

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
13-July-21	Australia business confidence (Jun)	20	NA
13-July-21	US core inflation rate m/m (Jun)	0.7%	0.4%
14-July-21	Australia consumer confidence (Jul)	107.2	NA
14-July-21	UK core inflation rate y/y (Jun)	2.0%	2.0%
15-July-21	Australia unemployment rate (Jun)	5.1%	5.0%
15-July-21	China GDP growth rate q/q (Q2)	0.6%	1.3%
16-July-21	US retail sale m/m (Jun)	-1.3%	-0.4%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Domestic building permits were reported below expectations in May.

Last week's RBA meeting had been flagged for two monetary policy decisions. The first related to the 0.1% target applied to the three-year government bond yield, which the Board decided to hold at the April 2024 bond, rather than extend to the November 2024 maturity. The second decision related to the quantitative easing program, which is currently in its second \$100b tranche. The RBA announced that purchases will continue at a reduced rate once this tranche expires at the end of September, stepping down from \$5b per week to \$4b per week, with a further review at the November meeting. The meeting also saw some changes to the forward guidance on interest rates, with the new wording suggesting that there are now scenarios where rates could increase prior to 2024 – which is more in line with market expectations than the RBA's own central case.

Business and consumer confidence, as well as the labour force survey are the data highlights this week.



US

A quiet week of data saw the non-manufacturing PMI post a modest decline in July, while remaining at a very high absolute level. The weekly unemployment series was weaker, but the longer-term trend remains positive.

The recent Fed meeting provided a hawkish feel, with the dot plot promoting the timing of potential rate hikes. The publication of the minutes last week did little to provide additional guidance however, with a lack of consensus among members regarding the likely path of inflation. The more pressing issue is the timing around asset purchase tapering, and whether the move will be uniform, or will seek to reduce mortgage backed security purchases ahead of government bonds. The general thinking on timing sees tapering commence late this year, with an announcement in Q3, although UBS suggests there are risks that this could come sooner. How that tapering is implemented is less certain.

Consumer sentiment, retail sales, industrial production and inflation will be published this week.



Europe

European retail sales were a little stronger than expected in May while in the UK, industrial production missed expectations in May.

The European Central Bank (ECB) published the results of its strategy review last week, with one material change to the way its sets monetary policy. The inflation target, which previously target "close to but below 2%" price rises is now a symmetrical 2% target. This shift introduces additional flexibility to the target, meaning that periods of below target inflation could be followed by an inflation overshoot without the need for policy tightening. Another change sees the ECB introduce climate change metrics into its policy settings, with the purchases of corporate bond to be skewed in favour of those companies making more effort to address climate change. The Bank of England has made a similar change in recent months.

Labour market and inflation data will be published in the UK this week. Industrial production is the only release of note in Europe.

Chart of the week—Australian dollar vs US dollar



The Australian dollar saw a period of sharp appreciation against the US dollar through late 2020 and in to early 2021, peaking close to 80 cents in February. After some volatility around the end of the first quarter, the Aussie had a relatively stable period for the majority of the second quarter, bouncing between 77 and 78 cents. Late in Q2 however, a combination of factors pushed the local currency lower.

General questions over the outlook for the global economy have proved supportive of the US dollar, while at the same time the local Covid-19 outbreak has hampered the domestic outlook. The interplay between the Fed, which adopted a more hawkish stance in June, and the RBA which announced the tapering of its QE program last week, has also been a net negative for the Australian dollar.

Looking ahead, a return to normal for the global economy, and more synchronised global growth, are expected to support the Australian dollar, with most forecasts pointing toward a recovery to about 80 cents.

Source: Bloomberg

Financial market movements

INDICATOR	AS AT 9-JULY-21	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Accum. Index	82,491.36	-0.48	26.67	8.96	10.54
US S&P 500 TR^ Index	9,096.84	1.19	39.33	18.17	17.44
Europe STOXX TR Index	942.46	-0.19	28.50	8.07	10.03
UK FTSE 100 TR Index	6,936.56	0.05	20.79	1.46	5.30
Japan TOPIX TR Index	2,841.78	-2.25	26.81	5.89	10.36
MSCI World ex-Australia TR Index	6,934.16	0.17	35.54	14.45	14.48
FIXED INCOME	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.03	-	-7.62	-68.32	-39.21
Australian 10-year bond yield	1.36	-11.60	46.30	-41.88	-10.48
US 90-day bank bill yield	0.04	0.28	-6.52	-62.93	-4.20
US 10-year bond yield	1.36	-6.43	74.60	-50.15	0.03
UK 10-year bond yield	0.66	-4.80	49.70	-19.94	-1.60
German 10-year bond yield	-0.29	-5.80	17.00	-19.81	-2.08
COMMODITIES		%	%	%	%
Gold	1,808.32	1.18	0.26	12.87	5.77
Oil—West Texas Crude	74.56	-0.89	88.19	0.32	10.43
Iron Ore Spot Price Index	215.10	-0.90	104.35	50.34	31.14
CURRENCIES		%	%	%	%
AUD:USD	0.75	-0.50	7.52	0.09	-0.21
EUR:USD	1.19	0.09	5.24	0.35	1.45
GBP:USD	1.39	0.56	10.27	1.59	1.42
USD:JPY	110.14	-0.82	2.74	-0.21	1.84
NZD:USD	0.70	-0.57	6.33	0.72	-0.89
CHF:USD	1.09	0.76	2.86	2.76	1.48
AUD:EUR	0.63	-0.58	2.19	-0.25	-1.64
AUD:GBP	0.54	-1.12	-2.51	-1.48	-1.63
AUD:JPY	82.50	-1.28	10.51	-0.11	1.63

*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 2021.