

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
06-Jul-20	Europe retail sales m/m (May)	-11.7%	15%
06-Jul-20	US non-manufacturing PMI (Jun)	45.4	49.5
07-Jul-20	Australia interest rate decision	0.25%	0.25%
07-Jul-20	UK House price index m/m (Jun)	-0.2%	NA
08-Jul-20	Australia home loans m/m (May)	-5.0%	NA
09-Jul-20	China inflation rate y/y (Jun)	2.4%	2.5%
09-Jul-20	US weekly initial unemployment claims	1.4m	1.4m

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Domestic data was underwhelming last week, with private sector credit, building approvals and trade all missing expectations. The ABS payroll series also showed a marked reduction in the pace of improvement when compared to prior periods, with payroll growth slowing from around 1% to just 0.1% in the latest fortnightly period. Retail sales surged 16.9% in May and is now up 5.5% over the year, with sales values now 4.4% above February levels.

Like many parts of the economy, the housing market came to a standstill in April, with sales volumes plummeting 33% over the month. A sharp recovery of 22% in May and 30% in June now sees activity back to pre-Covid-19 levels but prices have declined. Core logic data shows a 0.4% dip in May and a 0.7% fall in June, while UBS expect ongoing weakness, with peak to trough falls in the region of 5-10%.

This week, a quiet data schedule sees home loan numbers provide the highlight. The RBA will also meet but are not expected to make material policy changes.



US

Data continued the recent positive trend in the US last week. Manufacturing PMI numbers pushed above neutral while consumer confidence jumped again in June and labour data also outperformed.

The Fed meeting minutes were published last week, providing additional information around the monetary policy outlook. The group discussed yield curve control, which is a tool the RBA has employed, but agreed that this would not be required provided the market believes the forward guidance. It seems the next move for the Fed will be to provide a more detailed outlook for policy settings, rather than to make formal changes. The Fed is cautious on the outlook and expects the recovery to be gradual, despite a sharp recovery in data. Inflation will remain the primary policy driver, and price rises are expected to be subdued, suggesting no changes to interest rates in the foreseeable future.

Non-manufacturing PMI data is the highlight in a quiet week. The weekly unemployment claims series will be watched for evidence of further slowing.



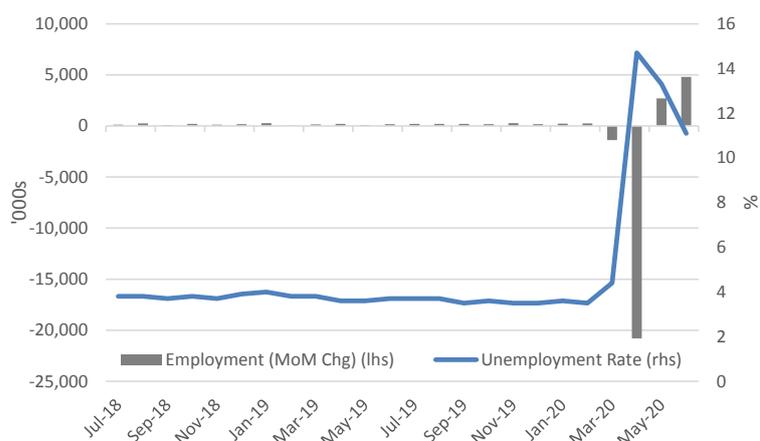
Europe

In Europe last week economic sentiment improved, but the gain was less than had been expected, inflation surprised to the high side while the unemployment rate was reported below consensus. In the UK consumer confidence edged higher but remains well into negative territory. UK Q1 GDP was revised lower to -2.2%.

In Europe the proposed €750b recovery fund is yet to gain the unanimous approval required. The Netherlands, Denmark, Austria and Sweden are opposed to the current proposal, instead preferring a more restrained approach. Last week German Chancellor Angela Merkel struck a conciliatory tone, acknowledging that European member countries will need to reform their economies to make them more "future proof". There is hope that EU leaders can reach agreement on the recovery fund at a Summit later this month.

Retail sales data is the only release of note in a quiet week in Europe. House price data is the major release in the UK in the week ahead.

Chart of the week—US non-farm payrolls



The labour market in the US has rebounded sharply following extreme weakness in April. Last week the non-farm payroll report showed that 4.8m jobs were added in June, well above the 3.2m consensus number. The unemployment rate also outperformed expectations, dropping 2.2% from 13.3% to 11.1%.

On a less positive note, payrolls are still close to 10% below pre-covid-19 levels, which equates to around 15m jobs lost. The weekly unemployment claims data also shows a sharp slowing in the rate of improvement in recent weeks. The ongoing unemployment claims series has settled around 19m and has not declined material over the last two weekly reports.

Looking ahead, the slowing in the rate of labour market data is expected to show in the July data series, with the absolute picture likely subdued for a prolonged period of time.

Source: Factset

Financial market movements

INDICATOR	AS AT 03-JULY-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
S&P/ASX 200 Accum. Index	66,644.94	2.73	-7.06	5.89	6.45
US S&P 500 TR [^] Index	6,414.16	1.55	6.57	11.00	10.79
Europe STOXX TR Index	731.30	2.84	-4.28	0.74	2.86
UK FTSE 100 TR Index	5,796.26	0.05	-15.38	-1.79	2.85
Japan TOPIX TR Index	2,265.95	-1.47	-0.39	0.66	1.06
MSCI World ex-Australia TR Index	5,047.23	3.10	2.85	7.39	7.41
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.20	0.30	-124.60	-48.10	-35.19
Australian 10-year bond yield	0.90	3.90	-37.40	-59.15	-43.70
US 90-day bank bill yield	0.12	-0.99	-198.91	-29.58	2.37
US 10-year bond yield	0.67	2.80	-128.05	-56.34	-34.50
UK 10-year bond yield	0.19	1.60	-50.30	-36.00	-36.44
German 10-year bond yield	-0.43	5.00	-4.70	-30.36	-24.58
COMMODITIES					
		%	%	%	%
Gold	1,772.05	0.04	24.90	13.24	8.67
Oil—West Texas Crude	40.32	4.75	-29.89	-3.96	-5.15
Iron Ore Spot Price Index	96.13	1.53	16.99	24.45	-
CURRENCIES					
		%	%	%	%
AUD:USD	0.69	1.08	-1.28	-3.25	-1.60
EUR:USD	1.12	0.26	-0.27	-0.34	0.24
GBP:USD	1.25	1.19	-0.72	-1.19	-4.32
USD:JPY	107.51	0.27	-0.28	-1.76	-2.62
NZD:USD	0.65	1.68	-2.64	-3.62	-0.48
CHF:USD	1.06	0.25	4.31	0.63	-0.11
AUD:EUR	0.62	0.85	-0.99	-2.90	-1.84
AUD:GBP	0.56	-0.09	-0.55	-2.07	2.87
AUD:JPY	74.62	1.37	-1.55	-4.94	-4.17

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

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