

Major upcoming global economic releases and events

| DATE | DATA/EVENT | PREVIOUS | CONSENSUS |
|-----------|-------------------------------------|----------|-----------|
| 09-Nov-21 | Australian new home sales m/m (Oct) | 2.3% | NA |
| 09-Nov-21 | Australia business confidence (Oct) | 13 | NA |
| 10-Nov-21 | Australia consumer confidence (Nov) | 104.6 | NA |
| 10-Nov-21 | China inflation rate y/y (Oct) | 0.7% | 1.4% |
| 10-Nov-21 | US core inflation rate m/m (Oct) | 0.2% | 0.3% |
| 11-Nov-21 | Australia unemployment rate (Oct) | 4.6% | 4.7% |
| 11-Nov-21 | UK GDP growth rate q/q (Q3) | 5.5% | 1.5% |

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Home lending was in negative territory in September, down 2.7% over the month. Lending to investors was positive and if this trend outperformance of owner occupiers continues then the likelihood of further macroprudential cooling measures will increase.

Last week's RBA meeting took on extra significance given stronger than expected inflationary data in Q3 and the recent break out of 3-year bond yields, which surged well above the RBA's 0.1% target. The meeting saw the RBA abandon the yield target, noting that it is no longer required, but it was emphasised that policy will remain accommodative for the foreseeable future. Inflation was downplayed, with the core measure noted as still low at 2.1%. Updated forecasts show inflation drifting higher to 2.5% by 2023, while GDP growth was downgraded for 2021 but 2022 saw an offsetting upgrade.

This week's data highlight is the October labour force survey, which may start to show early signs of stabilisation. Business and consumer confidence measures will also be published.



US

Non-farm payroll data was the US highlight last week, with the unemployment rate dropping more than expected to hit 4.6% in October. The decline was driven by stronger than expected job creation and a stable participation rate. Looking ahead, expectations of increased labour force participation would slow the rate of decline in the headline unemployment rate.

The Fed meeting last week saw the tapering announcement that has been flagged for several months now. Purchases will be reduced by \$15b in November and a further \$15b in December, and if this monthly pace is maintained in 2022 then bond buying will hit zero in June next year. There is scope to alter the rate of tapering according to prevailing market conditions, but the hurdle to do so is thought to be high. Rates are expected to remain on hold while asset purchases continue, which would see the first hike no earlier than the second half of 2022.

Inflation data is the highlight in an otherwise quiet week ahead.



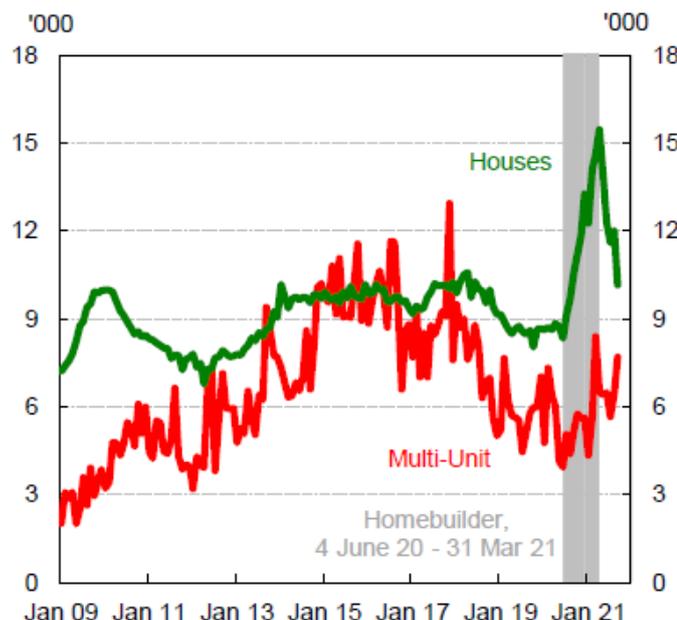
Europe

The European unemployment rate edged lower to 7.4% in September, as expected. Elsewhere, European retail sales data was weaker than expected, declining 0.3% in the month of September, although up 2.5% over the year.

The Bank of England (BoE) meeting last week was seen as carrying a real chance of a rate hike, although that wasn't the consensus among economists, it was priced in by the market. In the end, rates were left on hold, with uncertainty around the labour market prompting a cautious approach. Data is not yet available for October, covering the period after the furlough scheme ended. The BoE is now widely expected to hike at its mid-December meeting, at which time October labour market data will have been published. Beyond that the market is currently pricing in further hikes next year, a profile which BoE forecasts suggests may be too aggressive.

Q3 GDP data will be the focus in the UK this week. Industrial production data will be published in both Europe and the UK.

Chart of the week—Australian building approvals



Source: CBA, ABS

Building approvals were weak in September, well below consensus at -4.3% over the month and sharply lower than the 7.6% gain in August. The impact of the expired Federal Home Builder grant, as well as the withdrawal of other state-based construction schemes, is evident in the data. Approvals for private houses fell 16% in the month and are now 35% below the April 2021 peak. Despite the decline, approvals in this subset are still almost 20% above pre-pandemic levels, pointing to a strong pipeline of activity ahead for residential construction.

The housing market faces a complicated outlook, with a number of contrasting themes driving activity in the period ahead. On the positive side, we have seen the end of stay at home restrictions and international borders are set to reopen. On the downside, there is a large pipeline of supply coming, mortgage rates are rising and recent efforts by the regulator to improve lending standards could be taken further. Overall, prices are expected to continue rising, but at a more modest pace compared to recent gains.

Financial market movements

| INDICATOR | AS AT 05-NOV-21 | 1 WEEK CHANGE | 1 YEAR CHANGE | 3 YEAR CHANGE (ANNUALISED) | 5 YEAR CHANGE (ANNUALISED) |
|-----------------------------------|-----------------|---------------|---------------|----------------------------|----------------------------|
| EQUITIES | | | | | |
| | | % | % | % | % |
| S&P/ASX 200 Accum. Index | 85,893.34 | 1.93 | 24.88 | 11.95 | 11.50 |
| US S&P 500 TR [^] Index | 9,819.98 | 2.03 | 35.81 | 20.86 | 19.23 |
| Europe STOXX TR Index | 1,006.72 | 2.45 | 37.45 | 12.89 | 10.69 |
| UK FTSE 100 TR Index | 7,205.55 | 0.97 | 28.10 | 4.67 | 5.35 |
| Japan TOPIX TR Index | 3,055.00 | 2.10 | 25.28 | 8.83 | 10.49 |
| MSCI World ex-Australia TR Index | 7,417.93 | 1.92 | 33.82 | 17.54 | 15.76 |
| FIXED INCOME | | | | | |
| | % | BP | BP | BP | BP |
| Australian 90-day bank bill yield | 0.05 | -2.14 | 2.68 | -63.10 | -34.36 |
| Australian 10-year bond yield | 1.81 | -27.50 | 107.20 | -31.03 | -10.34 |
| US 90-day bank bill yield | 0.04 | -0.84 | -3.66 | -75.01 | -5.87 |
| US 10-year bond yield | 1.45 | -10.08 | 68.84 | -58.66 | -6.51 |
| UK 10-year bond yield | 0.85 | -18.90 | 61.10 | -21.91 | -5.71 |
| German 10-year bond yield | -0.28 | -17.40 | 35.70 | -23.59 | -8.31 |
| COMMODITIES | | | | | |
| | | % | % | % | % |
| Gold | 1,818.36 | 1.96 | -6.73 | 13.87 | 6.86 |
| Oil—West Texas Crude | 81.27 | -2.75 | 109.51 | 8.80 | 13.02 |
| Iron Ore Spot Price Index | 93.15 | -23.16 | -20.74 | 7.44 | 7.20 |
| CURRENCIES | | | | | |
| | | % | % | % | % |
| AUD:USD | 0.74 | -1.57 | 1.61 | 0.87 | -0.72 |
| EUR:USD | 1.16 | 0.08 | -2.19 | 0.47 | 0.75 |
| GBP:USD | 1.35 | -1.34 | 2.66 | 1.15 | 1.52 |
| USD:JPY | 113.41 | -0.47 | 9.59 | 0.06 | 1.92 |
| NZD:USD | 0.71 | -0.75 | 5.22 | 2.25 | -0.58 |
| CHF:USD | 1.10 | 0.35 | -0.88 | 3.26 | 1.20 |
| AUD:EUR | 0.64 | -1.66 | 3.85 | 0.40 | -1.47 |
| AUD:GBP | 0.55 | -0.17 | -1.02 | -0.28 | -2.21 |
| AUD:JPY | 83.93 | -2.13 | 11.33 | 0.94 | 1.18 |

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

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