

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
01-Nov-21	Australian home loans m/m (Sep)	-6.6%	-2.0%
02-Nov-21	Australia interest rate decision	0.1%	0.1%
03-Nov-21	Australia building permits m/m (Sep)	6.8%	-2.0%
03-Nov-21	US Fed interest rate decision	0.25%	0.25%
04-Nov-21	UK interest rate decision	0.1%	0.1%
05-Nov-21	RBA Statement on Monetary Policy	NA	NA
05-Nov-21	US unemployment rate (Oct)	4.8%	4.7%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Third quarter inflation data was the domestic highlight last week. While the headline number was in line with consensus at 0.8% q/q, dropping to 3.0% y/y, the more policy relevant trimmed mean was higher than expected. This core measure, which is the one the RBA focus on, came in at 0.7% q/q, well above the 0.5% consensus. The year on year jumped to 2.1%, well above both consensus and the RBA's implied forecast.

The RBA meet this week and the stronger than expected Q3 inflation print has increased the level of investor interest around the meeting. There is speculation that the 3-year bond yield target will be abandoned after the RBA failed to buy bonds in the face of rising yields. The Statement on Monetary Policy will likely see upwardly revised inflation forecasts for 2021 but the 2022 forecast will be key.

Home loans and building permits are this week's data points of note. For home lending, the proportion of lending to investors will be closely watched after recent macroprudential measures.



US

Economic data was mixed in the US last week. Consumer confidence jumped in October, new home sales surged in September and manufacturing indices were also positive. Durable goods orders also showed signs of diminishing underlying supply constraints. The GDP print was weaker than expected however, with the economy growing at a 2% annualised pace in Q3, below the 2.5% consensus. Slowing consumption and supply chain disruptions are expected to be temporary however, pointing to solid growth ahead.

The Fed meets this week and is expected to announce that asset purchases will be reduced from mid-November. Recent communication from Fed members suggests that while tapering is likely in the immediate future, rate hikes are not on the agenda any time soon. UBS expects tapering to be complete by mid-2022, at which point rate hikes become a consideration.

The Fed meeting (and potential tapering announcement) and Non-farm payrolls are the highlights in a busy week ahead in the US.



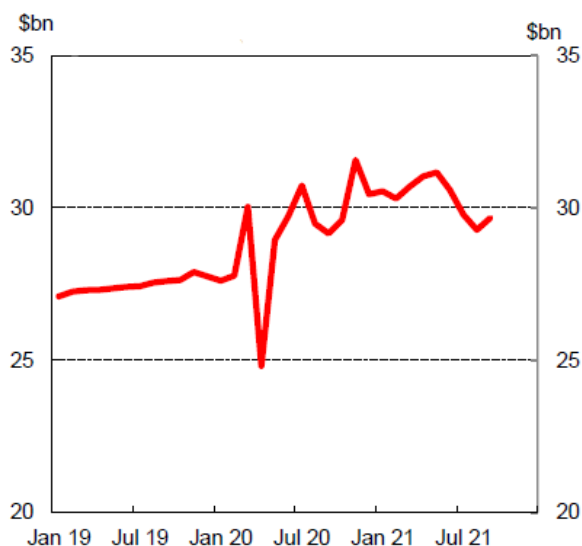
Europe

The European economy expanded by a stronger than expected 2.2% in Q3, bringing the annual figure to 3.7% and leaving GDP 0.5% below pre-pandemic levels. Inflation was also higher than expected in Q3, with the headline index up 4.1% as soaring energy prices had a material impact. The core index was up 2.1%, partly pushed higher by supply bottlenecks.

The Bank of England meets in the week ahead and there is a real chance that it could be the first major central bank to hike interest rates. The yield on the 2-year bond has surged from 0.40% just a month ago up to 0.65% as investors bet that board members will vote to hike rates in order to control rising inflation. There is a question over whether the BoE will wait to see how the labour market handles the recent end to the furlough scheme, but a hike is widely expected either this month or in December.

Labour market and retail sales data are the highlights in Europe this week. The Bank of England meeting will be the focus in the UK.

Chart of the week—Australian retail sales



Retail sales was stronger than expected in September, gaining 1.3% over the month. The impact of recent lockdowns was evident in the data again, with Victoria in negative territory (-2.1%) and New South Wales (NSW) edging to a small gain in advance of easing restrictions there in October.

Over the month, strong gains were seen in clothing and footwear, eating out, and other retailing (which includes online). On the negative side, spending on food and at department stores moved lower in September. Retail sales data suggests a material decline in the volume of retail spending in Q3, although this will be firmed up with further data releases in the week ahead.

Looking ahead, CBA's credit card spend data, which is more up to date than the formal retail sales numbers, shows a rapid recovery in spending in NSW, and early signs of a similar trend in Victoria. Q4 is expected to show a strong recovery in consumer spending.

Source: CBA, ABS

Financial market movements

INDICATOR	AS AT 29-OCT-21	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	84,268.94	-1.23	27.96	11.85	10.99
US S&P 500 TR [^] Index	9,625.02	1.35	42.91	21.05	19.09
Europe STOXX TR Index	982.66	0.90	44.24	12.37	10.09
UK FTSE 100 TR Index	7,136.68	0.47	34.52	4.49	4.93
Japan TOPIX TR Index	2,994.77	-0.04	28.97	9.18	9.58
MSCI World ex-Australia TR Index	7,278.53	0.92	40.71	17.57	15.42
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.07	2.77	1.52	-61.88	-33.82
Australian 10-year bond yield	2.09	28.80	127.20	-16.03	-5.79
US 90-day bank bill yield	0.05	-0.46	-3.31	-74.33	-4.65
US 10-year bond yield	1.55	-8.03	72.91	-51.36	-5.90
UK 10-year bond yield	1.03	-11.10	81.30	-12.18	-4.52
German 10-year bond yield	-0.11	-0.10	53.00	-16.13	-5.47
COMMODITIES					
		%	%	%	%
Gold	1,783.38	-0.52	-4.51	13.20	6.93
Oil—West Texas Crude	83.57	-0.23	131.05	7.62	11.40
Iron Ore Spot Price Index	107.45	-11.94	-10.60	13.81	11.09
CURRENCIES					
		%	%	%	%
AUD:USD	0.75	0.70	6.96	2.14	-0.21
EUR:USD	1.16	-0.73	-0.99	0.54	1.02
GBP:USD	1.37	-0.53	5.82	2.26	2.34
USD:JPY	113.95	0.40	8.93	0.47	1.70
NZD:USD	0.72	0.20	8.18	3.21	0.02
CHF:USD	1.09	0.06	0.06	3.06	1.53
AUD:EUR	0.65	1.42	8.04	1.60	-1.23
AUD:GBP	0.55	1.21	1.03	-0.16	-2.48
AUD:JPY	85.76	1.18	16.64	2.65	1.50

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

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