

The Week Ahead

Active is: Keeping an eye on capital markets



Dr. Hans-Jörg Naumer

Director Global Capital Markets & Thematic Research

[@AllianzGI_VIEW](#)

Surfing the wave

Last week kicked off on a less than encouraging note. Monday saw European stocks suffer their sharpest plunge in three months due to increasing fears that a second coronavirus wave would sweep across the world. Although the seven-day moving average of new Covid-19 cases and deaths fell worldwide (see chart of the week) – and new cases are also declining in the United States – the trend in Europe, as well as in Japan and India, is heading in the other direction. Fear of renewed lockdowns is widespread. Jerome Powell, chair of the US Federal Reserve, announced that the Fed “will do what we can, for as long as it takes” to avert a crisis. At the same time, the European Central Bank (ECB) is rethinking its pandemic emergency purchase programme (PEPP), partly to transfer some of its elements to previously implemented purchase programmes. The direction is clear.

In addition, economic data suggest that the recovery is likely to lose steam. The Chicago Fed’s national activity index saw a further deterioration in August. The Bundesbank’s weekly activity index indicated that momentum in the German economy was weakening. By contrast, Belgian consumer confidence registered a sharp rise in September.

The week ahead: Signs of fatigue

With Covid-19 cases on the rise and the winter season approaching in the northern hemisphere, market turmoil is set to remain high. This is compounded by political uncertainty, such as the US presidential election and disagreements between the European Union and the United Kingdom over a post-Brexit trade agreement. Yet it is also worth considering **developments in the real economy**. The strong rebound following the global economic crash in March is expected to show increased signs of fatigue, which should be underscored by the coming week’s data. A V-shaped recovery was never really on the cards anyway, even if a cursory glance at some

Publications



3 policy differences for investors to watch in the US presidential race

President Trump and former Vice President Biden have notably different views about corporate taxes, energy and US-China trade, which may have a substantial impact on markets and portfolios.



Behavioural Finance in the Era of Coronavirus

There is no doubt that the capital markets have reacted almost shockingly to the spread of the corona virus. While the virus is spreading, but at the same time massive countermeasures are being introduced worldwide by monetary and fiscal policymakers, it is good to recognize yourself as an investor so that you can react in a considered manner. Dr. Hans-Jörg Naumer, Director Global Capital Markets & Thematic Research, explains common behavioural patterns such as loss aversion and framing - and how we can consciously avoid them.



Investing in the world of tomorrow

How can investors benefit from megatrends? How can these be turned into specific investment themes? Is there even a need for theme-based investing at all, or are major trends already considered in all mandates anyway, due to active management? Dr. Hans-Jörg Naumer & Andreas Fruschki share their thoughts.

indicators, such as purchasing managers' indices, had suggested it might be possible. Meanwhile, this scenario has grown even less likely as the virus once again commands greater respect, and local shutdowns and fears of a second wave look likely to discourage both consumers and investors from opening their wallets.

The economic agenda for the new week is packed to the brim, with leading and sentiment indicators dominating the picture. On Monday, the Dallas Fed's Texas manufacturing outlook survey for the **US** gets the ball rolling, followed by industrial sentiment and services sentiment in the **euro area** on Tuesday. These will be accompanied by consumer confidence in France, which must increasingly contend with a sharp rise in virus infections. On Wednesday, the focus will be on the NBS manufacturing and non-manufacturing PMIs for **China**, inflation rates in the euro area, Japanese industrial production and the GfK consumer confidence index for the UK – another country where the virus is increasingly taking hold.

In **Japan**, the Bank of Japan's Tankan diffusion index on economic sentiment for the third quarter, its important sub-components on export orders, and the ratio of incoming orders to inventories will all be significant. After the previous sharp fall, an improvement is anticipated for the overall index, especially once political uncertainty has subsided. For the **US**, the ISM purchasing managers' index (Thursday) and incoming orders (Friday) will also provide valuable insights.

Learn to ride the wave

One piece of good news is that the current turbulence on the capital markets does not indicate the presence of any underlying **stress factors**. Important stress indicators, which may point to concerns regarding systemic distortions on financial markets, are all sending out signs of easing. This is true, for instance, of the St. Louis Fed's financial stress index and the ECB's systemic stress index. Credit default swap spreads, eg, for banks, also likely indicate a continued high level of confidence that central banks have the situation under control (at least as far as the provision of liquidity is concerned). Nor does the technical situation suggest any immediate selling pressure. The relative strength indicators for the major markets are hovering in neutral territory. It is important to bear in mind, though, that markets are hoping for a vaccine to be developed soon – and those hopes could lead to disappointment.

Let's learn to ride the wave,

Dr Hans-Jörg Nauer

Upcoming Political Events 2020

Sep 25: BoJ minutes

Oct 06: PT General elections

Oct 18: Annual meetings of the World Bank and the IMF

[Overview political events 2020 \(click here\)](#)

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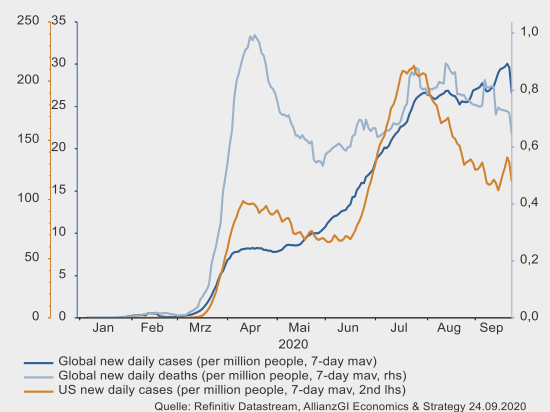
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Chart of the Week

Global, US: New infections, Number of deaths

(per 1 million inhabitants, rolling 7-day average)



Calendar Week 40:

Monday			Consensus	Previous
US	Dallas Fed Manf. Activity	Sep	--	8.0
Tuesday				
EC	Economic Confidence	Sep	--	87.7
EC	Industrial Confidence	Sep	--	-12.7
EC	Services Confidence	Sep	--	-17.2
FR	Consumer Confidence	Sep	--	94
GE	CPI YoY	Sep P	--	-0.1%
IT	PPI YoY	Aug	--	-5.4%
JN	Tokyo CPI YoY	Sep	--	0.3%
JN	Tokyo CPI Core YoY	Sep	--	-0.3%
UK	Mortgage Approvals	Aug	--	66.3k
UK	M4 Money Supply YoY	Aug	--	13.5%
US	Wholesale Inventories MoM	Aug P	--	-0.3%
US	Conf. Board Consumer Confidence	Sep	87.5	84.8
Wednesday				
CH	NBS Manufacturing PMI	Sep	--	51.0
CH	NBS Non-manufacturing PMI	Sep	--	55.2
CH	Caixin Manufacturing PMI	Sep	--	53.1
EC	CPI Core YoY	Sep P	--	0.4%
FR	CPI YoY	Sep P	--	0.2%
FR	PPI YoY	Aug	--	-2.6%
FR	Consumer Spending YoY	Aug	--	0.6%
GE	Unemployment Change	Sep	--	-9.0k
GE	Unemployment Rate	Sep	--	6.4%
IT	CPI YoY	Sep P	--	-0.5%
JN	Retail Sales MoM	Aug	--	-3.3%
JN	Industrial Production YoY	Aug P	--	-15.5%
JN	Vehicle Production YoY	Jul	--	-36.6%
JN	Construction Orders YoY	Aug	--	-22.9%
UK	GfK Consumer Confidence	Sep	--	-27
UK	Current Account Balance	2Q	--	-21.1b
US	ADP Employment Change	Sep	--	428k
US	GDP Annualized QoQ	2Q T	-31.7%	-31.7%
US	Personal Consumption QoQ	2Q T	--	-34.1%
US	MNI Chicago PMI	Sep	--	51.2
US	Pending Home Sales NSA YoY	Aug	--	15.4%
Thursday				
EC	PPI YoY	Aug	--	-3.3%
EC	Unemployment Rate	Aug	--	7.9%
IT	Markit Italy Manufacturing PMI	Sep	--	53.1
IT	Unemployment Rate	Aug P	--	9.7%
JN	BoJ Tankan Survey with Diffusion Index of Business Confidence	3Q	-23	-34
JN	Vehicle Sales YoY	Sep	--	-18.5%
US	Personal Income MoM	Aug	--	0.4%
US	Personal Spending MoM	Aug	1.0%	1.9%
US	PCE Deflator YoY	Aug	--	1.0%
US	PCE Core Deflator YoY	Aug	--	1.3%
US	Construction Spending MoM	Aug	0.7%	0.1%
US	ISM Manufacturing	Sep	55.3	56.0
Friday				
JN	Jobless Rate	Aug	--	2.9%
JN	Monetary Base YoY	Sep	--	11.5%
JN	Consumer Confidence Index	Sep	--	29-Mar
US	Change in Nonfarm Payrolls	Sep	--	1371k
US	Unemployment Rate	Sep	--	8.4%
US	Average Hourly Earnings YoY	Sep	--	4.7%
US	Factory Orders MoM	Aug	--	6.4%
US	Factory Orders ex. Transport MoM	Aug	--	2.1%

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