

The Week Ahead

Active is: Keeping an eye on capital markets



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Prepare for autumn rains

Developments during the past week seem to suggest that market participants should prepare for autumn rains. In **Japan**, a surprisingly strong decline in the composite index of leading indicators pushed the index down to a ten-year low. German manufacturing order intake fell once again in real terms, and in addition, the decrease was more pronounced than expected. The downtrend in the German industry is largely due to the significant deterioration of global business sentiment. Encouragingly, German industrial output recently bucked the trend and surprised observers by rising again.

The Week Ahead

Meanwhile, the **reporting season** for the third quarter has begun, with US companies taking the lead, as usual. Earnings growth across all sectors is expected to average a **red zero**, provided that analysts' expectations for US corporate earnings growth (on average: -4% quarter-over-quarter) are adjusted to the upside as usual and that these adjustments are of a similar size. The figures for the individual sectors look set to differ considerably. Utilities and real estate are likely to do best, whereas energy producers will probably see the biggest drop in earnings. Materials and Information Technology are likely to experience a significant decline in earnings, too. The slowdown in growth and the fact that the effect of US tax cuts is petering out will leave their traces and cause earnings growth to decelerate and margins to shrink.

Next week's **economic data** are unlikely to boost equity prices either. The **US** data will probably paint a mixed picture, with the Empire State Index for manufacturing likely to come in quite well and the Philly Fed index and industrial output likely to be more subdued. In **Germany**, attention will probably focus on the ZEW index, which has been trending downwards since mid-2018. We can only hope that **Chinese** industrial output figures come in as expected; the consensus forecasts an increase.

Publications



Active is: Combating wealth erosion

Watch out for "helicopter money" as part of your defense plan "Helicopter money" – the concept as such seems to be nothing but new, and with a rising debate on whether Central Banks are running out of ammunition, it seems to gain momentum. There is a growing public discussion surrounding the "monetisation of government debt" (or "helicopter money") which, to put it in a less academic way, means central banks printing money with the direct purpose of financing public sector budgets.



Artificial Intelligence – Part of everyday life, driving our future

Artificial intelligence is all around us. It is part of everyday life, and gaining ground all the time. The investment opportunities are many and varied. The "creative power of destruction" is unstoppable. On the contrary. And it's only just beginning.



Added value or a mere marketing tool? What does ESG mean for investments?

"Sustainability", in the broadest sense of the term, has long ceased to be a new concept for investors. After part 1 of this study looked into the change in meanings and the increased importance of sustainable investment, this second part provides an overview of academic research into the issue.

Active is: Prepare for autumn rains

According to the relative strength indices, the technical situation appears quite relaxed. There are no risk signals coming from the markets. Bond spreads are trading firm. The stress indicators of the European Central Bank and the St. Louis Federal Reserve suggest that no major turmoil is in sight. However, corporate earnings and economic data are unlikely to fuel hopes that the major central banks' expansionary monetary policy has already succeeded in stopping the growth slowdown. In addition, **trade** uncertainty is spreading towards Europe, with US tariffs around the corner. Still, the tensions between the US and China continue to take centre-stage. After having agreed to trade talks at the ministerial level, the US administration put eight Chinese technology companies on its black list. Fortunately, the bears have already bought puts to hedge their positions; just look at the put-call ratio for the US and Europe. Prepare for autumn rains on the capital markets.

Don't forget to take your umbrella when you venture out! Yours

Hans-Jörg Naumer

Upcoming Political Events 2019

Oct 14: US/EU trade meeting

Oct 15: US set to raise tariffs (30% from 25%) on \$250bn Chinese imports

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

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

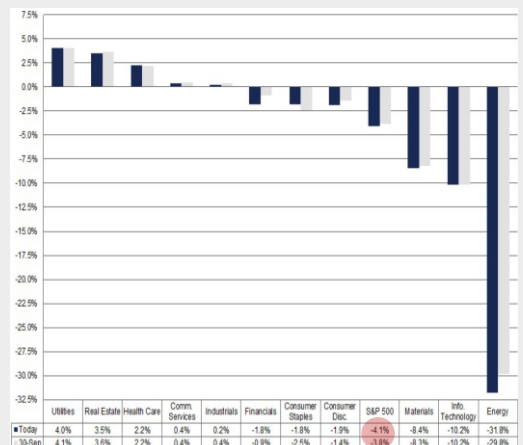
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Chart of the Week

Projected earnings growth yoy for Q2 19 across sectors



Source: Factset (Data as of October 4th 2019), AllianzGI Global Economics & Strategy

Calendar Week 42:

Monday			Consensus	Previous
CH	Trade Balance	Sep	\$36.30b	\$34.84b
CH	Exports YoY	Sep	-3%	-1.0%
CH	Imports YoY	Sep	-6.2%	-5.6%
EC	Industrial Production YoY	Aug	--	-2.0%
Tuesday				
CH	CPI YoY	Sep	2.9%	2.8%
CH	PPI YoY	Sep	-1.2%	-0.8%
EC	ZEW Survey Expectations	Oct	--	-22.4
GE	ZEW Survey Current Situation	Oct	--	-19.9
GE	ZEW Survey Expectations	Oct	--	-22.5
JN	Tertiary Industry Index MoM	Aug	--	0.1%
JN	Capacity Utilization MoM	Aug	--	1.1%
UK	Jobless Claims Change	Sep	--	28.2k
UK	Average Weekly Earnings 3M/YoY	Aug	--	4.0%
UK	ILO Unemployment Rate 3Mths	Aug	--	3.8%
US	Empire Manufacturing	Oct	3.4	2
Wednesday				
EC	EU27 New Car Registrations	Sep	--	-8.40%
EC	Trade Balance SA	Aug	--	19.0b
IT	Industrial Sales WDA YoY	Aug	--	-0.6%
IT	Industrial Orders NSA YoY	Aug	--	-1.0%
UK	CPI YoY	Sep	--	1.7%
UK	CPI Core YoY	Sep	--	1.5%
UK	PPI Input NSA YoY	Sep	--	-0.8%
UK	PPI Output NSA YoY	Sep	--	1.6%
UK	House Price Index YoY	Aug	--	0.7%
US	Retail Sales MoM	Sep	0.3%	0.4%
US	Retail Sales Ex Auto and Gas YoY	Sep	--	0.1%
US	NAHB Housing Market Index	Oct	--	68
US	Business Inventories MoM	Aug	0.3%	0.4%
Thursday				
EC	Construction Output YoY	Aug	--	1.1%
IT	Trade Balance	Aug	--	7631m
UK	Retail Sales Ex Auto Fuel YoY	Sep	--	2.2%
UK	Retail Sales Inc Auto Fuel YoY	Sep	--	2.7%
US	Building Permits MoM	Sep	-4.9%	7.7%
US	Housing Starts MoM	Sep	-3.2%	12.3%
US	Philadelphia Fed Business Outlook	Oct	--	12
US	Initial Jobless Claims	Oct 12	--	--
US	Continuing Claims	Oct 5	--	--
US	Industrial Production MoM	Sep	0.1%	0.6%
US	Capacity Utilization	Sep	77.9%	77.9%
Friday				
CH	Fixed Assets Ex Rural YTD YoY	Sep	5.5%	5.5%
CH	Industrial Production YoY	Sep	4.9%	4.4%
CH	Retail Sales YoY	Sep	7.8%	7.5%
CH	GDP SA QoQ	3Q	1.5%	1.6%
EC	ECB Current Account SA	Aug	--	20.5b
IT	Current Account Balance	Aug	--	8421m
JN	CPI YoY	Sep	--	0.3%
JN	CPI Core YoY	Sep	--	0.5%
US	Leading Index	Sep	--	0.0%

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