

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
2-Nov-20	Australia building permits m/m (Sep)	-1.6%	1.3%
2-Nov-20	Australia home loans m/m (Sep)	13.6%	NA
3-Nov-20	Australia interest rate decision	0.25%	0.1%
3-Nov-20	US presidential election	NA	NA
3-Nov-20	US ISM manufacturing PMI (Oct)	55.4	55.8
5-Nov-20	US interest rate decision	0.25%	0.25%
6-Nov-20	US unemployment rate (Oct)	7.9%	7.6%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Inflation data showed a subdued environment for prices this year, as widely expected. Private sector credit growth was weak in September, edging back into positive territory after 5 months of negative or flat results. Housing credit was in positive territory, with ultra-low rates encouraging borrowers but personal and business credit were both weak however as both consumers and businesses are reluctant to spend.

The RBA meet this week and is expected to deliver a rate cut from 0.25% down to 0.1%, which would encompass both the cash rate and the 3-year bond yield target. There is also growing expectation that the RBA will commence a more broad-based asset purchase program, likely targeting the 5-10 year part of the curve. Both UBS and CBA are expecting a purchase program in the region of \$100b, which would likely put downward pressure on domestic bond yields.

Aside from the RBA, building permits, home loans, retail sales and trade data are the domestic highlights this week.



US

The US economy expanded at a 33.1% annualised pace in the third quarter, which was a little stronger than expected and comes on the back of a 31.4% decline in Q2. Goods spending remains strong, while services is weak, a situation which would be expected to reverse when economies are eventually able to open up. Attention now turns to what level of growth can be sustained in Q4 and beyond, as virus case numbers continue to surge.

After months of build up the US election is finally here, with voters who have not already registered a postal vote heading to the polling booths on Tuesday US time. Joe Biden remains favourite to become president and enjoys a lead greater than that held by Hillary Clinton at the last election. Uncertainty remains however, and the chance of Trump securing a second term is not trivial. We will watch the action unfold across our day on Wednesday.

In addition to the election we have a Fed meeting and the release of PMI data and the non-farm payrolls series in a busy week ahead.



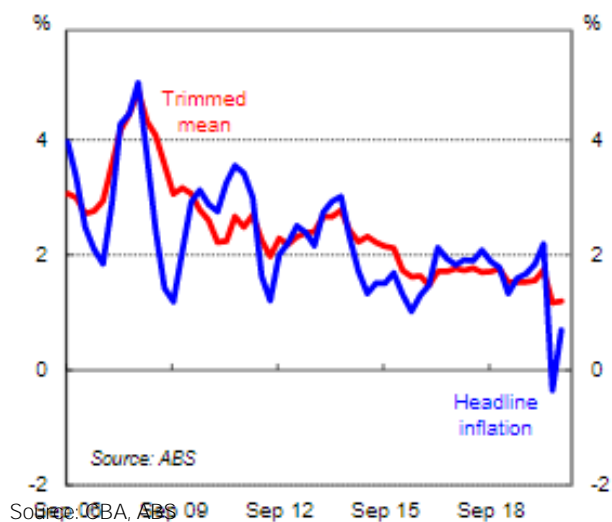
Europe

European GDP outperformed expectations in Q3 with a 12.7% gain over the quarter and -4.3% drop over the year to 30 September. Expectations had been focussed on a 9.4% quarterly rebound and -7% annual result. While the result is encouraging, the virus picture has clearly declined heading in to the fourth quarter, which will impede growth into year end. The ECB also met last week, leaving policy unchanged but hinting at further policy easing to come in the months ahead, potentially in December.

Covid-19 continues to dominate the headlines globally, with the deteriorating picture across the UK and Europe particularly concerning. In recent weeks we have seen Germany and France step up mobility restrictions and over the weekend UK prime minister Boris Johnson announced a new national lockdown which will see retail and hospitality businesses forced to close for the next month.

The Bank of England meeting and European retail sales are the highlights in the week ahead.

Chart of the week—Australia consumer price inflation



Quarterly inflation numbers were marginally higher than expected in Q3 but price gains remain subdued on an annual basis. The headline number gained 1.6% over the third quarter (consensus 1.5%) while the RBA's preferred core inflation measure (the trimmed mean) was up 0.4% (consensus 0.3%). The annual numbers show that the headline index gained 0.7%, which was in line with expectations and that the core series advanced 1.2%, marginally above the 1.1% expectation.

Over the last six months core inflation is running at an annualised pace of just 0.6%, which supports the widely forecast policy easing at the RBA's meeting this week.

Looking ahead, significant labour market slack is expected to hold inflation well below target, although uncertainty around massive fiscal stimulus and potential for quantitative easing pose upside risks.

Financial market movements

INDICATOR	AS AT 30-OCT-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Accum. Index	65,856.45	-3.88	-8.23	3.96	7.11
US S&P 500 TR^ Index	6,734.84	-5.62	8.65	10.35	11.45
Europe STOXX TR Index	681.26	-6.68	-13.26	-3.73	0.93
UK FTSE 100 TR Index	5,305.32	-4.80	-21.07	-5.94	1.35
Japan TOPIX TR Index	2,322.08	-2.83	-3.28	-2.22	2.64
MSCI World ex-Australia TR Index	5,172.65	-5.40	2.76	5.75	7.88
FIXED INCOME	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.06	-0.32	-85.11	-54.74	-41.30
Australian 10-year bond yield	0.83	-2.80	-30.90	-63.81	-35.92
US 90-day bank bill yield	0.09	-0.31	-144.62	-33.26	0.55
US 10-year bond yield	0.87	3.08	-89.78	-50.07	-25.50
UK 10-year bond yield	0.26	-1.80	-42.40	-35.90	-33.42
German 10-year bond yield	-0.63	-5.30	-27.30	-33.24	-22.99
COMMODITIES		%	%	%	%
Gold	1,878.81	-1.22	25.62	13.76	10.47
Oil—West Texas Crude	35.79	-10.19	-35.00	-12.89	-5.14
Iron Ore Spot Price Index	116.00	3.04	66.71	30.03	-
CURRENCIES		%	%	%	%
AUD:USD	0.70	-1.55	1.81	-2.95	-0.31
EUR:USD	1.16	-1.80	4.45	-0.01	1.14
GBP:USD	1.29	-0.71	0.35	-0.66	-3.45
USD:JPY	104.66	-0.05	-3.85	-2.58	-2.80
NZD:USD	0.66	-1.14	3.54	-1.28	-0.49
CHF:USD	1.09	-1.38	7.92	2.74	1.50
AUD:EUR	0.60	0.27	-2.52	-2.93	-1.43
AUD:GBP	0.54	-0.83	1.41	-2.31	3.25
AUD:JPY	73.56	-1.61	-2.10	-5.45	-3.10

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

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