

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
22-Nov-21	Europe consumer confidence (Nov)	-4.8	-5.5
23-Nov-21	Europe composite PMI (Nov)	54.2	53.1
23-Nov-21	UK composite PMI (Nov)	57.8	57.5
23-Nov-21	US composite PMI (Nov)	57.6	NA
25-Nov-21	US durable goods orders m/m (Oct)	-0.4%	0.2%
25-Nov-21	US Fed meeting minutes	NA	NA
26-Nov-21	Australia retail sales m/m (Oct)	1.3%	2.5%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

Australian wage growth picked up in Q3, rising 0.6% over the quarter, although still only 2.2% higher over the year. Wages are well below the 3% level that the RBA has flagged as required to prompt policy tightening.

Last week the RBA minutes outlined the approach towards QE asset purchases, which were recently reduced from \$5b to \$4b per week. The purchase level will be reviewed again in February, with the RBA outlining three guiding factors for the evolution of purchases from there. Firstly, the actions of other central banks will be considered, secondly the health of the domestic bond market will be assessed, and finally, progress towards the inflation and employment goals will be considered. UBS expects purchases to be halved in February, with a hard stop in May. Separately, Governor Lowe's speech set a very dovish tone, again claiming that pricing for hikes next year is off the mark, labelling any move in 2022 as a near zero probability.

Private capex, construction data and preliminary retail sales numbers are this week's highlights.



US

Data largely had a positive feel to it in the US last week with retail sales, industrial production and building permits all exceeding expectations. Housing starts was the one weak spot, positing a small decline in October.

The Fed meeting minutes will be published this week and there are a number of areas of interest. The potential to adjust the pace of tapering will be a focus, although the hurdle to do so appears high. There may be an indication of member's interest rate expectations, with an updated dot plot to be published in December. Comments since the meeting suggest that the interest rate profile will be revised higher, showing a hike in 2022. Finally, the overall health of the economy, and in particular the outlook for inflation and the labour market will be closely watched.

New and exiting home sales, PMIs, durable goods orders and PCE inflation are the highlights in a week that will be shortened by the Thanksgiving holiday in the US.



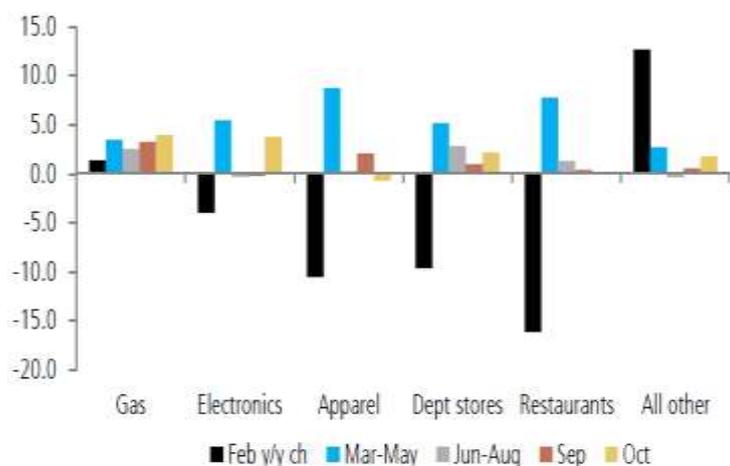
Europe

Inflation jumped in the UK in October, with the headline index up 1.1% and the core index up 0.7%. The more policy relevant core number is up 3.4% over the year. UK labour market data showed no sign of adverse effects from the end of the furlough scheme in October, with the unemployment rate falling more than expected from 4.5% to 4.3%. Rounding out a positive week, consumer confidence and retail sales both beat consensus in the UK in November and October respectively.

Positive underlying economic progress combined with the spike in inflation and strong employment growth have helped firm expectations of a rate hike from the Bank of England next month. So far, the end of the furlough scheme does not appear to have impacted the labour market and that was the main driver holding the BoE back from hiking at the last meeting. A hike is now widely expected at the next meeting in December.

PMI data and European consumer confidence are the data highlights in the week ahead.

Chart of the week—US retail sales



US retail sales data was stronger than expected in October, up 1.7% over the month and well above the 1.4% consensus figure. The annual figure is up 16.3% in the year to 31 October.

Looking at the detail shows a somewhat unexpected picture. An anticipated resurgence in areas severely impacted by the pandemic has not yet materialised and pandemic type spending patterns are persisting. Online sales, building materials, groceries and sporting goods were all strong in October, while areas that would be expected to benefit from the retreat of Covid-19, such as personal care, clothing and restaurants, showed no extra strength.

Looking ahead, spending patterns are expected to normalise, but this process may take longer than initially expected.

Source: UBS, US Census Bureau

Financial market movements

INDICATOR	AS AT 18-NOV-21	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES					
		%	%	%	%
S&P/ASX 200 Accum. Index	85,431.02	-0.50	17.34	13.12	10.64
US S&P 500 TR [^] Index	9,828.80	0.36	33.97	23.20	18.53
Europe STOXX TR Index	1,006.71	-0.25	27.43	14.37	10.54
UK FTSE 100 TR Index	7,138.01	-1.64	17.89	5.11	5.16
Japan TOPIX TR Index	3,059.66	0.19	20.47	10.03	9.21
MSCI World ex-Australia TR Index	7,427.65	0.09	30.27	19.43	15.18
FIXED INCOME					
	%	BP	BP	BP	BP
Australian 90-day bank bill yield	0.05	0.72	2.72	-63.50	-34.39
Australian 10-year bond yield	1.81	1.50	92.30	-28.48	-18.25
US 90-day bank bill yield	0.03	-0.44	-2.60	-76.46	-8.07
US 10-year bond yield	1.55	-1.51	71.69	-50.81	-16.22
UK 10-year bond yield	0.88	-3.50	55.60	-16.66	-11.55
German 10-year bond yield	-0.34	-8.30	22.90	-23.89	-12.31
COMMODITIES					
		%	%	%	%
Gold	1,845.73	-1.03	-1.11	14.67	8.85
Oil—West Texas Crude	75.94	-6.00	81.94	10.19	10.70
Iron Ore Spot Price Index	94.95	3.70	-23.53	8.63	5.86
CURRENCIES					
		%	%	%	%
AUD:USD	0.72	-1.28	-0.66	-0.11	-0.36
EUR:USD	1.13	-1.36	-4.66	-0.28	1.21
GBP:USD	1.35	0.29	0.99	1.73	1.49
USD:JPY	113.93	0.04	9.00	0.26	0.56
NZD:USD	0.70	-0.51	1.21	0.84	-0.16
CHF:USD	1.08	-0.64	-1.60	2.37	1.70
AUD:EUR	0.64	0.06	4.19	0.17	-1.55
AUD:GBP	0.54	-1.56	-1.62	-1.81	-1.82
AUD:JPY	82.47	-1.23	8.27	0.14	0.20

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

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