

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
17-Nov-20	RBA meeting minutes	NA	NA
17-Nov-20	US retail sales m/m (Oct)	1.9%	0.5%
18-Nov-20	Australia wage growth q/q (Q3)	0.2%	0.2%
18-Nov-20	US building permits m/m (Oct)	4.7%	NA
19-Nov-20	Australia unemployment rate (Oct)	6.9%	7.2%
20-Nov-20	Australia prelim retail sales m/m (Oct)	-1.1%	0.3%
20-Nov-20	UK consumer confidence (Nov)	-31	-34

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

The NAB business survey showed a sharp improvement in confidence in October, with the index jumping from -4 to +5, the highest level since mid-2019. Having hit -66 in March the series has shown a dramatic recovery, with fiscal and monetary support as well as an improving domestic Covid-19 landscape all helping. The employment component remains an area of weakness, showing that the labour market recovery is likely to be a gradual process.

The outlook for the Australian economy has improved in recent weeks. We have seen the expansionary budget announcement, a sharp improvement in the Covid-19 landscape and the RBA's recent rate cut and QE announcement. This has prompted upgraded growth expectations and less negative labour market forecasts. The outlook is still uncertain, but the domestic economy looks well placed to outperform many global peers in the period ahead.

Wage growth, preliminary retail sales and the labour force survey are the data highlights this week and the RBA meeting minutes will also be published.



US

Inflation has seen wild swings this year, but October data showed a predictable pattern, with flat prices for both the core and headline series over the month. Core prices are up 1.6% over the year and expectations of muted gains in the months ahead would see that number grind lower, helping justify ultra-accommodative monetary policy.

Global equity markets rallied sharply last week on the back of positive vaccine news from Pfizer on their joint development with BioNTech. The positive results from their vaccine helped boost sentiment, with suggestions that the first doses could be given as early as next month. While clearly a positive overall, the US equity market would likely be an underperformer in a scenario where we return to normal more quickly than anticipated. The longer duration, structural growth sectors that dominate the US market would be less favoured in this higher growth scenario.

Retail sales, industrial production and building permits are the highlights in the week ahead.



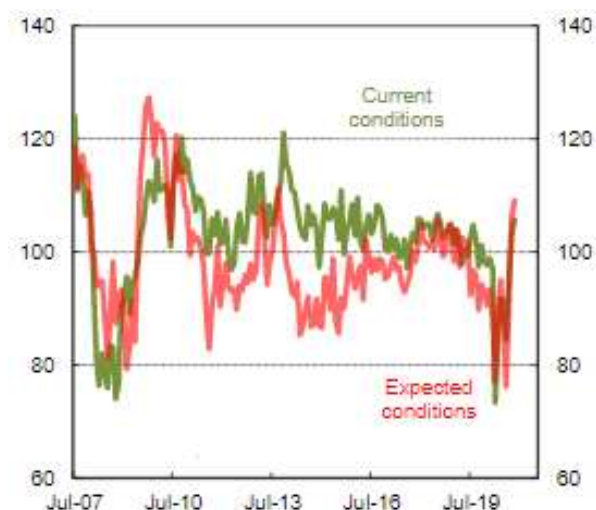
Europe

The UK economy expanded by a record 15.5% in Q3 but remains almost 10% below levels of a year ago as a result of the sharp fall in the first half of the year. The labour market remains supported by fiscal policy and the unemployment rate held at 4.8% in September. Industrial production was disappointing in both the UK and Europe in the latest release.

The attractive value proposition of the UK equity market has been overwhelmed by the deteriorating Covid-19 picture and a lack of progress on trade negotiations between the UK and Europe. The current lockdown is expected to push Q4 GDP growth back in to negative territory and so virus case numbers are particularly important for the near-term outlook for the economy. Brexit negotiations continue but the threat of exiting without a trade deal in place remains a real prospect as the 31 December deadline approaches.

Inflation and retail sales data will be published in the UK this week while consumer confidence will be released for both the UK and Europe.

Chart of the week—Australian consumer confidence



Australian consumer confidence posted another strong gain in November, with the index up 2.6% to 107.7. The neutral level is 100 and the long-term average is marginally below that, meaning that the current position is particularly strong. The key driver is the improved Covid-19 landscape, with restrictions eased in Victoria and cases falling across the survey period. The RBA rate cut, which would normally get a negative response, also seems to have been taken positively, likely as a result of the improving economic outlook.

The latest survey doesn't capture the recent positive vaccine news and so there is scope for further upside. When combined with a high savings rate, low interest rates and ongoing fiscal support, the strong rebound in consumer confidence bides well for the domestic economy as we head towards Christmas.

Source: Westpac Melbourne Institute

Financial market movements

INDICATOR	AS AT 13-NOV-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	71,293.02	3.66	-2.95	6.47	9.37
US S&P 500 TR [^] Index	7,390.61	2.21	17.04	13.68	14.06
Europe STOXX TR Index	779.32	6.40	-2.94	1.67	4.08
UK FTSE 100 TR Index	6,020.66	7.04	-10.69	-1.25	4.61
Japan TOPIX TR Index	2,504.25	2.70	2.46	0.88	3.60
MSCI World ex-Australia TR Index	5,690.57	2.66	11.16	9.36	10.37
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.02	-0.12	-90.11	-56.65	-44.87
Australian 10-year bond yield	0.88	12.80	-39.00	-58.41	-41.77
US 90-day bank bill yield	0.08	-0.17	-142.11	-37.02	-0.45
US 10-year bond yield	0.90	7.78	-98.97	-50.56	-27.54
UK 10-year bond yield	0.34	6.40	-42.10	-33.11	-33.06
German 10-year bond yield	-0.55	7.40	-24.70	-32.24	-22.20
COMMODITIES					
		%	%	%	%
Gold	1,889.20	-3.19	29.08	13.91	11.75
Oil—West Texas Crude	40.13	8.05	-29.74	-10.91	-0.30
Iron Ore Spot Price Index	118.08	0.08	67.58	30.89	#VALUE!
CURRENCIES					
		%	%	%	%
AUD:USD	0.73	0.15	6.63	-1.43	0.40
EUR:USD	1.18	-0.31	7.11	0.13	1.90
GBP:USD	1.32	0.10	2.11	-0.01	-2.88
USD:JPY	104.72	1.33	-3.75	-2.47	-3.11
NZD:USD	0.69	1.14	6.98	-0.13	0.93
CHF:USD	1.10	-1.39	8.42	2.68	1.96
AUD:EUR	0.61	0.47	-1.13	-2.04	-1.47
AUD:GBP	0.55	-0.15	3.55	-1.77	3.33
AUD:JPY	76.07	1.40	2.24	-4.23	-2.73

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

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