

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
25-Aug-20	US consumer confidence (Aug)	92.6	93
26-Aug-20	Australia construction work done q/q (Q2)	-1%	-5.8%
26-Aug-20	US durable goods orders m/m (Jul)	7.3%	4.3%
27-Aug-20	Australia private capex q/q (Q2)	-1.6%	-8.4%
27-Aug-20	Jackson Hole Economic Policy Symposium	NA	NA
27-Aug-20	US pending home sales m/m (Jul)	16.6%	4.5%
28-Aug-20	US core PCE price index y/y (Jul)	0.9%	1.2%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Preliminary retail sales data showed another strong lift in July, with retail trade up 3.3% on the back of a 2.7% lift in June. The strength in the data series has been something of a surprise and retail spending is now around 14% higher than it was in February. Around the country all states and territories were positive with the exception of Victoria, where the ongoing lockdown is holding spending back. By sector, clothing, department stores and eating out have been clear losers throughout the pandemic. PMI data was weak in July, with the composite number falling 9 points to 48.8, driven lower by the renewed lockdown in Victoria.

The RBA minutes were a bit of a non-event last week, having already been superseded by the statement on monetary policy and various speeches. The cautious tone persists, and policy is expected to be supportive for the foreseeable future.

This week, Q2 construction work and private capex data will be released and we will also receive an update of the ABS payroll data.



US

Housing market data outperformed expectations last week, with housing starts, building permits and home sales all materially exceeding expectations. The gains for permits was driven by the multifamily sector, which can be volatile, but single family was also positive. It appears that building activity is now catching up to the strong sales data, where buyers have benefitted from lower interest rates. PMI data outperformed consensus, pushing further into positive territory in both the services and manufacturing indices.

The minutes from the recent Fed meeting highlighted the uncertain environment and suggested ongoing policy support via ultra-low rates and asset purchases. Looking ahead there is an expectation that the Fed will provide more detailed forward guidance in September, as well as the result of its ongoing policy framework review.

In the week ahead, consumer confidence, durable goods orders and inflation data will be published. The Jackson Hole economic policy symposium will also take place.



Europe

A busy week of data releases in the UK saw inflation higher than expected in July, with retail sales rising faster than expected despite consumer confidence numbers showing a very subdued environment. PMI data was stronger than expected in August, with both the services and manufacturing sectors beating consensus. In Europe, consumer confidence held at -15 in August, as expected but PMI data posted an unexpected fall, underperforming other regions and underlining a loss of momentum.

Last week the EU and UK resumed formal Brexit negotiations ahead of the expiry of the UK's transition period at the end of the year. Progress appeared limited and as with the prolonged negotiations over the last few years, it seems unlikely that agreement on the key issues will come without a lot of hard work at the negotiating table.

It is a quiet week ahead in both the UK and Europe. European business sentiment measures will be released and there are a number of Bank of England speakers.

Chart of the week—Eurozone Purchasing Manager’s Indices



Purchasing Manager’s Indices (PMI’s) were released last week, painting a mixed picture across the major economies. The European composite index fell to 51.6 in August, from 54.9 in July and well below the consensus expectation of a flat result. Mirroring the Australian data, it was the services index that spurred the fall. A resurgence of COVID-19 cases and associated reintroduction of some mobility restrictions was a key driver in the decline. Of the major European economies, the picture is strongest in Germany, where the manufacturing sector has benefitted from an uplift in foreign demand.

The composite index remains above the neutral level of 50 and is well above the low 30s number recorded in April. This indicates expansion in the period ahead, but the loss of momentum shows that economies will remain vulnerable to the effects of rolling lockdowns until a vaccine is developed.

Source: UBS

Financial market movements

INDICATOR	AS AT 21-AUGUST-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	67,370.30	-0.11	-3.24	6.14	8.53
US S&P 500 TR [^] Index	6,977.27	0.77	21.65	13.89	14.71
Europe STOXX TR Index	730.76	-1.15	1.07	0.76	4.63
UK FTSE 100 TR Index	5,692.76	-1.32	-12.41	-2.96	4.43
Japan TOPIX TR Index	2,341.45	-1.19	9.11	2.26	3.57
MSCI World ex-Australia TR Index	5,375.27	0.42	14.97	9.35	10.72
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.15	-0.90	-84.70	-50.25	-36.51
Australian 10-year bond yield	0.88	-5.40	-5.30	-58.98	-34.38
US 90-day bank bill yield	0.08	-0.42	-178.48	-30.22	1.09
US 10-year bond yield	0.63	-8.12	-96.11	-52.05	-28.33
UK 10-year bond yield	0.21	-3.70	-27.30	-28.88	-29.88
German 10-year bond yield	-0.51	-8.60	16.30	-30.33	-21.51
COMMODITIES					
		%	%	%	%
Gold	1,940.48	-0.24	29.14	14.52	10.82
Oil—West Texas Crude	42.34	0.79	-23.96	-3.67	0.92
Iron Ore Spot Price Index	121.92	4.29	68.54	28.66	na
CURRENCIES					
		%	%	%	%
AUD:USD	0.72	-0.14	5.60	-3.38	-0.43
EUR:USD	1.18	-0.38	6.42	-0.05	0.71
GBP:USD	1.31	0.03	7.91	0.49	-3.56
USD:JPY	105.80	-0.75	-0.77	-0.98	-2.82
NZD:USD	0.65	-0.02	2.14	-3.71	-0.44
CHF:USD	1.10	-0.28	7.78	1.81	0.76
AUD:EUR	0.61	0.26	-0.77	-3.33	-1.14
AUD:GBP	0.55	-0.16	-2.15	-3.85	3.26
AUD:JPY	75.77	-0.88	4.81	-4.33	-3.23

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

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