

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
19-May-20	RBA meeting minutes	NA	NA
19-May-20	UK unemployment rate (Mar)	4.0%	4.4%
20-May-20	UK core inflation rate y/y (Apr)	1.6%	1.4%
20-May-20	US Fed meeting minutes	NA	NA
21-May-20	UK composite PMI (May)	13.8	25.0
21-May-20	US composite PMI (May)	27.0	NA
22-May-20	Europe composite PMI (May)	13.6	24.0

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

Business and consumer confidence both remain subdued, as expected. The business confidence series saw a bounce from -66 in March to -46 in April but remains twice as weak as during the 1990s recession. Consumer confidence also saw a big jump in the latest release, but this index also remains well below neutral.

More details emerged of Australia's path to normality last week as restrictions were eased around the country. Schools have reopened in some states and classes are scheduled to resume in the coming weeks in others. The ability to meet with family and friends has been expanded and, crucially for the economy, some businesses are starting to reopen, albeit in a limited capacity. The path ahead is extremely uncertain and will rely on the pace that restrictions are eased, the ability to prevent a spike in virus cases and finally, the consumer response as we return to some kind of normality.

The RBA meeting minutes and PMI data are the domestic highlights in a relatively quiet week ahead.



#### US

Inflation data showed that prices in the US moved backwards in April, with the core index sliding a greater than expected 0.4% over the month. The largest decline in the history of the series. The magnitude of declines has likely peaked but price gains from here are expected to be subdued. Weekly unemployment claims continue to slow, and a delay in processing earlier claims means that the underlying picture is likely now not as weak as the data suggests. Last week saw 3m new claims processed. Other data was mixed, with retail sales underperforming expectations but consumer sentiment unexpectedly edging higher in May, although remaining weak.

Fed chair Powell gave a downbeat assessment of the economic outlook last week, warning of an extended period of weak growth ahead. He also reaffirmed that the Fed has no intention of pushing rates into negative territory, despite markets recently pricing in such an eventuality.

The Fed meeting minutes and PMI data are the highlights in the US this week.



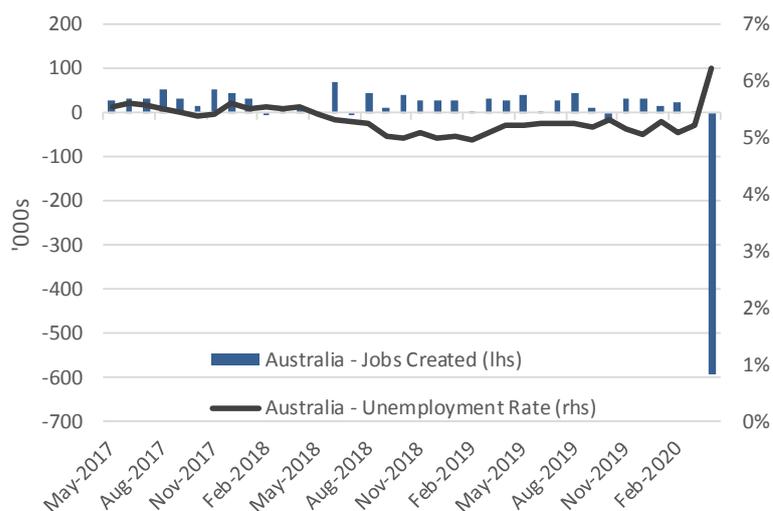
#### Europe

In the UK, GDP data for Q1 showed a contraction of 2% in the 3 months to 31 March, which was better than expected. From here a sharp deterioration is expected, with the Bank of England warning of a dramatic 25% fall in Q2. Industrial production data outperformed expectations in the UK and Europe.

Last week the ECB published its economic bulletin, with the outlook pointing towards a GDP contraction of between 5 and 12% this year. The wide range highlights significant uncertainty ahead. Across Europe, travel restrictions are begging to be lifted, which will be crucial for the summer tourism season ahead. Travel bans are still in place but plans to ease restrictions between European countries with similar infection rates will see a partial resumption before travel across Europe as a whole resumes at a later date. Travel to Europe from non-European destinations appears unlikely in the near-term.

PMI and retail sales data will be published the UK this week, with the PMI series also due in Europe.

## Chart of the week—Australian labour market



Source: Factset

Labour market data has been closely watched around the world since the COVID-19 related disruptions began. Last week Australian numbers showed that 594k jobs were lost in April, with the unemployment rate rising to 6.2%, aided by a sharp decline in the participation rate.

The headline result was stronger than expected but the underlying details point to greater weakness. The underutilisation rate, which includes workers looking for additional hours, spiked to a record 19.9% and hours worked fell 9.2%.

Looking ahead, the unemployment rate can be expected to rise further but the key test will come as the economic recovery gets underway and as the government's Jobkeeper program comes to its scheduled end in Q3.

## Financial market movements

INDICATOR	AS AT 15-MAY-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
<b>EQUITIES</b>					
S&P/ASX 200 Accum. Index	59,351.02	0.26	-11.98	2.09	3.38
US S&P 500 TR <sup>^</sup> Index	5,852.84	-2.20	2.13	8.70	8.30
Europe STOXX TR Index	624.73	-4.23	-15.68	-4.85	-1.44
UK FTSE 100 TR Index	5,444.26	-2.15	-17.97	-4.13	0.35
Japan TOPIX TR Index	2,119.72	-0.31	-4.36	-0.24	-0.33
MSCI World ex-Australia TR Index	4,588.66	-2.25	-2.66	4.49	4.71
<b>FIXED INCOME</b>					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.20	-5.60	-139.30	-46.99	-36.18
Australian 10-year bond yield	0.91	1.70	-78.10	-56.15	-40.00
US 90-day bank bill yield	0.10	0.24	-226.01	-25.17	1.78
US 10-year bond yield	0.64	-4.03	-173.04	-57.01	-30.17
UK 10-year bond yield	0.23	-0.40	-83.70	-30.33	-33.20
German 10-year bond yield	-0.53	0.60	-43.30	-31.80	-23.21
<b>COMMODITIES</b>					
		%	%	%	%
Gold	1,743.67	2.41	34.49	12.31	7.32
Oil—West Texas Crude	29.43	18.96	-52.55	-15.54	-13.19
Iron Ore Spot Price Index	86.44	3.14	-1.57	14.82	7.83
<b>CURRENCIES</b>					
		%	%	%	%
AUD:USD	0.64	-1.82	-7.43	-4.72	-4.41
EUR:USD	1.08	-0.18	-3.40	-0.47	-1.13
GBP:USD	1.21	-2.37	-5.68	-2.06	-5.08
USD:JPY	107.06	0.38	-2.32	-2.01	-2.13
NZD:USD	0.59	-3.28	-9.58	-4.81	-4.51
CHF:USD	1.03	-0.05	3.82	0.85	-1.17
AUD:EUR	0.59	-1.66	-4.17	-4.26	-3.33
AUD:GBP	0.53	0.63	-1.77	-2.68	0.72
AUD:JPY	68.67	-1.46	-9.57	-6.63	-6.46

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

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