

The Week Ahead

March 23rd 2018

"Less is more!"

As peak liquidity approaches and passes, the markets are growing more nervous. It was therefore no surprise that the equity markets started weaker into the past week. Facebook's shares suffered major losses after a data leak, and in fact, roughly 50% of the total S&P decline of the last few days can be traced back to "FANG" stocks – and that even though **technology stocks** have led the performance charts for years now (see our *Chart of the Week*).

The meeting of the Federal Open Market Committee (FOMC) overshadowed the mood on the markets. With a 25 basis point step seeming a foregone conclusion, some market participants worried that the Fed might move towards a fourth rate step during the remainder of the year. So far, only three steps are expected, and even that forecast is still relatively new. In the end, however, the rate step as such will be less important than the projections of the FOMC members and any insights into whether the new Fed Chairman Jerome Powell plans to pursue a rules-based (rather than a discretionary) policy.

Central bank liquidity is a good example of why less may be more: Less generous liquidity provision will prevent asset price inflation and, generally speaking, misallocations triggered by distorted price signals.

With regard to **BREXIT** less is more, too. The British government and the EU have now agreed on a transition framework for the 21 months after March 2019. This reduces uncertainty and provides (not only) companies and trade with more planning security. As uncertainty declines, the risk premiums should drop as well, and the **Bank of England** should have more elbowroom. Not surprisingly, the pound sterling temporarily benefited from this decision, which was taken ahead of the EU summit.

However, "less is more" is not necessarily true for **economic indicators**. Still, "more" data will also increase complexity, at least in the current situation. We have entered the late, mature stage of an unusually long upswing, as the PMIs and the ifo business climate index for the euro area and Germany have reminded us.

Publications



"Dividends"

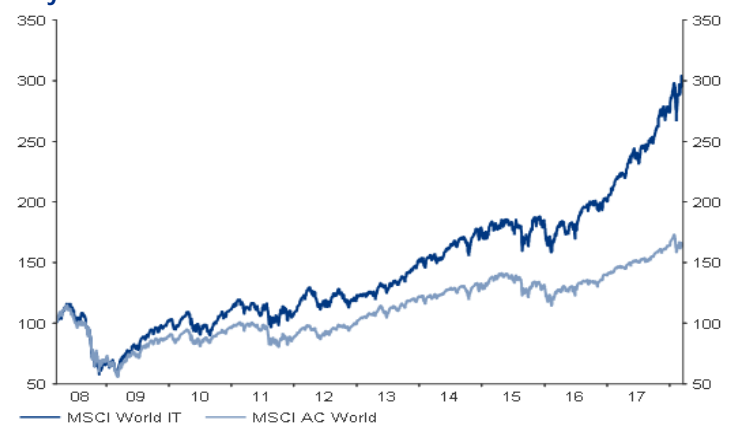
In a large number of advanced countries, the current yields of governments bonds are hovering in negative territory or, at the very least, are at an insufficient level to preserve capital. Consequently, attention is increasingly shifting to dividends as a way of generating capital income; and they are becoming even more relevant as the issue of "reflation" comes to the fore with a gradual uptick in inflation rates.



"The Ulysses Investment Strategy"

Investors are only human after all. This fact underlies the very foundation of behavioural finance theory. However, it can lead to investment mistakes that are all too human. This study explores the most important of these so-called behaviour anomalies and shows how multi asset solutions can help investors steer clear of these traps.

Chart of the Week: Technology stocks have led the performance for years now



Source: Allianz Global Investors Global Capital Markets & Thematic Research, Datastream. Data as of 21 March 2018.

Past performance and forecasts are not a reliable indicator of future results.

The Week Ahead

Sentiment indicators will predominate during the new calendar week. In addition, we will get some price data, which have gained more attention recently, as they confirm the deflation scenario and prove that the **Fed** and the **ECB** have clearly fallen behind the curve.

On **Monday**, the Chicago Fed and the Dallas Fed indices will be released in the US. On **Tuesday**, we will get economic sentiment and business climate indices for the euro area and the Conference Board consumer confidence index for the US. On **Wednesday**, the focus will be on the GfK consumer confidence index in Germany and the Nationwide real estate price index in the UK.

Less is more – that would be a good maxim for renewed **protectionism** efforts, too, seeing that tariffs will weigh on world trade and consumption (!) and thus, ultimately, strengthen the deflation trend. At the same time, China is pursuing its “One Belt, One Road” initiative across 65 countries and investing USD 990 billion in the project.

On **Thursday**, the GfK consumer confidence index for the UK is due, which is an important indicator for private consumption. Inflation is accelerating (the rate came in at 2.7% yoy in February) and weakening consumers’ purchasing power.

The **technicals** point to relief in the equity markets. Excessively optimistic sentiment has moderated during the last few weeks and is no longer a counterindicator for sales. In addition, market breadth has improved in the US, and international selling pressures on Japanese and euro-area equities have abated. At the same time, monetary policies should continue to support equities.

We therefore believe equities should move sideways for now.

Wishing you all more return,



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Upcoming Political Events 2018

April:

Apr	IMF World Economic Outlook
Apr	ASEAN Summit Singapore
8 Apr	Hungarian Parliamentary elections
26 Apr	ECB Council meeting
26–27 Apr	BoJ meeting

[→ Overview political events 2018](#)

Weitere Publikationen:



“Interest Income Calculator”

Monetary policy has distributional effects. Extreme monetary policy has extreme distributional effects. That’s the lesson learned during the last nine years in the eurozone when the ECB constantly eased its policy, up to the point of the introduction of negative interest rates and asset purchase programs, worth several trillions of euro. The fluctuations of net interest incomes of economic sectors in different euro countries bear impressive witness to that.

Global Capital Markets & Thematic Research goes MP3, iPod & Blackberry:

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Calendar Week 13:

Monday

- France:
 - GDP (4Q F) (0.6% q/q)
- US:
 - Chicago Fed Activity Index (Feb) (0.12)
 - Dallas Fed Activity Index (Mar) (37.2)

Tuesday

- France:
 - Economic Sentiment (Mar) (108.7)
 - Consumer Confidence (Mar) (115.6)
- Eurozone:
 - M3 Money Supply (Feb) (4.6% y/y)
 - Economic Confidence (Mar) (114.1)
 - Business Climate Indicator (Mar) (1.48)
 - Industrial Confidence (Mar) (8.0)
 - Services Confidence (Mar) (17.5)
- US:
 - Richmond Fed Manufacturing Index (Mar) 21 (28)
 - Conf. Board Consumer Confidence (Mar) 131.0 (130.8)

Wednesday

- Germany:
 - GfK Consumer Confidence (Apr) (10.8)
- France:
 - Consumer Confidence (Mar) (100)
- US:
 - Wholesale Inventories (Feb P) (0.8% m/m)
 - GDP Annualised (4Q 3rd estimate) 2.6% q/q (2.5% q/q)
 - Pending Home Sales, nsa (Feb) (-1.7% y/y)
- UK:
 - Nationwide House Prices, nsa (Mar) (2.2% y/y)

Thursday

- UK:
 - GfK Consumer Confidence (Mar) (-10)

- Germany:
 - Unemployment Change (Mar) (-22k)
 - Unemployment Rate, sa (Mar) (5.4%)
 - CPI EU Harmonised (Mar P) (1.2% y/y)
- Italy:
 - PPI (Feb) (1.8% y/y)
- UK:
 - Net Consumer Credit (Feb) (£1.4bn)
 - M4 Money Supply (Feb) (4.3% y/y)
 - GDP (4Q F) (0.4% q/q)
- US:
 - PCE Deflator (Feb) (1.7% y/y)
 - PCE Core (Feb) (1.5% y/y)
 - Personal Income (Feb) 0.5% m/m (0.4% m/m)
 - Personal Spending (Feb) 0.2% m/m (0.2% m/m)
 - Initial Jobless Claims (24 Mar)
 - Continuing Claims (17 Mar)
 - Chicago Purchasing Manager (Mar) 62.0 (61.9)

Friday

- Japan:
 - Jobless Rate (Feb) (2.4%)
 - Tokyo CPI (Feb) (1.4% y/y)
 - Tokyo CPI Core (Feb) (0.9% y/y)
 - Industrial Production (Feb P) (2.5% y/y)
 - Construction Orders (Feb) (0.9% y/y)
- France:
 - PPI (Feb) (0.9% y/y)
 - CPI EU Harmonised (Mar P) (1.3% y/y)
 - Consumer Spending (Feb) (-1.9% y/y)

Saturday

- China:
 - NBS Non-Manufacturing PMI (Mar) (54.4)
 - NBS Manufacturing PMI (Mar) (50.3)
 - NBS Composite PMI (Mar) (52.9)

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