

The Week Ahead

Active is: Keeping an eye on capital markets



Dr. Hans-Jörg Naumer

Director Global Capital Markets & Thematic Research

[@AllianzGI_VIEW](#)

Trust in central bank “puts”

In recent weeks, hard economic data have repeatedly surprised to the upside. This suggests that most countries have passed the corona-related trough. In May, **Italian** and **French** industrial output growth considerably exceeded analysts' expectations. And the consensus estimates for gross domestic product (GDP) growth in 2020, which reflect the average of analysts' forecasts, appear to be bottoming out. Notably, these estimates are (on average) much more optimistic for growth in the major global economies than the forecasts released by public-sector institutions such as the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development or the national central banks. The IMF, for example, expects US GDP to shrink by 8% in 2020, whereas the consensus forecasts a contraction of just below 6%. While the IMF has pencilled in a contraction of slightly more than 10% in the euro area, the consensus assumes a decline of only just above 8%. And while almost all economies are likely to shrink, there is one exception to the rule: **China** – where the IMF actually forecasts positive growth of 1%. While this is a small expansion for China, it is remarkable nevertheless, given that the world is going through the coronavirus pandemic (see our *Chart of the Week*).

Nevertheless, the **virus** continues to spread around the world. Global daily new infections are rising further, with Latin America and the US registering the highest numbers worldwide. The latter, the largest economy in the world, is seemingly struggling to control the pandemic. Six federal states have reversed reopening measures, and 14 others have suspended their reopening. While international travel restrictions were lifted in May, they have been tightened again somewhat more recently.

Publications



Active is: Using AI to achieve more sustainability

The fourth industrial revolution is underway. “Digitisation”, “disruption” and “artificial intelligence” are the buzzwords of our time. Despite all the enthusiasm for technology, one issue we should not overlook is the environment. But how can artificial intelligence contribute to a more sustainable economy? That is the question this article attempts to answer.



Who is going to pay? Public debt and the low / negative yield environment

Who is going to pay? That question is heard quite often in connection with the coronavirus-related fiscal packages. Quite rightly. Governments have adopted huge packages to stabilise their economies. While there is no shortage of suggestions for how the new public expenditure and old debt is to be funded, many people seem to be overlooking the fact that the current low or negative interest-rate environment is already making a major contribution to debt reduction. This article will analyse the impact of implicit interest rates, growth and inflation on debt ratios in Germany, France, Spain and Italy.



Coronavirus – Emerging Markets Outlook

Social distancing and other containment measures are creating significant risks to EM economies. Still, some countries – including Russia, Brazil and China – could be set to rebound when capital begins flowing back in.

The Week Ahead: Sentiment indicators in the limelight

During the coming week, we will mostly get sentiment indicators. The Chicago Activity Index will be the first **data** to be released on Tuesday. On Wednesday, the PMIs for Japan will follow. On Thursday, the consumer confidence indices for the euro area and its member states are due, and the GfK consumer confidence index for Germany will be released. And on Friday, we will get preliminary manufacturing and non-manufacturing PMIs for the euro area and the US. Overall, the data are likely to confirm that the global economy is leaving the lockdown, even though each country is managing the reopening at its own pace.

Meanwhile, the US **reporting season** has begun. The second quarter was extremely difficult. Never have the IBES profit estimates been revised downwards as quickly as they were after the coronavirus outbreak. Further downward revisions are likely during this year and next, even though they will probably be made at a slower pace.

Trust in central bank “puts”

Valuations and the upcoming economic recovery will likely both fail to meet the big expectations for an upswing anticipated by the equity markets. In fact, corporate profit expectations are likely to be revised to the downside; after all, we are going through the worst recession since the Second World War. However, the central banks are flooding the markets with liquidity and appear to be reducing the risk of a setback – in effect, they are providing a central bank “put”; at least that is what the markets suggest. The outcome of the latest European Central Bank (ECB) meeting once again underlined that the central banks are willing to provide liquidity and keep interest rates low. As long as that is the case, it makes sense to invest in riskier asset classes – even though one may misstep during the “dance” phase and even though the central bank “puts” are causing distortions.

Keeping dancing and stay in tune

Hans-Jörg Naumer.

Upcoming Political Events 2020

Jul 18: BoE Announcement and Minutes

Jul 28: FOMC meeting

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

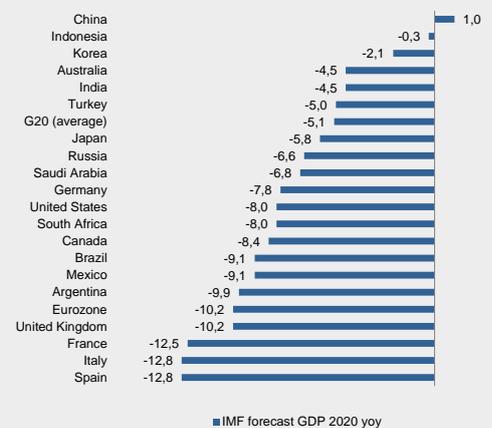
Global Capital Markets & Thematic Research goes Social Media:

[to our publications \(click here\)](#)

[to our twitter feed \(click here\)](#)

Chart of the Week

IMF: GDP forecasts for 2020



Source: Allianz Global Investors Global Economics & Strategy, Consensus Economic, IMF (Consensus data as at 6 July 2020, IMF forecasts as at 24 June 2020)

Calendar Week 30:

Monday			Consensus	Previous
EC	ECB Current Account SA	May	--	14.4b
GE	PPI YoY	Jun	--	-2,20%
IT	Current Account Balance	May	--	-915m
JN	Trade Balance	Jun	--	-¥833.4b
JN	Exports YoY	Jun	--	-28,30%
JN	Imports YoY	Jun	--	-26,20%
UK	Rightmove House Prices YoY	Jul	--	--
Tuesday				
JN	CPI YoY	Jun	--	0,10%
JN	CPI Core YoY	Jun	--	-0,20%
UK	PSNB ex Banking Groups	Jun	--	55,2b
US	Chicago National Activity Index	Jun	4	2,61
Wednesday				
JN	Jibun Bank Japan PMI Mfg	Jul P	--	40,1
JN	Jibun Bank Japan PMI Services	Jul P	--	45
JN	Jibun Bank Japan PMI Composite	Jul P	--	40,8
US	FHFA House Price Index MoM	May	0,40%	0,20%
US	Existing Home Sales MoM	Jun	18,90%	-9,70%
Thursday				
EC	Consumer Confidence	Jul A	--	-14,7
FR	Business Confidence	Jul	--	78
GE	GfK Consumer Confidence	Aug	--	-9,6
US	Leading Index	Jun	2,60%	2,80%
US	Kansas City Fed Manf. Activity	Jul	--	1
Friday				
EC	Markit Manufacturing PMI	Jul P	--	47,4
EC	Markit Services PMI	Jul P	--	48,3
EC	Markit Composite PMI	Jul P	--	48,5
FR	Markit Manufacturing PMI	Jul P	--	52,3
FR	Markit Services PMI	Jul P	--	50,7
FR	Markit Composite PMI	Jul P	--	51,7
GE	Markit Manufacturing PMI	Jul P	--	45,2
GE	Markit Services PMI	Jul P	--	47,3
GE	Markit Composite PMI	Jul P	--	47
IT	Consumer Confidence Index	Jul	--	100,6
IT	Economic Sentiment	Jul	--	65,4
UK	GfK Consumer Confidence	Jul P	--	-27
UK	Retail Sales Ex Auto Fuel YoY	Jun	--	-9,80%
UK	Retail Sales Inc Auto Fuel YoY	Jun	--	-13,10%
UK	Markit Manufacturing PMI	Jul P	--	50,1
UK	Markit Services PMI	Jul P	--	47,1
UK	Markit Composite PMI	Jul P	--	47,7
US	Markit Manufacturing PMI	Jul P	--	49,8
US	Markit Services PMI	Jul P	--	47,9
US	Markit Composite PMI	Jul P	--	47,9
US	New Home Sales MoM	Jun	2,80%	16,60%

Investing involves risk. The value of an investment and the income from it will fluctuate and investors may not get back the principal invested. Past performance is not indicative of future performance. This is a marketing communication. It is for informational purposes only. This document does not constitute investment advice or a recommendation to buy, sell or hold any security and shall not be deemed an offer to sell or a solicitation of an offer to buy any security.

The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. Certain data used are derived from various sources believed to be reliable, but the accuracy or completeness of the data is not guaranteed and no liability is assumed for any direct or consequential losses arising from their use. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted.

This material has not been reviewed by any regulatory authorities. In mainland China, it is used only as supporting material to the offshore investment products offered by commercial banks under the Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations. This communication's sole purpose is to inform and does not under any circumstance constitute promotion or publicity of Allianz Global Investors products and/or services in Colombia or to Colombian residents pursuant to part 4 of Decree 2555 of 2010. This communication does not in any way aim to directly or indirectly initiate the purchase of a product or the provision of a service offered by Allianz Global Investors. Via reception of this document, each resident in Colombia acknowledges and accepts to have contacted Allianz Global Investors via their own initiative and that the communication under no circumstances does not arise from any promotional or marketing activities carried out by Allianz Global Investors. Colombian residents accept that accessing any type of social network page of Allianz Global Investors is done under their own responsibility and initiative and are aware that they may access specific information on the products and services of Allianz Global Investors. This communication is strictly private and confidential and may not be reproduced. This communication does not constitute a public offer of securities in Colombia pursuant to the public offer regulation set forth in Decree 2555 of 2010. This communication and the information provided herein should not be considered a solicitation or an offer by Allianz Global Investors or its affiliates to provide any financial products in Brazil, Panama, Peru, and Uruguay. In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional/professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP (Australian Registered Body Number 160 464 200) is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws.

This document is being distributed by the following Allianz Global Investors companies: Allianz Global Investors U.S. LLC, an investment adviser registered with the U.S. Securities and Exchange Commission; Allianz Global Investors Distributors LLC, distributor registered with FINRA, is affiliated with Allianz Global Investors U.S. LLC; Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin); Allianz Global Investors (Schweiz) AG; Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424, Member of Japan Investment Advisers Association and Investment Trust Association, Japan]; and Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan. 1244229