

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
5-Oct-20	Australia business confidence (Sep)	-8	-4 (act)
5-Oct-20	Europe retail sales m/m (Aug)	-1.3%	4.4% (act)
6-Oct-20	Australia trade balance (Aug)	A\$4.6b	A\$5.2b
6-Oct-20	Australia interest rate decision	0.25%	0.25%
6-Oct-20	Australia federal budget	NA	NA
6-Oct-20	US trade balance (Aug)	US\$-63.6b	US\$-66.1b
9-Oct-20	Australia home loans m/m (Aug)	10.7%	NA

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

Building permits dipped 1.6% in August, a slightly better result than the -2% anticipated by the market. Given the 12% surge in July was driven by an improving Covid-19 picture in June, the decline in August is no surprise and further weakness in September would not be a shock given the deterioration in the virus situation in Victoria in August. Private sector credit was flat in August and the weak credit outlook is likely to persist, despite ultra-low interest rates.

A key week ahead for the domestic market sees the RBA meeting and the budget announcement on Tuesday then the RBA's financial stability review on Thursday. Views are mixed on the RBA meeting, with some commentators expecting further policy easing and some expecting no change. The budget follows shortly after the RBA meeting and is expected to reveal a host of fiscal support measures including tax cuts, infrastructure spending and a business investment allowance.

This week sees business confidence, trade data, home loans and the ABS payroll analysis published.



#### US

Last week the weekly unemployment claims series outperformed expectations after some recent softer results. The ISM manufacturing index remained well into positive territory but declined a little in September. Elsewhere the Fed's preferred inflation measure was a little stronger than expected in September, but price rises remain subdued. Non-farm payrolls rounded out the week on a softer note.

A busy week in US politics saw the shambolic debate between President Trump and Joe Biden, with neither party clearly coming out on top. Later in the week the run up to the election took a major twist as Trump announced that he had tested positive for COVID-19, before later being admitted to hospital. Reports vary as to the severity of his condition, but the situation is likely to continue to attract media interest with the election just a month away.

It is a quiet week in the US in terms of data releases, with the trade balance the highlight. There are also a number of Fed speakers throughout the week.



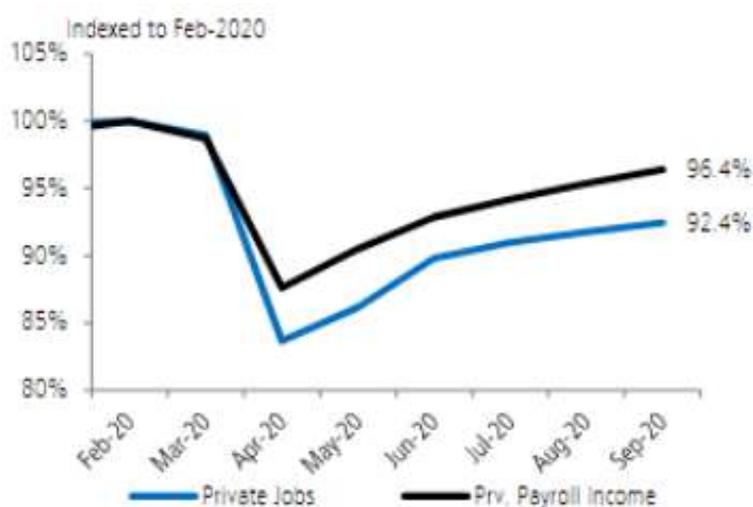
#### Europe

Economic sentiment edged higher in Europe in September but remains well below pre-COVID levels. The unemployment rate held at 8.1% in August and inflation surprised to the downside in September.

Progress towards a post-Brexit trade deal has been limited and last week a controversial bill giving UK ministers the power to rewrite part of the withdrawal agreement with the EU passed its final hurdle. The complicated bill sets out procedures for trade within the UK and specifically allows for changes to parts of the withdrawal agreement relating to Northern Ireland, which were themselves a major sticking point in the prior negotiations. The EU had set a deadline of last Wednesday for the UK to ditch plans to pass the bill and has now initiated legal proceedings. Meanwhile, negotiations are ongoing around the future trading relationship, which would remove the concerns around the Northern Irish border.

This week, European retail sales, UK industrial production and the UK monthly GDP series are due.

## Chart of the week—US labour market



US non-farm payroll data disappointed in September, with 661k jobs added over the month, well below the consensus of circa 860k. The unemployment rate was reported well below the 8.2% expectation at 7.9%, down from 8.4% in August. The drop was driven by a larger than expected fall in the participation rate however, with more people leaving the workforce in a concerning indicator for the health of the labour market.

The detail showed that services jobs were weaker than expected, accounting for the majority of the miss versus consensus. The impact of falling tax receipts was also felt however, as government employment posted a sharp decline as budgets came under pressure.

As the chart shows, private jobs are still well below pre-COVID levels, while private income is also subdued relative to February levels.

Source: UBS, US BLS

## Financial market movements

INDICATOR	AS AT 5-OCT-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
<b>EQUITIES</b>		%	%	%	%
S&P/ASX 200 Accum. Index	66,004.80	-0.17	-5.86	5.36	7.15
US S&P 500 TR <sup>^</sup> Index	6,889.65	-0.07	15.59	11.63	13.27
Europe STOXX TR Index	732.20	0.63	-2.02	-0.64	3.78
UK FTSE 100 TR Index	5,647.71	0.34	-14.09	-3.70	2.87
Japan TOPIX TR Index	2,407.17	-0.78	6.24	1.00	4.09
MSCI World ex-Australia TR Index	5,330.46	-0.25	10.25	7.42	9.61
<b>FIXED INCOME</b>	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.09	1.00	-77.00	-54.29	-41.95
Australian 10-year bond yield	0.83	6.00	-5.80	-65.43	-34.62
US 90-day bank bill yield	0.09	0.95	-156.24	-31.32	1.04
US 10-year bond yield	0.77	11.89	-75.73	-52.82	-25.82
UK 10-year bond yield	0.29	8.60	-15.50	-36.77	-30.12
German 10-year bond yield	-0.51	1.80	7.60	-32.30	-21.61
<b>COMMODITIES</b>		%	%	%	%
Gold	1,912.47	1.65	28.05	14.67	10.98
Oil—West Texas Crude	39.36	-3.05	-25.47	-8.15	-3.18
Iron Ore Spot Price Index	116.34	4.75	62.44	31.26	#VALUE!
<b>CURRENCIES</b>		%	%	%	%
AUD:USD	0.72	1.58	6.68	-2.69	0.28
EUR:USD	1.18	0.99	7.39	0.20	1.04
GBP:USD	1.30	1.16	5.61	-0.35	-3.03
USD:JPY	105.77	0.26	-1.39	-2.13	-2.57
NZD:USD	0.66	1.36	5.63	-2.27	0.47
CHF:USD	1.09	0.98	8.67	2.24	1.28
AUD:EUR	0.61	0.58	-0.65	-2.88	-0.75
AUD:GBP	0.55	0.40	1.01	-2.35	3.42
AUD:JPY	75.98	1.83	5.22	-4.76	-2.29

\*BP = Basis Point, Source: Bloomberg; <sup>^</sup>TR = Total return

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