

Monday, 14 September 2020

Jobs in Focus

This week, on Thursday, the domestic calendar sees jobs data for the month of August take centre stage. Over June and July, there were strong job gains across Australia, capturing the reopening of the economy and improvements in mobility for households. Indeed, job increases over these two months recouped 39% of the jobs lost across Australia over March and April.

Uncertainty still reigns supreme in the jobs market. We anticipate jobs retreated by 50,000 in August, as Victoria re-entered Stage 4 lockdown and the NSW economic recovery levelled out. The range of forecasts in the market, according to Bloomberg, is wide and ranges from a fall of 125,000 to a rise of 75,000; consensus sits at a fall of 35,000.

We expect the unemployment rate will continue to edge higher, moving from 7.5% in July to 7.7% in August. This would be its highest rate since August of 1998. The range of forecasts are 7.4% to 8.0%.

The minutes of the Reserve Bank (RBA) board meeting, earlier this month, will also garner some interest. These minutes are published tomorrow. At this board meeting, the RBA enhanced and extended the term funding facility available to authorised deposit institutions, encouraging and spurring low lending rates.

In the accompanying statement the RBA also noted it will “maintain highly accommodative settings as long as is required and continues to consider how further monetary measures could support recovery”. This is the first time since the major policy changes on March 19 that the RBA has noted the possibility of “further monetary measures”. The RBA could be hinting at more stimulus to come. This could include the cash rate being cut to 0.10%, from the current rate of 0.25%. It could include cutting the 3-year bond yield target of around 0.25% or it could include extending targeting to beyond the 3-year bond maturity. There are also other possibilities the RBA might explore and deploy. The minutes will be gleaned for these possibilities by financial-market participants.

Offshore, central bank meetings are the key flavour. The US Federal Reserve meets early Thursday morning AEST. Investors will pore over the Fed’s assessment of the pandemic-hit US economy. Recently, the US Federal Reserve shifted to an “average” inflation-targeting framework, which has helped underpin expectations that interest rates will remain low for longer in the US. These expectations have helped underpin demand for equities. The S&P 500 and Nasdaq indexes hit fresh record highs earlier this month, before pulling back. The pull back was led by a sell-off of tech shares. Last week, the US Nasdaq 100 index fell nearly 5% to record its biggest weekly decline since March. The Fed meeting and accompanying statement could help stall the sell off.

In addition, there will also be decisions this week from the Bank of Japan and Bank of England, both on Thursday.

Forecasts are detailed on the following page

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Forecasts

End Period:	2020			2021		
	Close (Sep 4)	Q4 (f)	Q1 (f)	Q2 (f)	Q3 (f)	Q4 (f)
Aust. Interest Rates:						
RBA Cash Rate, %	0.25	0.25	0.25	0.25	0.25	0.25
90 Day BBSW, %	0.09	0.10	0.10	0.10	0.10	0.15
3 Year Swap, %	0.17	0.25	0.25	0.25	0.30	0.35
10 Year Bond, %	0.91	0.90	0.95	1.05	1.20	1.35
US Interest Rates:						
Fed Funds Rate, %	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond, %	0.67	0.60	0.65	0.75	0.85	0.95
USD Exchange Rates:						
AUD-USD	0.7284	0.75	0.76	0.76	0.78	0.80
USD-JPY	106.16	105	105	106	106	106
EUR-USD	1.1846	1.21	1.22	1.23	1.24	1.25
GBP-USD	1.2796	1.33	1.34	1.35	1.37	1.39
NZD-USD	0.6666	0.67	0.66	0.66	0.68	0.70
AUD Exchange Rates:						
AUD-USD	0.7284	0.75	0.76	0.76	0.78	0.80
AUD-EUR	0.6148	0.62	0.62	0.62	0.63	0.64
AUD-JPY	77.26	78.8	79.8	80.6	82.7	84.8
AUD-GBP	0.5692	0.56	0.57	0.56	0.57	0.58
AUD-NZD	1.0926	1.12	1.15	1.15	1.15	1.14

	2019	2020 (f)	2021 (f)
GDP, %	2.2	-3.5	2.5
CPI (Headline), %	1.8	0.7	2.1
CPI (Trimmed mean), %	1.6	0.8	1.7
Unemployment Rate, %	5.2	7.8	7.5
Wages Growth, %	2.2	1.9	1.6

AUD cross exchange rates have been rounded.

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The Detail

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