

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
29-Sep-20	US consumer confidence (Sep)	84.8	89.2
30-Sep-20	China manufacturing PMI (Sep)	51.0	51.2
30-Sep-20	Australia building permits m/m (Aug)	12%	0%
30-Sep-20	Australia private sector credit y/y (Aug)	2.4%	na
01-Oct-20	Europe unemployment rate (Aug)	7.9%	8.1%
02-Oct-20	Europe core inflation y/y (Aug)	0.4%	0.5%
02-Oct-20	US unemployment rate (Sep)	8.4%	8.2%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

Payroll data painted a contrasting picture when compared to the official labour force survey (LFS) last week. Over the 4-week period to 5 September the payroll data showed a decline of 0.7% while the LFS showed a 0.9% lift over a similar period. Sole traders, which are largely not captured in the payroll data, drove the August LFS gain. Those working multiple jobs would also impact the data as the payroll numbers count jobs while the LFS assesses whether a respondent is employed or not.

RBA deputy governor gave a speech on the Australian economy and monetary policy last week, outlining the potential options for further policy support. He listed four measures: asset purchases, FX intervention, rate cuts and negative interest rates. Of those options it is the asset purchases and rate cuts that appear more likely, with some market commentators calling for both as early as next month in the wake of weaker payroll and retail sales numbers.

Building permits and private sector credit are the domestic highlights in the week ahead.



#### US

Housing market metrics maintained the picture of strength last week as prices and sales data were both strong in July and August. The weekly unemployment claims series showed slowing improvement, with both unemployment claims and rehiring trends proving weaker than expected in the latest release. Durable goods showed signs so slowing improvement in August. The more forward-looking PMI series was an outperformer compared to some other countries as the composite index held ground in September.

We heard from a number of Fed speakers last week and the message was clear. The economic recovery is expected to take a long time and policy will remain ultra-accommodative to support that process. The central bank was also firm on the view that additional fiscal support is vital however, and the limited progress of the stimulus package will be of concern for investors.

Non-farm payroll data will be the focus in the US this week. The unemployment rate is expected to be reported at 8.2%.



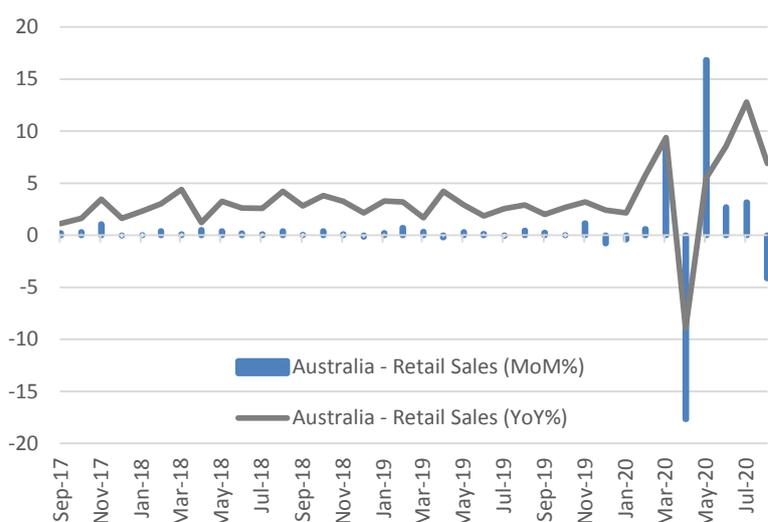
#### Europe

European PMIs showed signs of running out of steam in September, with the composite index dipping to 50.1 as the services sector weakened. The UK series also showed weakness but remains at a higher absolute level of 55.7. UK consumer confidence was a little stronger than expected but the absolute level remains weak.

The resurgence in virus cases has been a concern for markets over the last month or so and both the UK and Europe have seen surging numbers. There has been a reluctance by many governments to reintroduce mobility restrictions, particularly throughout the lucrative summer period. Last week however we saw a shift in the UK, with Prime minister Boris Johnson announcing some moderately tighter controls. The economic damage and whether the new rules can slow the virus spread remains uncertain, with virus numbers now passing the daily peak reached in the first wave.

Inflation, labour market data and economic sentiment are the key European data releases this week.

## Chart of the week—Australia retail sales



Source: ABS

Retail sales numbers have been heavily impacted by the spread of Covid-19 and the government's response. After a strong 3.2% bounce in July the series retraced 4.2% in August, led by Victoria (down 12.6%) but with the rest of Australia also sliding 1.5% over the month.

The absolute level is strong and currently well above pre-covid levels, however, there have been clear winners and losers over the year to date. Household goods posted a sharp drop in August, down 6.8% but has been a clear beneficiary overall and is up 20% since this time last year. Cafes and restaurants are clear losers, with severe restrictions impacting the ability to operate.

Looking ahead, the retail landscape is extremely complicated and will clearly be influenced by the evolution of restrictions. The anticipation of a more open Victoria will be counteracted by the tapering of the government's Jobseeker and Jobkeeper payments.

## Financial market movements

INDICATOR	AS AT 25-SEP-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
<b>EQUITIES</b>					
S&P/ASX 200 Accum. Index	66,258.98	1.73	-8.30	5.75	7.46
US S&P 500 TR <sup>^</sup> Index	6,784.95	0.55	13.50	11.69	14.16
Europe STOXX TR Index	709.65	-4.12	-7.42	-1.27	4.13
UK FTSE 100 TR Index	5,547.60	-2.73	-18.60	-3.46	3.66
Japan TOPIX TR Index	2,385.77	-0.61	3.24	0.92	4.43
MSCI World ex-Australia TR Index	5,257.16	0.24	7.65	7.48	10.38
<b>FIXED INCOME</b>					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.08	-1.00	-86.00	-54.63	-42.36
Australian 10-year bond yield	0.77	-8.40	-17.70	-70.23	-38.64
US 90-day bank bill yield	0.09	0.14	-170.49	-30.45	1.69
US 10-year bond yield	0.65	-3.93	-108.28	-52.45	-30.34
UK 10-year bond yield	0.19	0.60	-34.70	-38.31	-33.24
German 10-year bond yield	-0.53	-4.40	4.60	-31.06	-23.67
<b>COMMODITIES</b>					
		%	%	%	%
Gold	1,865.12	-2.48	26.66	13.16	10.50
Oil—West Texas Crude	40.23	2.34	-28.05	-7.94	-1.97
Iron Ore Spot Price Index	113.80	-1.88	61.90	31.04	#VALUE!
<b>CURRENCIES</b>					
		%	%	%	%
AUD:USD	0.70	-2.53	4.31	-3.59	0.15
EUR:USD	1.16	-1.17	6.73	-0.43	0.68
GBP:USD	1.28	-0.45	3.82	-1.72	-3.41
USD:JPY	105.58	-0.88	2.37	2.09	2.58
NZD:USD	0.66	-1.74	4.61	-3.26	0.69
CHF:USD	1.08	1.52	-6.95	-1.45	-0.95
AUD:EUR	0.61	1.40	2.33	3.27	0.54
AUD:GBP	0.55	2.14	-0.47	1.94	-3.55
AUD:JPY	74.33	1.70	-1.86	5.90	2.43

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

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