The Week Ahead

Active is: Keeping an eye on capital markets

Dr. Hans-Jörg Naumer

Director Global Capital Markets & Thematic Research

@AllianzGI_VIEW

Back to normal

The path back to normal is long, stony and winding. Nevertheless, we continue to move towards normalisation, as last week's data releases showed. While the Google mobility data highlighted only minor changes in the number working from home over the last few days, the global number of new Covid-19 infections is stalling. This is at least a ray of hope. Encouragingly, the Economic Policy Uncertainty Index, which aggregates headlines related to "uncertainty" and "risk" in large newspapers around the world, has also declined markedly. While it is not yet back to normal, it is moving towards that level. At the same time, hopes of additional pandemic-related stimulus in the US gave a boost to equities at the beginning of last week.

Backed by massive fiscal stimulus and generous liquidity provision by the central banks, the global economy continues its path back to normal. While we are unlikely to see a V-shaped recovery (the growth curve rather resembles a root symbol), we are at least making progress. In the US, the number of job vacancies jumped in June. At the same time, both the ISM manufacturing and services indices rose and even exceeded analyst expectations. The indices for 15 out of 18 sub-sectors were up, including retail trade, transport, inventories and construction. However, price pressures increased as well. In France, economic sentiment continued to brighten in July.

The Week Ahead:

Right at the beginning of the week, GDP figures for Q2 will be released in Japan. Otherwise, leading and sentiment indicators will predominate. While the backward-looking GDP figures are likely to show a significant contraction, the forward-looking series will probably point to a further upswing, even though the upward momentum is likely to slow and the situation will probably not improve

Publications

Being a rational optimist

The world is becoming a better place. All the indicators concur: increasing life expectancy on every continent of the planet, falling child mortality and child labour, rising prosperity and, from a global perspective, declining inequality. Wherever the forces of creative disruption are allowed to unfold, we have every reason to be rational optimists. But what does this mean for investors and others?

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.

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.

steadily across the board. The **US** Empire State Index is even expected to decline on Monday, as is the Philly Fed leading indicator (due on Tuesday). Initial and subsequent unemployment claims in the US will also be watched closely (due on Thursday). Encouragingly, they had declined considerably in recent weeks. Still, the political discussion about a continuation of the additional unemployment support in the US has not yet been resolved. Roughly 50 million jobs or 31% of employees are currently benefiting from wage subsidies. On Thursday and Friday, the markets will have to digest the index of leading indicators for the US as well as the PMIs for the euro area as a whole and its individual member states. In addition, the Jibun Bank PMI for Japan, the GfK consumer confidence indices for the **UK**, the US and the euro area, and the US PMI will be released.

Meanwhile, the **reporting season** for the S&P 500 is largely over. On average, 81% of the US companies exceeded analysts' expectations. This percentage rose to more than 90% for tech companies. In Europe, too, the reporting season is past its peak, with roughly 70% of all figures now available. More than 60% of all companies have exceeded the expectations. Forward-looking analyst revisions are even more important. Following a slide just after the outbreak of the pandemic, the ratio between upward and downward revisions has improved again in all major regions around the world. For US companies, upward revisions already outnumber downward revisions again. The same applies to the companies included in the MSCI Emerging Markets (see our *Chart of the Week*). The Topix is clearly lagging, but it also shows an upward trend.

The **technical situation** on the equity markets is relatively relaxed, even though it is becoming more difficult to achieve additional gains. The air has thinned, but that is nothing unusual after the catch-up movement of the last few weeks.

Wishing you a "normal" week

Dr Hans-Jörg Naumer.

Upcoming Political Events 2020

Overview political events 2020 (click here)

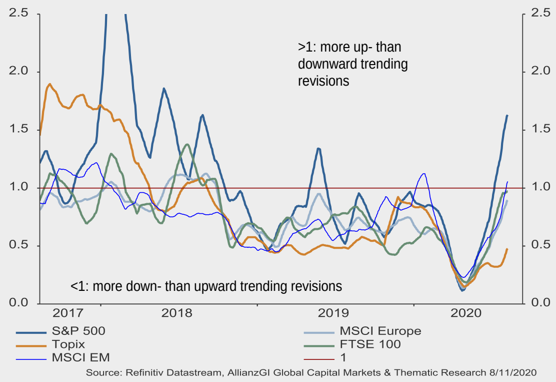
Global Capital Markets & Thematic Research goes Social Media:

to our publications (click here)

to our twitter feed (click here)

Chart of the Week

Earning-revision-dynamics: Rolling average over the month



Calendar Week 34:

Monday			Consensus	Previous
EC	Construction Output YoY	Jun	--	-11,90%
JN	GDP Annualized SA QoQ	2Q P	-27,00%	-2,20%
JN	Capacity Utilization MoM	Jun	--	-11,60%
US	Empire Manufacturing	Aug	14,5	17,2
US	NAHB Housing Market Index	Aug	74	72
Tuesday				
US	Building Permits MoM	Jul	5,30%	2,10%
US	Housing Starts MoM	Jul	3,70%	17,30%
Wednesday				
EC	ECB Current Account SA	Jun	--	8.0b
IT	Current Account Balance	Jun	--	2272m
JN	Trade Balance	Jul	--	-¥268.8b
JN	Exports YoY	Jul	--	-26,20%
JN	Imports YoY	Jul	--	-14,40%
JN	Core Machine Orders YoY	Jun	--	-16,30%
UK	CPI YoY	Jul	--	0,60%
UK	CPI Core YoY	Jul	--	1,40%
UK	PPI Input NSA YoY	Jul	--	-6,40%
UK	PPI Output NSA YoY	Jul	--	-0,80%
Thursday				
GE	PPI YoY	Jul	--	-1,80%
US	Philadelphia Fed Business Outlook	Aug	21	24,1
US	Leading Index	Jul	1,00%	2,00%
Friday				
EC	Markit Manufacturing PMI	Aug P	--	51,8
EC	Markit Services PMI	Aug P	--	54,7
EC	Markit Composite PMI	Aug P	--	54,9
EC	Consumer Confidence	Aug A	--	-15
FR	Markit Manufacturing PMI	Aug P	--	52,4
FR	Markit Services PMI	Aug P	--	57,3
FR	Markit Composite PMI	Aug P	--	57,3
GE	Markit Manufacturing PMI	Aug P	--	51
GE	Markit Services PMI	Aug P	--	55,6
GE	Markit Composite PMI	Aug P	--	55,3
JN	CPI YoY	Jul	--	0,10%
JN	CPI Core YoY	Jul	--	0,00%
JN	Jibun Bank Japan PMI Mfg	Aug P	--	45,2
JN	Jibun Bank Japan PMI Services	Aug P	--	45,4
JN	Jibun Bank Japan PMI Composite	Aug P	--	44,9
UK	PSNB ex Banking Groups	Jul	--	35.5b
UK	Retail Sales Ex Auto Fuel YoY	Jul	--	1,70%
UK	Retail Sales Inc Auto Fuel YoY	Jul	--	-1,60%
UK	Markit Manufacturing PMI	Aug P	--	53,3
UK	Markit Services PMI	Aug P	--	56,5
UK	Markit Composite PMI	Aug P	--	57
US	Markit Manufacturing PMI	Aug P	--	50,9
US	Markit Services PMI	Aug P	--	50
US	Markit Composite PMI	Aug P	--	50,3