

The Week Ahead

Active is: Keeping an eye on capital markets



Hans-Jörg Naumer

Global Head of Global
Capital Markets &
Thematic Research

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„Money doesn't buy happiness“

Money doesn't buy happiness – not even central bank money. In fact, in a reflationary environment, any measures that limit central bank liquidity or make it more expensive should be cause for joy, as they suggest that the central bankers think cheap money and unconventional measures such as “quantitative easing” (“QE”) are no longer necessary. Less cheap money means fewer misallocation risks and lower asset price inflation risks. From that vantage point, we got two pieces of good news this week: the Federal Reserve decided to hike its key rate once again, as expected, and the European Central Bank finally (!) announced an end to its asset purchasing programme. The ECB has also given a – largely unobserved, but nevertheless significant – signal to politicians: it is likely to act regardless of what happens in Italian politics, even though the new Italian minister of finance supports the idea of **helicopter money** and even though there have been calls to have Italian debt simply deleted from the central bank's balance sheets. This shows that the central bank is independent. Meanwhile, the **Target2** claims and liabilities have reached new record highs. Obviously, capital has flown out from the southern euro-area countries.

The clash at the **G7 summit** and the smouldering trade conflicts led to some uncertainty about whether the equity markets would at least defend their levels. In this situation, US President Trump and North Korean leader Kim Jong Un met – an event which some already call “historic”. While the risk of a military conflict seems to have declined, it remains to be seen whether North Korea really reduces its nuclear arsenal.

Publications



Half-time report: global trade under threat

This year's mid-way point coincides with the 2018 World Cup, and Neil Dwane's mid-year outlook assesses the world's economic performance through a sporting lens. Global trade is the key, and it could be swayed by US protectionism, China's rebalancing, Brexit negotiations and clashes in the Middle East.



How will this economic Goldilocks story end?

Thanks to central banks' coordinate efforts, the global economy has not only recovered from the financial crisis, but enjoyed a good run of solid growth and low inflation. Take a closer look at this “Goldilocks moment” for insights into the cast of characters at play – and the surprises that may be in store.



AllianzGI Insights

6 top takeaways from our Asia Conference / Could the US dollar lose its reserve-currency status? How will this economic Goldilocks story end? / IT spending is rising – and AI could benefit

The Week Ahead

The coming week looks set to be relatively calm. There are no major political events on the agenda, and the **economic data** calendar is relatively thin.

US construction starts will be released on Tuesday. Following a major decline in the preceding month, the consensus now believes a recovery is likely. German producer prices (due on Thursday) will be analysed with a view to their effect on monetary policy, particularly since they are expected to rise.

The focus will clearly be on Thursday and Friday. On Thursday, consumer confidence data for the euro area will be released. On Friday, we will get the **US** index of leading indicators, the number of initial claims and the Philadelphia Fed index. The assessment of the current situation and the expectations component have recently drifted in different directions. While the assessment of the current situation has improved, expectations have deteriorated. The indicator as a whole is still clearly above the expansionary threshold, but the markets are already preparing for a more pessimistic assessment of the current situation, at least according to analysts' opinions.

Overall, the economic indicators should continue to paint a deflation scenario and point to latent weaknesses, which are not atypical for a mature cycle.

The **technicals** are indifferent or even slightly tense in both the US and Europe. There are no clear signals. Thus, major movements to the upside or the downside are unlikely on either the equity or the bond markets. The **US equity market** appears slightly overbought according to the relative strength indicator, whereas the **euro area** and the **UK** are in a neutral range. Investors have become more cautious, as the sentiment index Sentix and the put-call ratio show. Remember,

Active is: about achieving a performance that makes you happy, even if the market situation becomes more difficult.

Yours

Hans-Jörg Naumer.

Upcoming Political Events 2018

20 Jun: BoJ minutes

21 Jun: BoE meeting and minutes

28-29 Jun: European Council Meeting

Overview political events 2018
([click here](#))

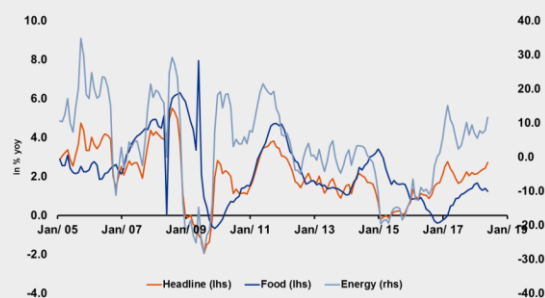
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Chart of the Week

US Consumer Price Index: Headline, Food and Energy



Source: Bloomberg, Data as of 13 June 2018.

Calendar Week 25:

Monday				
		Consensus	Previous	
CH	Foreign Direct Investment YoY CNY	May	--	-1.10%
IT	Trade Balance	Apr	--	4531m
JN	Trade Balance	May	--	¥626.0b
JN	Exports YoY	May	--	7.80%
JN	Imports YoY	May	--	5.90%
UK	Rightmove House Prices YoY	Jun	--	1.10%
US	NAHB Housing Market Index	Jun	70	70
Tuesday				
EC	ECB Current Account SA	Apr	--	32.0b
EC	Construction Output YoY	Apr	--	0.80%
IT	Current Account Balance	Apr	--	3408m
US	Housing Starts MoM	May	1.90%	-3.70%
US	Building Permits MoM	May	-2.10%	-1.80%
Wednesday				
GE	PPI YoY	May	--	2.00%
US	Current Account Balance	1Q	--	-\$128.2b
US	Existing Home Sales MoM	May	2.10%	-2.50%
Thursday				
EC	Consumer Confidence	Jun A	--	0.2
FR	Business Confidence	Jun	--	106
UK	PSNB ex Banking Groups	May	--	7.8b
UK	Bank of England Bank Rate	Jun 21	--	0.50%
UK	BoE Asset Purchase Target	Jun	--	435b
US	Initial Jobless Claims	Jun 16	--	--
US	Philadelphia Fed Business Outlook	Jun	25	34.4
US	Continuing Claims	Jun 09	--	--
US	FHFA House Price Index MoM	Apr	--	0.10%
US	Leading Index	May	0.40%	0.40%
Friday				
EC	Markit Manufacturing PMI	Jun P	--	55.5
EC	Markit Services PMI	Jun P	--	53.8
EC	Markit Composite PMI	Jun P	--	54.1
FR	Markit Manufacturing PMI	Jun P	--	54.4
FR	Markit Services PMI	Jun P	--	54.3
FR	Markit Composite PMI	Jun P	--	54.2
GE	Markit Manufacturing PMI	Jun P	--	56.9
GE	Markit Services PMI	Jun P	--	52.1
GE	Markit Composite PMI	Jun P	--	53.4
GE	Import Price Index YoY	May	--	0.60%
JN	CPI YoY	May	--	0.60%
JN	CPI Core YoY	May	--	0.70%
JN	Nikkei Manufacturing PMI	Jun P	--	52.8
JN	All Industry Activity Index MoM	Apr	--	0.00%
US	Markit Manufacturing PMI	Jun P	--	56.4
US	Markit Services PMI	Jun P	--	56.8
US	Markit Composite PMI	Jun P	--	56.6

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