

The Week Ahead

Active is: Keeping an eye on capital markets



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Animal Spirits

Over the last few weeks, we have seen several striking capital-market movements, which **cannot really be explained by a sober and rational analysis of fundamental data**. Instead, “soft” factors such as investors’ hopes, psychology and their tendency to follow the crowd have played a major role – in short, what Nobel Prize laureates Akerlof and Shiller called “**animal spirits**”.

These developments have become apparent since the beginning of September. We believe that they were caused by a combination of circumstances, such as **declining political tensions**, relatively **pessimistic investors** who positioned themselves defensively and **attractive valuations** of cyclical, riskier asset classes. Once additional tariff hikes in the framework of the US/Chinese trade conflict seemed to be off the table (at least for now) and leading indicators and money supply aggregates started to stabilise a bit (see our *Chart of the Week*), government bond yields clearly moved upwards. And within equity markets, cyclical sectors such as automotive and commodity producers revived from their long slump.

However, even if the “animal spirits” of the capital markets have returned, more **optimism among corporate managers** will be required to sustain a longer-term uptrend. During the past few quarters, investment activity, inventory build-up and pricing power have been dampened by political uncertainties. Together with rising wages, these developments have **weighed on earnings growth**; in fact, according to the Q3 figures reported so far, year-on-year earnings growth rates are currently negative in both the US and in Europe.

The Week Ahead

During the coming weeks, we will monitor closely whether the more optimistic capital market sentiment spreads towards the corporate sector. We will therefore focus on the

Publications



Active is: Investing in a Better World - #FinanceForFuture

“Disruption” seems to describe our present and future more aptly than any other term. Disruption is the power (not always purely creative) to destroy the old and to create something new - economic disruption (“digitalization”), disruption of the population pyramid (“demography”), environmental and climate disruption, social disruption (populism), etc. In spite of all these changes, however, there is a basic constant that is paving the way to a better world: capital.



Investment Insights from Silicon Valley

In this issue, Walter Price shares evidence of manufacturing slowdown in China after a recent visit. He also looks at developments in the payments area and what’s driving the next wave of hardware devices approach.



Active is: Combating wealth erosion

“Helicopter money” – the concept as such seems to be nothing but new, and with a rising debate on whether Central Banks are running out of ammunition, it seems to gain momentum. There is a growing public discussion surrounding the “monetisation of government debt”

flash estimates for the November PMIs in Japan, Europe, Germany, France and the US, which will be published on Friday. In addition, we will get data on new car registrations in the euro area. Moreover, the **minutes of the most recent Fed meeting** (which led to a decline in rate-cut expectations) will be released. And we will also get new US housing figures (construction permits). This sector usually responds quickly to rate cuts by the Federal Reserve.

Active is: Use opportunities

It is a well-known phenomenon that equity prices tend to rise on hopes and before any actual improvement in the fundamentals. Equity investors have often historically demonstrated that they have a **reliable hunch** of an imminent pick-up in growth. As we are likely to see favourable seasonal effects towards the end of the year and investor positioning is relatively risk-averse, it may make sense to exploit tactical opportunities on the equity markets. The technicals appear promising as well, seeing that several indices have reached **all-time highs**. However, it will become **increasingly difficult** for central banks and governments **to boost growth**, as the cycle is maturing. And it is not sure yet whether temporary relief in some areas of the trade conflict is sufficient to make companies more willing to invest.

Keep up your animal spirits!

Yours

Stefan Rondorf

Upcoming Political Events 2019

Nov 30: End of term Council President Tusk

Dec 11: FOMC meeting and projections

[Overview political events 2019 \(click here\)](#)

[Overview Central Banks Calender \(click here\)](#)

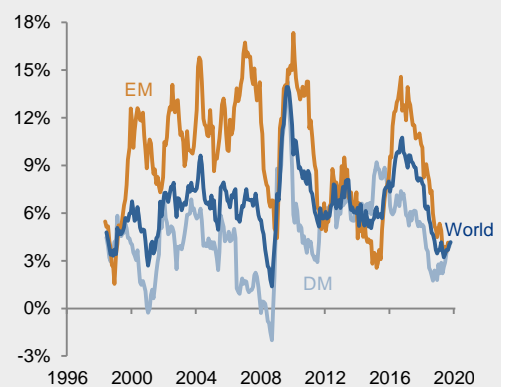
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Chart of the Week

Growth of real M1 monetary aggregate bottoming out globally from low levels



Source: Datastream, AllianzGI Economics & Strategy, Data as of 12. November 2019

Calendar Week 47:

Monday			Consensus	Previous
UK	Rightmove House Prices YoY	Nov	--	-0,2%
US	NAHB Housing Market Index	Nov	72	71
Tuesday				
EC	EU27 New Car Registrations	Oct	--	14,5%
EC	ECB Current Account SA	Sep	--	26.6b
EC	Construction Output YoY	Sep	--	1,2%
IT	Current Account Balance	Sep	--	6037m
IT	Industrial Sales WDA YoY	Sep	--	-2,2%
IT	Industrial Orders NSA YoY	Sep	--	-10,0%
US	Building Permits MoM	Oct	-1,5%	-2,7%
US	Housing Starts MoM	Oct	4,7%	-9,4%
Wednesday				
GE	PPI YoY	Oct	--	-0,1%
JN	Trade Balance	Oct	--	-¥123.0b
JN	Exports YoY	Oct	--	-5,2%
JN	Imports YoY	Oct	--	-1,5%
UK	Unit Labor Costs YoY	2Q	--	2,1%
US	FOMC Meeting Minutes	Oct 30	--	--
Thursday				
EC	Consumer Confidence	Nov A	--	-7,6
FR	Business Confidence	Nov	--	105
JN	All Industry Activity Index MoM	Sep	--	0,0%
UK	PSNB ex Banking Groups	Oct	--	9.4b
US	Philadelphia Fed Business Outlook	Nov	6,7	5,6
US	Initial Jobless Claims	Nov 16	--	--
US	Continuing Claims	Nov 09	--	--
US	Leading Index	Oct	-0,1%	-0,1%
US	Existing Home Sales MoM	Oct	2,1%	-2,2%
Friday				
EC	Markit Manufacturing PMI	Nov P	--	45,9
EC	Markit Services PMI	Nov P	--	52,2
EC	Markit Composite PMI	Nov P	--	50,6
FR	Markit Manufacturing PMI	Nov P	--	50,7
FR	Markit Services PMI	Nov P	--	52,9
FR	Markit Composite PMI	Nov P	--	52,6
GE	Markit Manufacturing PMI	Nov P	--	42,1
GE	Markit Services PMI	Nov P	--	51,6
GE	Markit Composite PMI	Nov P	--	48,9
JN	CPI YoY	Oct	--	0,2%
JN	CPI Core YoY	Oct	--	0,3%
JN	Jibun Bank Japan Manufacturing PMI	Nov P	--	48,4
JN	Jibun Bank Japan Composite PMI	Nov P	--	49,1
JN	Jibun Bank Japan Services PMI	Nov P	--	49,7
US	Markit Services PMI	Nov P	--	50,6
US	Markit Manufacturing PMI	Nov P	--	51,3
US	Markit Composite PMI	Nov P	--	50,9
US	Kansas City Fed Manf. Activity	Nov	--	-3

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