

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
23-Mar-21	UK unemployment rate (Jan)	5.1%	5.2%
24-Mar-21	UK core inflation rate y/y (Feb)	1.4%	1.4%
24-Mar-21	Europe composite PMI (Mar)	48.8	49.1
24-Mar-21	UK composite PMI (Mar)	49.6	51.1
24-Mar-21	US durable goods orders m/m (Feb)	3.4%	0.8%
24-Mar-21	US composite PMI	59.5	NA
25-Mar-21	US core PCE price index m/m (Feb)	0.3%	0.1%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

The Australian labour market has posted a strong recovery since the depths of the pandemic-induced slowdown in Q2 last year. Last week, payroll data showed that year on year growth is positive to the tune of 0.4%, and the labour force survey affirmed this finding later in the week. Wage growth has also picked up in recent months to be up 2.4% over the year, although still well below the kind of levels required to generate inflationary pressures.

The RBA minutes were published last week, and while the meeting content was generally in line with recent commentary, there was an increased focus on the housing market, and in particular on lending standards. With indications that debt to income levels were increasing last year, and that interest only loans were becoming more prevalent, it is becoming increasingly likely that we will see some form of macroprudential tightening later in the year.

There are no major domestic data releases or economic events in the week ahead.



US

Retail sales data was weaker than expected in the US in February, declining 3% over the month. The weakness was largely offset by upward revisions to the December and January data points however and the outlook for consumption is still positive. Elsewhere, building permits erased January's double-digit gain in February and housing starts were also weak.

No policy changes resulted from the Fed meeting last week, which came as no surprise. There were some changes to individual member's interest rate expectations, but not enough to move the median, with 11 out of 18 members still expecting rates to be at the current level out to the end of the forecast horizon in 2023. The messaging on asset purchases showed that tapering discussions are not even on the table yet. Any moves towards scaling back bond buying appear a long way off and would be expected to be extremely well flagged ahead of time.

Durable goods orders and PMIs are the data highlights in the week ahead.



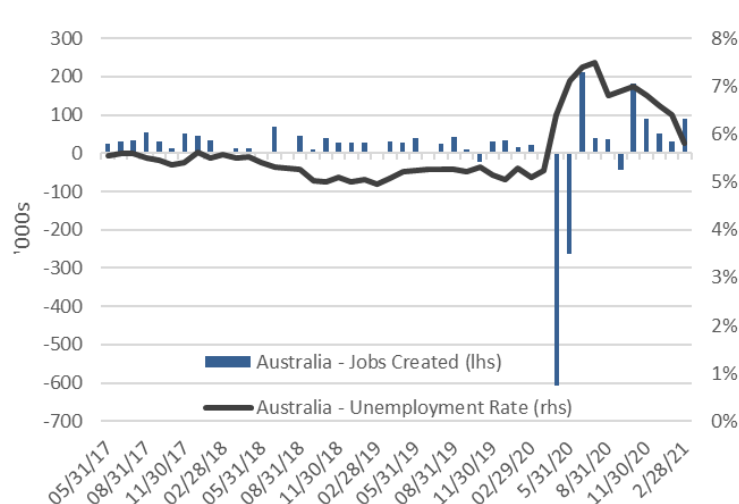
Europe

UK consumer confidence was stronger than expected in March. In Europe, wage growth picked up to a solid 3.5% over the year to Q4.

The Bank of England (BoE) upgraded near-term growth expectations at last week's meeting – citing an earlier than expected easing of mobility restrictions as well as greater than anticipated fiscal stimulus, both in the UK and the US. Despite an improved near-term outlook, the BoE still sees uncertainty in the medium-term and therefore left monetary policy unchanged. In line with other central banks, there is no sign yet of any tapering of QE, and asset purchases are set to continue at the prior pace for the immediate future. The group noted the recent rise in bond yields, which it thought was justified given an improved outlook, although this is now believed to be fully factored into prices. Further bond yield rises would therefore be unjustified, say the BoE.

Retail sales, labour data, inflation and PMIs are the UK highlights this week. PMIs and consumer confidence will be published in Europe.

Chart of the week—Australian labour force survey



The Australian labour force survey was published last week and showed strong labour market improvement in February. Almost 90k jobs were added over the month, well above the 30k consensus expectation and enough to push the unemployment rate down from 6.4% to 5.8%, also materially outperforming the 6.3% consensus figure.

This dataset mirrors the picture portrayed by the payroll data published last week, showing that we are roughly back to the number of jobs in the domestic economy that existed before the pandemic. This recovery is well ahead of many global peers, with the US, for example, still around 6% below pre-pandemic levels.

Looking ahead, the expiry of Jobkeeper may prove a near-term stumbling block but effects are expected to be minimal and short-lived, paving the way for further labour market improvement in the year ahead.

Source: ABS

Financial market movements

INDICATOR	AS AT 19-MAR-21	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	75,630.10	-0.85	43.13	8.10	9.62
US S&P 500 TR^ Index	8,112.13	-0.74	72.71	16.15	16.05
Europe STOXX TR Index	870.33	0.01	55.05	6.77	7.97
UK FTSE 100 TR Index	6,470.16	-0.69	33.14	2.79	5.70
Japan TOPIX TR Index	2,963.34	3.14	60.01	7.34	10.09
MSCI World ex-Australia TR Index	6,304.88	-0.31	66.45	12.95	13.20
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.03	-0.89	-62.12	-64.94	-46.34
Australian 10-year bond yield	1.80	10.00	31.40	-30.09	-14.96
US 90-day bank bill yield	-0.00	-2.36	1.93	-59.46	-6.11
US 10-year bond yield	1.72	9.63	58.06	-37.96	-3.05
UK 10-year bond yield	0.84	1.60	11.40	-20.27	-12.23
German 10-year bond yield	-0.29	1.20	-10.10	-28.85	-10.14
COMMODITIES					
		%	%	%	%
Gold	1,745.23	1.05	18.62	9.84	6.81
Oil—West Texas Crude	61.42	-6.39	143.54	-0.34	9.26
Iron Ore Spot Price Index	165.58	-0.90	84.53	32.93	24.36
CURRENCIES					
		%	%	%	%
AUD:USD	0.77	-0.28	34.81	0.10	0.35
EUR:USD	1.19	-0.41	11.34	-1.18	1.10
GBP:USD	1.39	-0.37	20.78	-0.36	-0.85
USD:JPY	108.88	-0.14	-1.65	0.87	-0.48
NZD:USD	0.72	-0.15	25.46	-0.36	1.04
CHF:USD	1.08	0.05	6.12	0.78	0.85
AUD:EUR	0.65	0.11	21.04	1.28	-0.73
AUD:GBP	0.56	0.10	11.64	0.47	1.21
AUD:JPY	84.29	-0.39	32.57	0.97	-0.14

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

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