

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
03-May-21	US ISM manufacturing PMI (Apr)	59.1	65.0
04-May-21	Australia home loans m/m (Mar)	-1.8%	NA
04-May-21	Australia interest rate decision	0.1%	0.1%
05-May-21	Australia building permits m/m (Mar)	21.6%	3.0%
06-May-21	Europe retail sales m/m (Apr)	3.0%	1.4%
06-May-21	UK interest rate decision	0.1%	0.1%
07-May-21	US unemployment rate (Apr)	6.0%	5.7%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

Inflation data was lower than expected in Q1, but Q2 is still expected to show sharp price rises, partly reflecting base effects, but also due to increasing demand. Private sector credit was up 0.4% in March, the fastest pace in a year. Encouragingly, gains were recorded across housing, personal and business credit. Investor credit is not yet growing at the kind of rate that has prompted macroprudential tightening.

The RBA will be in focus this week, with the monthly meeting on Tuesday and the publication of the Statement on Monetary Policy (SMP) on Friday. The meeting itself is not expected to deliver any policy changes, so the focus will be on forward guidance. Domestic data has been extremely strong, particularly labour market indicators, so it will be interesting to see how this has impacted RBA sentiment. The SMP is likely to contain updated forecasts showing a lower unemployment rate and higher inflation expectations in the year ahead.

Aside from the RBA, home loan data and building permits are the major data releases this week.



#### US

Q1 GDP growth surprised to the high side in the US when reported last week. The economy expanded at a 6.4% annualised pace across Q1, beating the 6.1% consensus forecast. The anticipated service sector recovery is yet to occur, suggesting a further pick-up in growth in the period ahead, as the effects of the pandemic recede. Other US data points were mixed last week. Manufacturing indices and consumer sentiment measures were strong but durable goods orders and pending home sales were a little disappointing.

The Fed met last week and held policy setting unchanged, as expected. There was no material shift in tone, but at the margin there appears to be growing confidence in the path of the economic recovery. Despite this, the Fed is not yet at the point of talking about tapering and reducing policy support. Although there is growing expectation that this will be on the table in the months ahead, potentially before a more formal announcement later in the year.

Non-farm payrolls data is the highlight in the US this week.



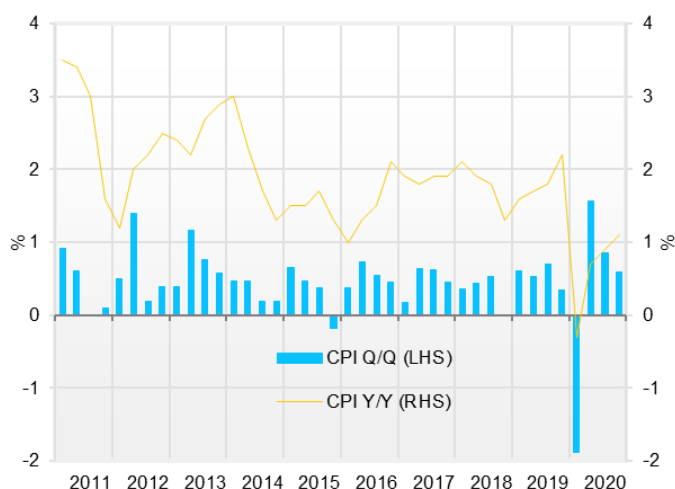
#### Europe

In Europe, the double-dip recession was confirmed last week, with the economy contracting 0.6% in Q1. The result was stronger than expected, boosted by stronger consumption, particularly in France. Inflation figures showed a step up in March, as expected.

After a slow start to the vaccine roll-out, Europe has been playing catch up to several other developed nations. The last month has seen a dramatic turnaround, with the region now on track to have vaccinated 75% of the adult population by the end of the year, and likely to achieve its own target of a 70% vaccination by September, according to UBS. In the UK, which has been a relative outperformer in terms of vaccination rates, the benefits are now being felt. Restrictions are being progressively eased, business and consumer confidence has increased, and economic data has started to improve.

Retail sales data is set for release in a quiet week in Europe. In the UK, the Bank of England meeting in the highlight in the week ahead.

## Chart of the week—Australian CPI



Source: Factset, ABS

Much has been made of the inflation spike expected across March and April, with most believing it will be temporary, rather than more persistent structural inflation. While the spike was evident in recent data prints in the US (and elsewhere), Australian data showed lower than expected price gains in Q1.

The headline series was up 0.6% over the quarter and 1.1% over the year, both considerably below the 0.9% (q/q) and 1.4% (y/y) consensus figures. The trimmed mean, which is more relevant for policy settings, was closer to consensus but still not as high as expected. The quarterly gain was 0.3% (0.4% cons.), while the annual figure was 1.1% (1.2% cons.).

From a policy standpoint, the weaker than expected inflation data is closer to the RBA's forecasts, meaning there will be less pressure to make material adjustments at the May SMP this week.

## Financial market movements

INDICATOR	AS AT 30-APR-21	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
<b>EQUITIES</b>		%	%	%	%
S&P/ASX 200 Accum. Index	79,245.34	-0.49	37.57	8.80	9.85
US S&P 500 TR <sup>^</sup> Index	8,678.16	0.04	50.18	18.94	17.44
Europe STOXX TR Index	905.78	-0.35	39.23	6.33	9.11
UK FTSE 100 TR Index	6,747.87	0.50	25.10	1.46	6.52
Japan TOPIX TR Index	2,816.20	-1.25	34.95	4.39	9.94
MSCI World ex-Australia TR Index	6,628.39	-0.18	45.45	14.29	14.32
<b>FIXED INCOME</b>	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.04	-0.07	-5.83	-66.95	-42.53
Australian 10-year bond yield	1.75	1.10	85.50	-34.22	-15.47
US 90-day bank bill yield	0.01	0.05	-5.16	-59.55	-3.97
US 10-year bond yield	1.63	6.82	98.66	-44.44	-4.15
UK 10-year bond yield	0.84	9.80	61.10	-19.24	-15.13
German 10-year bond yield	-0.20	5.50	38.40	-25.43	-9.48
<b>COMMODITIES</b>		%	%	%	%
Gold	1,769.13	-0.45	4.90	10.38	6.46
Oil—West Texas Crude	63.58	2.32	237.47	-2.49	6.72
Iron Ore Spot Price Index	183.70	2.32	119.11	39.94	24.80
<b>CURRENCIES</b>		%	%	%	%
AUD:USD	0.77	-0.27	20.07	0.99	0.13
EUR:USD	1.20	-0.53	10.32	0.23	0.85
GBP:USD	1.38	-0.44	11.03	0.58	-1.20
USD:JPY	109.26	1.29	2.37	-0.17	0.53
NZD:USD	0.72	-0.31	18.67	0.86	0.44
CHF:USD	1.10	0.10	5.76	3.05	0.90
AUD:EUR	0.64	0.16	7.92	0.96	-0.69
AUD:GBP	0.56	0.08	8.19	0.41	1.35
AUD:JPY	84.32	0.92	22.94	0.81	0.67

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

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