

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
7-Sep-20	China trade balance (Aug)	USD62.3b	USD50.5b
8-Sep-20	Australia business confidence (Aug)	-14	-18
9-Sep-20	Australia consumer confidence (Sep)	79.5	77
9-Sep-20	China inflation rate y/y (Aug)	2.7%	2.4%
10-Sep-20	Europe interest rate decision (Aug)	0%	0%
11-Sep-20	UK industrial production y/y (Jul)	-12.5%	-8.7%
11-Sep-20	US core inflation rate y/y (Aug)	1.6%	1.6%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

A very busy schedule of domestic data releases last week saw building permits stronger than expected in July while private sector credit, retail sales and trade data were all marginally below consensus. Q2 GDP data surprised to the downside. With the economy shrinking 6% over the quarter.

The RBA meeting passed largely without event last week as the cash rate and 3-year bond yield target were both held at 0.25%. The two noteworthy developments were firstly, an increase and extension of the Term Funding Facility, which provides cheap financing to the banking system. Secondly, the statement took more of a dovish tilt as the board members discussed options to provide further support to aid the economic recovery. There were no details but given Governor Lowe has previously highlighted a reluctance to push rates into negative territory, this would be expected to take the form of expanded asset purchases.

A quiet week ahead sees business and consumer confidence measures form the data highlights.



US

PMI data continued to suggest an expansionary outlook in the US although the labour market remains an area of weakness. The weekly unemployment insurance claims a showed evidence of slowing rates of improvement while the non-farm payroll data for August increased by 1.37 million, with the unemployment rate falling to 8.4%, the lowest it has been since the shutdowns began in March.

The Presidential election is approaching in the US and while the result is still in the balance there has been an increasing focus on the credibility of the result. The Covid-19 landscape will lead to an increase in postal voting, which itself could influence the result. The concern however is that the system could allow people to vote twice (once in person and once by postal vote), with Trump himself last week encouraging his supporters to try just that to test the system.

A relatively quiet week ahead in the US sees inflation data form the highlight, with solid gains expected in August as prices rebound from earlier weakness.



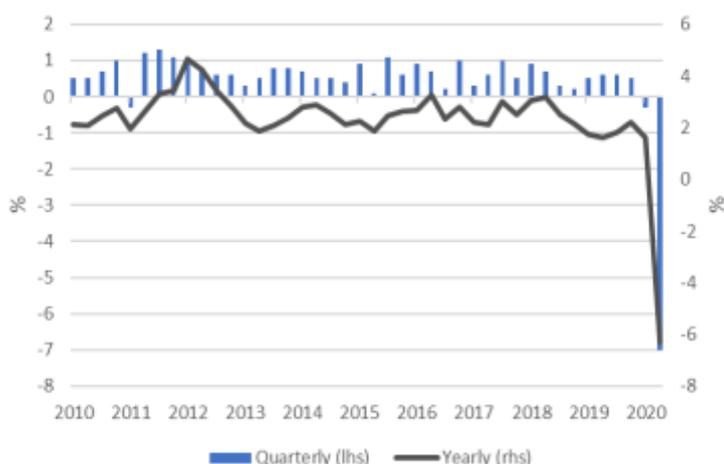
Europe

European retail sales missed expectations in July, falling 1.3% over the month. Elsewhere, inflation was also below expectations and the unemployment rate edged higher to 7.9%. In the UK house prices jumped 2% in August in a quiet week.

Discussions between Europe and the UK are ongoing as the two sides attempt to agree a trade deal before the end of the UK's transition period at the end of the year. Formal negotiations have delivered little progress in recent weeks and commentary from both sides suggests an agreement is some way off. Last week EU chief negotiator Michel Barnier said that he was "worried and disappointed" about the lack of concessions from the UK. Meanwhile the Boris Johnson's office has stated that a deal will "not be easy to achieve". Both sides have put a 31 October deadline on striking a deal, making it a real possibility that the two regions will part ways without an established trading relationship in place.

This week UK industrial production and the ECB meeting are the highlights.

Chart of the week—Australia GDP growth



Australian GDP growth hit a record low of -7% in Q2, below market expectations for a 6% fall over the 3 months to 30 June and erasing around 4 years of economic growth. Despite the staggering decline, Australia has outperformed many of its developed market peers, where double digit declines were commonplace over the first half of the year.

The underlying picture is one of extreme weakness in the private sector, as forced mobility restrictions and business closures effectively closed the economy during the second quarter. Public inputs were more positive, as government spending was brought forward to support the ailing economy.

Looking ahead, a sharp improvement is expected in Q3, but uncertainty remains high and the current lockdown in Victoria will clearly be a drag. Forecasts from UBS and CBA point to a result close to flat in the third quarter before a more meaningful rebound in Q4.

Source: ABS

Financial market movements

INDICATOR	AS AT 04-SEP-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
S&P/ASX 200 Accum. Index	65,717.30	-2.12	-7.95	5.41	7.72
US S&P 500 TR [^] Index	7,043.62	-2.27	17.28	13.81	14.57
Europe STOXX TR Index	730.41	-1.77	-3.71	0.72	3.82
UK FTSE 100 TR Index	5,505.44	-3.27	-17.61	-4.02	3.12
Japan TOPIX TR Index	2,359.94	0.72	7.45	2.39	4.23
MSCI World ex-Australia TR Index	5,395.00	-2.01	10.73	9.23	10.43
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.09	-	-88.71	-55.14	-41.44
Australian 10-year bond yield	0.89	-13.00	-4.10	-58.14	-34.98
US 90-day bank bill yield	0.10	0.99	-179.00	-29.87	1.23
US 10-year bond yield	0.72	-0.31	-74.77	-48.49	-28.29
UK 10-year bond yield	0.26	-4.80	-23.00	-26.54	-31.46
German 10-year bond yield	-0.47	-6.30	20.20	-28.01	-22.90
COMMODITIES					
		%	%	%	%
Gold	1,933.94	-1.57	24.57	13.18	11.51
Oil—West Texas Crude	39.77	-7.45	-29.31	-5.61	-2.89
Iron Ore Spot Price Index	123.84	4.65	72.02	33.01	na
CURRENCIES					
		%	%	%	%
AUD:USD	0.73	-1.13	7.14	-2.86	1.06
EUR:USD	1.18	-0.55	7.28	-0.16	1.21
GBP:USD	1.33	-0.55	8.37	0.89	-2.63
USD:JPY	106.24	0.83	-0.14	-1.07	-2.24
NZD:USD	0.67	-0.33	5.66	-2.10	1.35
CHF:USD	1.09	-1.02	7.38	1.60	1.24
AUD:EUR	0.62	-0.60	-0.15	-2.70	-0.15
AUD:GBP	0.55	-0.61	-1.15	-3.72	3.78
AUD:JPY	77.36	-0.31	6.97	-3.90	-1.20

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

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