading of the Government's JobKeeper support and other measures is expected to be associated with rising business closures. Victoria is seen particularly hard hit given the recent extra lockdown conditions implemented during August and September.

## Financial market movements

INDICATOR	AS AT 18-SEP-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
<b>EQUITIES</b>		%	%	%	%
S&P/ASX 200 Accum. Index	65,134.57	0.10	-10.03	5.25	7.30
US S&P 500 TR <sup>^</sup> Index	6,826.72	-0.60	13.07	12.07	13.31
Europe STOXX TR Index	740.14	-0.46	-3.95	0.37	4.06
UK FTSE 100 TR Index	5,703.16	-0.41	-15.38	-2.30	3.72
Japan TOPIX TR Index	2,403.56	0.60	4.08	1.54	4.37
MSCI World ex-Australia TR Index	5,317.31	-0.23	8.05	8.07	9.72
<b>FIXED INCOME</b>	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.09	-	-90.17	-54.63	-42.05
Australian 10-year bond yield	0.89	-2.40	-25.00	-64.14	-37.97
US 90-day bank bill yield	0.09	-1.74	-175.70	-30.68	1.63
US 10-year bond yield	0.69	2.79	-110.24	-51.43	-28.97
UK 10-year bond yield	0.18	0.10	-46.00	-37.44	-33.16
German 10-year bond yield	-0.49	-0.40	2.50	-31.43	-23.07
<b>COMMODITIES</b>		%	%	%	%
Gold	1,950.86	0.53	30.58	14.27	11.36
Oil—West Texas Crude	41.11	10.13	-29.25	-6.26	-1.65
Iron Ore Spot Price Index	120.63	-3.99	72.06	35.66	#VALUE!
<b>CURRENCIES</b>		%	%	%	%
AUD:USD	0.73	0.07	6.75	-2.88	0.28
EUR:USD	1.18	-0.05	7.34	-0.32	0.94
GBP:USD	1.29	0.95	3.57	-1.45	-3.62
USD:JPY	104.57	-1.50	-3.58	-2.14	-2.71
NZD:USD	0.68	1.40	6.93	-2.37	1.10
CHF:USD	1.10	-0.29	9.43	1.80	1.22
AUD:EUR	0.62	0.16	-0.53	-2.57	-0.70
AUD:GBP	0.56	-0.85	3.10	-1.46	4.05
AUD:JPY	76.23	-1.42	2.94	-4.97	-2.44

\*BP = Basis Point, Source: Bloomberg; <sup>^</sup>TR = Total return

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