

# The Week Ahead

## Active is: Keeping an eye on capital markets



Stefan Scheurer

Director, Global Capital Markets & Thematic Research

[@AllianzGI\\_VIEW](#)

### Time for a breather?

Once again, news about the Covid-19 pandemic was mixed during the past week. While local outbreaks caused governments to reintroduce lockdown measures, several clinical trials of potential vaccines gave reasons to be hopeful. Backed by these hopes, and the possibility of further fiscal support, international equities climbed to new annual or sometimes even all-time highs.

Equities performed well even though numerous US states had to roll back their easing measures. To date, rapid increases in infection rates have caused 25 US states to suspend their reopening plans, and US consumer sentiment has deteriorated again. This might slow down the recovery in the world's largest economy, as household consumption is one of the key pillars of US growth. Other indicators already point to a decline in mobility and in restaurant reservations. Against this backdrop, and as the US election campaign ramps up, Congress is discussing a new Covid-19 support package. Worth several trillions of dollars, it is designed to cushion the enormous impact on the economy and finance US unemployment support beyond the end of July.

At the same time, the EU heads of state and government agreed on a fiscal package worth a total of EUR 1.8 trillion. EUR 1.074 trillion is earmarked for the upcoming seven-year fiscal framework, and another EUR 750 billion will be provided for an economic and investment programme to counteract the impact of the pandemic. This is an important step towards overcoming the crisis. Among other things, the European Commission will be entitled to fund the Recovery Fund via the capital markets.

In addition, the reporting season for the second quarter will attract some attention. So far, companies have surpassed expectations despite

### 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.



#### 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.



#### 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.

the difficult market environment. In the US, almost 80% exceeded analysts' earnings expectations and more than 70% exceeded sales forecasts. While the figures appear encouraging, they should be taken with a grain of salt, as earnings expectations had been slashed and corporate managements are cautious about the outlook.

### The Week Ahead: GDP figures for Q2 will reflect the coronavirus pandemic

In the **US**, the consumer durables order intake will be the first series to be released in the coming calendar week (on Monday), followed by leading indicators by several regional Feds (Monday and Tuesday). The Conference Board consumer confidence index is due on Tuesday; the consensus expects a minor decline due to the rollback of the planned easing. The upcoming **FOMC meeting** and the press conference are important events on Wednesday. The consensus expects the pandemic and the related restrictions to have an impact on the initial GDP estimate for Q2; the annualised figure is expected to point to a contraction of more than 30%.

In the **euro area**, attention will also focus on the **preliminary GDP figures for Q2** (due on Friday). As economic activity was interrupted for much longer than in Q1, total output looks set to show a considerably stronger contraction. In contrast, sentiment indicators, such as the German ifo business climate index (due on Monday) or the French consumer confidence index (Wednesday), might improve further as restrictions are lifted. Sentiment in Europe may continue to brighten. The latest labour market data, which are due on Thursday, will indicate whether hopes of a quick labour market recovery are justified.

The **Chinese** economy recovered more quickly than expected during the second quarter, and this stabilisation is likely to be reflected in the manufacturing PMI on Friday. Meanwhile, **Japanese** industrial output (due on Friday) is likely to have declined once again as exports were sluggish during the first half of the year.

### Will the equity markets take a breather?

The equity markets are still doing well, driven by sufficient liquidity and rising risk appetite. Not surprisingly, the cash ratios have dropped from 26% to 18% since March, according to a survey

by the American Association of Individual Investors (AAII), and money-market funds registered net outflows of USD 78 billion during the past week alone according to EPFR. Still, we could see a short-term technical breather if the hopes of a further recovery do not materialise. According to the AAII, the proportion of bears has increased slightly – up to 45%. The put-call ratio is considerably above its long-term average, and the relative-strength indicators suggest that the European and the US equity markets are approaching an overbought level (see our *Chart of the Week*).

Keep well! Yours  
Stefan Scheurer

### **Upcoming Political Events 2020**

Jul 28: FOMC meeting

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

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

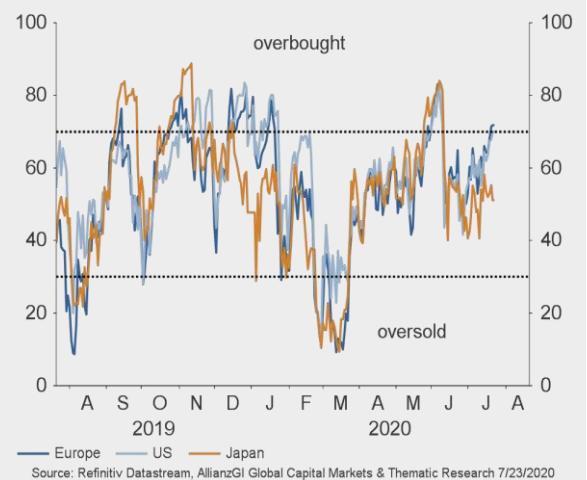
### **Global Capital Markets & Thematic Research goes MP3, iPod & BlackBerry:**

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

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

#### **Chart of the Week**

Time for a breather? Relative-strength indicators suggest that markets are approaching an overbought level.



## Calendar Week 31:

Monday			Consensus	Previous
EC	M3 Money Supply YoY	Jun	--	8,90%
GE	Ifo Business Climate	Jul	--	86,2
GE	Ifo Expectations	Jul	--	91,4
GE	Ifo Current Assessment	Jul	--	81,3
JN	All Industry Activity Index MoM	May	--	-6,40%
US	Durable Goods Orders MoM	Jun P	6,50%	15,70%
US	Durables Ex Transportation MoM	Jun P	3,50%	3,70%
US	Dallas Fed Manf. Activity	Jul	--	-6,1
Tuesday				
US	Conf. Board Consumer Confidence	Jul	96,5	98,1
US	Richmond Fed Index	Jul	--	0
Wednesday				
FR	Consumer Confidence	Jul	--	97
IT	PPI YoY	Jun	--	-7,20%
UK	Mortgage Approvals	Jun	--	9,3k
UK	M4 Money Supply YoY	Jun	--	11,90%
US	Wholesale Inventories MoM	Jun P	--	-1,20%
US	Pending Home Sales NSA YoY	Jun	--	-10,40%
US	FOMC Rate Decision (Upper Bound)	Jul-29	0,25%	0,25%
Thursday				
EC	Economic Confidence	Jul	--	75,7
EC	Industrial Confidence	Jul	--	-21,7
EC	Services Confidence	Jul	--	-35,6
EC	Unemployment Rate	Jun	--	7,40%
FR	PPI YoY	Jun	--	-4,10%
GE	GDP SA QoQ	2Q P	--	-2,20%
GE	Unemployment Change	Jul	--	69,0k
GE	Unemployment Rate	Jul	--	6,40%
GE	CPI YoY	Jul P	--	0,80%
IT	Unemployment Rate	Jun P	--	7,80%
JN	Retail Sales MoM	Jun	--	2,10%
US	GDP Annualized QoQ	2Q A	-32,80%	-5,00%
US	Personal Consumption QoQ	2Q A	--	-6,80%
Friday				
CH	NBS Manufacturing PMI	Jul	--	50,9
CH	NBS Non-manufacturing PMI	Jul	--	54,4
EC	GDP SA QoQ	2Q A	--	-3,60%
EC	CPI Estimate YoY	Jul	--	0,30%
EC	CPI Core YoY	Jul P	--	0,80%
FR	GDP QoQ	2Q P	--	-5,30%
FR	CPI YoY	Jul P	--	0,20%
FR	Consumer Spending YoY	Jun	--	-8,30%
IT	GDP WDA QoQ	2Q P	--	-5,30%
IT	CPI YoY	Jul P	--	-0,40%
IT	Retail Sales YoY	Jun	--	-10,50%
JN	Jobless Rate	Jun	--	2,90%
JN	Industrial Production YoY	Jun P	--	-26,30%
JN	Vehicle Production YoY	May	--	-46,10%
JN	Construction Orders YoY	Jun	--	-6,10%
US	Personal Income MoM	Jun	0,50%	-4,20%
US	Personal Spending MoM	Jun	5,60%	8,20%
US	PCE Deflator YoY	Jun	--	0,50%
US	PCE Core Deflator YoY	Jun	--	1,00%
US	MNI Chicago PMI	Jul	43,5	36,6

Investing involves risk. Equities have tended to be volatile, and do not offer a fixed rate of return. Investing in the bond market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bond prices will normally decline as interest rates rise. The impact may be greater with longer-duration bonds. Credit risk reflects the issuer's ability to make timely payments of interest or principal—the lower the rating, the higher the risk of default. 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 his 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. #1254175