

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
1-Sep-20	Australia building permits m/m (Jul)	-4.9%	-2.0%
1-Sep-20	Australia interest rate decision	0.25%	0.25%
1-Sep-20	China manufacturing PMI (Aug)	52.8	52.7
1-Sep-20	Europe core inflation rate y/y (Aug)	1.2%	0.9%
1-Sep-20	US manufacturing PMI (Aug)	54.2	54.5
2-Sep-20	Australia GDP growth q/q (Q2)	-0.3%	-6.0%
4-Sep-20	US unemployment rate (Aug)	10.2%	9.8%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Data presented a mixed picture for the domestic economy last week. Construction work was much stronger than expected in Q2 and Capex was also above consensus, leading to upgrade growth expectations for the June quarter. The outlook is weak however, with material headwinds for construction and the 3rd estimate of 2020/21 Capex, published with the Q2 numbers, facing a material downgrade. The ABS Covid-19 business survey also portrayed a tough environment, with 35% of firms saying that it will be difficult, or very difficult, to meet financial obligations in the next 3 months.

The RBA meets this week and there is no expectation of any policy adjustments. Rates are expected to remain at the effective lower bound of 0.25% for a prolonged period.

This week sees a very busy schedule of data releases in Australia. Q2 GDP is the highlight, with partial data out early in the week. Expectations are centred on a 6% fall over the quarter. Private sector credit, trade data, building permits and retail sales data are the other highlights.



US

Data was largely positive in the US last week. Durable goods orders jumped 11.2% in July, well above the 4.3% expectation. The Auto sector is recovering strongly but aircraft understandably remains very weak. Housing metrics continue to perform well, with both pending and new home sales beating consensus in July. Elsewhere, the Richmond and Kansas Fed manufacturing indices were both stronger than expected. On a weaker note, consumer confidence posted a surprise decline in August.

The Fed's Jackson Hole economic policy symposium passed largely without event last week. The new monetary policy framework was announced and is largely as expected, with the Fed moving towards an inflation averaging regime, where inflation will be allowed to push above target after periods of below target inflation.

PMIs, new factory orders and non-farm payrolls are the data highlights in the week ahead. There are also a number of Fed speakers, who will likely reinforce the new policy framework.



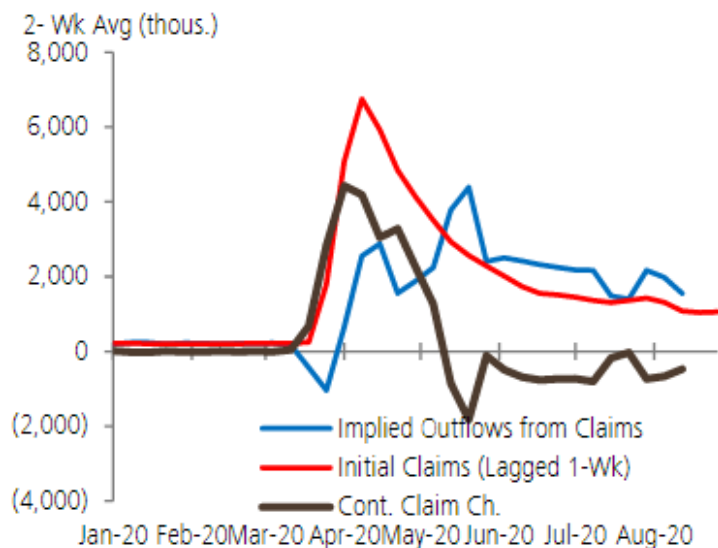
Europe

A quiet week saw economic sentiment outperform in Europe last week, although the absolute level is still very subdued.

Fiscal stimulus is evolving globally, with most governments tweaking emergency measures enacted earlier in the year to provide support for the period ahead. The response in Europe has been encouraging, with the EU-wide recovery fund agreed more quickly than expected and individual governments delivering country specific support. Last week the German government extended its labour market support until the end of next year, mirroring moves seen in France and Italy. There are however concerns that additional support may reduce efficiency by supporting unviable jobs. This has been a key driver behind tighter eligibility criteria for support in some countries and the UK's decision to end its furlough scheme in October.

Another relatively quiet week sees house price data form the highlight in the UK and inflation, labour market data and retail sales published in Europe.

Chart of the week—US weekly unemployment insurance claims



Weekly unemployment data showed a mixed picture in the US last week. Initial claims dropped by around 100k to 1 million, in line with consensus expectations. Continuing claim numbers were weaker than expected however, down by 223k to 14.5 million and above the 14.4 million consensus number.

Overall, the data implies outflows from unemployment of 1.2 million over the week, which is around 500k less than the recent trend and implies a weaker re-employment environment than we have been seeing. The trend is still positive however and would likely benefit from a more controlled Covid-19 situation. UBS has found that states with a faster decline in virus cases have also seen stronger re-employment data.

It is too early to confirm a slowing trend in labour market improvement, but the situation bears monitoring as the fiscal support landscape evolves in the months ahead.

Source: UBS

Financial market movements

INDICATOR	AS AT 28-AUGUST-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Accum. Index	67,139.48	-0.34	-4.97	6.14	7.49
US S&P 500 TR [^] Index	7,207.10	3.29	22.19	14.60	14.51
Europe STOXX TR Index	743.56	1.75	0.06	1.53	3.76
UK FTSE 100 TR Index	5,657.01	-0.63	-14.32	-3.27	3.11
Japan TOPIX TR Index	2,343.12	0.07	8.47	1.74	2.82
MSCI World ex-Australia TR Index	5,505.48	2.42	15.02	9.87	10.26
FIXED INCOME	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.09	-0.85	-87.00	-54.29	-41.20
Australian 10-year bond yield	1.02	14.10	13.40	-55.10	-34.42
US 90-day bank bill yield	0.09	0.64	-180.79	-30.14	0.91
US 10-year bond yield	0.72	9.29	-75.83	-48.10	-29.36
UK 10-year bond yield	0.31	10.50	-13.10	-24.79	-33.24
German 10-year bond yield	-0.41	9.80	30.50	-26.24	-23.13
COMMODITIES		%	%	%	%
Gold	1,964.83	1.25	27.67	14.46	11.63
Oil—West Texas Crude	42.97	1.49	-22.97	-2.65	-1.02
Iron Ore Spot Price Index	119.70	-0.40	72.35	27.68	#VALUE!
CURRENCIES		%	%	%	%
AUD:USD	0.74	2.85	9.37	-2.57	0.53
EUR:USD	1.19	0.90	7.45	-0.21	1.25
GBP:USD	1.34	2.01	9.34	1.07	-2.80
USD:JPY	105.37	-0.41	-0.71	-1.20	-2.84
NZD:USD	0.67	3.09	6.41	-2.41	0.85
CHF:USD	1.11	0.82	8.58	1.85	1.26
AUD:EUR	0.62	1.93	1.81	-2.36	-0.71
AUD:GBP	0.55	0.84	0.05	-3.60	3.43
AUD:JPY	77.61	2.42	8.60	-3.74	-2.33

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

IMPORTANT NOTE

This document has been prepared by Crestone Wealth Management Limited (ABN 50 005 311 937, AFS Licence No. 231127) (**Crestone Wealth Management**). The information contained in this document is of a general nature and is provided for information purposes only. It is not intended to constitute advice, nor to influence a person in making a decision in relation to any financial product. To the extent that advice is provided in this document, it is general advice only and has been prepared without taking into account your objectives, financial situation or needs (your **Personal Circumstances**). Before acting on any such general advice, we recommend that you obtain professional advice and consider the appropriateness of the advice having regard to your Personal Circumstances. If the advice relates to the acquisition, or possible acquisition of a financial product, you should obtain and consider a Product Disclosure Statement (**PDS**) or other disclosure document relating to the financial product before making any decision about whether to acquire it.

Although the information and opinions contained in this document are based on sources we believe to be reliable, to the extent permitted by law, Crestone Wealth Management and its associated entities do not warrant, represent or guarantee, expressly or impliedly, that the information contained in this document is accurate, complete, reliable or current. The information is subject to change without notice and we are under no obligation to update it. Past performance is not a reliable indicator of future performance. If you intend to rely on the information, you should independently verify and assess the accuracy and completeness and obtain professional advice regarding its suitability for your Personal Circumstances.

Crestone Wealth Management, its associated entities, and any of its or their officers, employees and agents (**Crestone Group**) may receive commissions and distribution fees relating to any financial products referred to in this document. The Crestone Group may also hold, or have held, interests in any such financial products and may at any time make purchases or sales in them as principal or agent. The Crestone Group may have, or may have had in the past, a relationship with the issuers of financial products referred to in this document. To the extent possible, the Crestone Group accepts no liability for any loss or damage relating to any use or reliance on the information in this document.

This document has been authorised for distribution in Australia only. It is intended for the use of Crestone Wealth Management clients and may not be distributed or reproduced without consent.

© Crestone Wealth Management Limited 2020.