

The Week Ahead

Active is: Keeping an eye on capital markets



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Back to normal?

One piece of news certainly grabbed the headlines during the past week: an effective vaccine against **Covid-19** may be around the corner and secure official approval in the near future. Around the globe, equities soared as the chance of a return to normal opened up. In particular, underperforming stocks benefited from the renewed optimism. In the US, financial, energy and industrial stocks performed best. The European Stoxx 600 index saw a similar development, and yields for longer maturities rose and yield curves steepened both in the US and in Europe. This is a clear sign that observers expect the economy to return to normal as well.

Political risks in the US declined, too – another sign that the trouble is abating. Now that Joe Biden's electoral victory confirmation appears inevitable, the markets can prepare themselves for his agenda, even if he will have to deal with a split Congress. We can likely look forward to "risk off" in politics and "risk on" on the markets.

Following the spectacular events of the past week, it should be a calmer week for the markets coming up. Still, that does not mean that we will get bored.

The Week Ahead

A number of important economic indicators are due to be released. In **China**, industrial output figures will be published on Monday. In the **US**, the Empire State Index will be released on Monday, industrial output on Tuesday, construction starts on Wednesday and the index of leading indicators on Thursday. In **Japan**, the focus will be on the preliminary GDP figures for the third quarter on Monday. In the European Union, new car registrations are due on Wednesday, and in the **euro area**, consumer confidence figures will be published on Friday. In the **UK**, the most important data are the GfK consumer confidence index and retail sales (both on Friday). Overall, the data will probably point to a continued slowdown of the recovery after the dip earlier in the year. There is one exception, however: the Chinese figures will

Publications



A Biden victory and split Congress may be welcomed by markets

With President-elect Joe Biden facing a split Congress, investors could welcome the resulting "Biden-lite" agenda, which may include portions of his spending plans – such as fiscal stimulus and infrastructure investment – but little in the way of tax increase



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.



Helicopter Money

"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. It was none other than the retiring President of the European Central Bank ("ECB"), Mario Draghi, who has back then injected life to this debate.

remind us once again that the country has staged the quickest recovery after the pandemic.

US politics will remain on the agenda, too. While we are entering a period of relative calm between the elections and the inauguration of the new president, our US colleagues believe that there is a good chance that Republicans and Democrats may agree on another **fiscal package** during this time. Due to the significant impact of the pandemic, additional measures will be necessary to support households and business. Labour market support will run out by the end of the year. Extending the relevant measures would help to prop up consumption. In addition, attention will shift to President-elect Biden's agenda. Biden plans infrastructure improvements (a goal that is also shared by Republicans) and has promised during his election campaign to invest USD 2 trillion in renewable energy – a proposal that is likely to trigger some resistance in Congress. Fittingly, he intends to re-join the **Paris Climate Agreement** as quickly as possible. He will not need Congress approval to do so.

And there is also the question of what the **central banks** are likely to do. The economy has not recovered fully yet, and the way back to normal will be long and difficult, particularly since the first batch of vaccine doses will be reserved for key staff in the health sector. Still, the **abundant liquidity** raises the question of how and when the central banks plan to siphon it off. The **European Central Bank** meeting on Thursday will not provide any answers yet, but it will be interesting to see whether and to what extent the statements will reflect the news about the vaccine and its potential implications for the economy. Monetary policy needs to get back to normal, too (see our Chart of the Week). But that will take time. Meanwhile, investors will continue their **hunt for income**. In this environment, it may make sense to broaden one's position and take a look at sectors that have so far been neglected. If things go back to normal, the performance gap between the individual sectors is likely to narrow. In any case, sustainability will probably remain an important topic.

Meanwhile, the **technicals** appear relaxed, despite the price jump after the news about the vaccine. The markets seem to be digesting the good news and focusing on economic data again.

Wishing a sustained return to normal,

Dr. Hans-Jörg Naumer

Upcoming Political Events 2020

Nov 21: G20 summit in Saudi Arabia

Nov 30: OPEC meeting

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

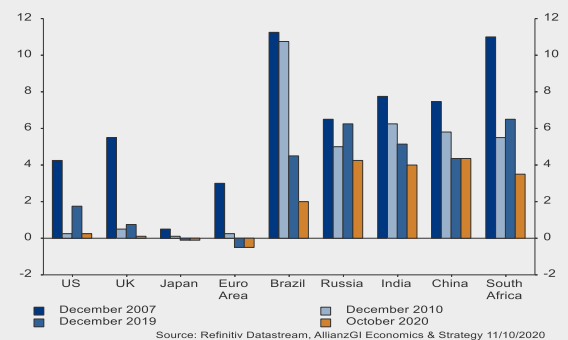
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Chart of the Week

Base rates in the biggest economies (%), development since 2007



Calendar Week 47:

Monday			Consensus	Previous
CH	Industrial Production YoY	Oct	6.6%	6.9%
CH	Retail Sales YoY	Oct	4.9%	3.3%
CH	Fixed Assets Ex Rural YTD YoY	Oct	1.6%	0.8%
JN	GDP Annualized SA QoQ	3Q P	--	-28.1%
JN	Capacity Utilization MoM	Sep	--	2.9%
UK	Rightmove House Prices YoY	Nov	--	5.5%
US	Empire Manufacturing	Nov	--	10-May
Tuesday				
EC	Construction Output YoY	Sep	--	-0.9%
IT	Trade Balance	Sep	--	3928m
US	Retail Sales MoM	Oct	0.7%	1.9%
US	Retail Sales Ex Auto and Gas YoY	Oct	--	1.5%
US	Import Price Index YoY	Oct	--	-1.1%
US	Export Price Index YoY	Oct	--	-1.8%
US	Industrial Production MoM	Oct	0.6%	-0.6%
US	Capacity Utilization	Oct	72.0%	71.5%
US	Business Inventories MoM	Sep	0.5%	0.3%
US	NAHB Housing Market Index	Nov	--	85
Wednesday				
EC	EU27 New Car Registrations	Oct	--	3.1%
JN	Imports YoY	Oct	--	-17.2%
JN	Trade Balance	Oct	--	¥675.0b
JN	Exports YoY	Oct	--	-4.9%
UK	CPI YoY	Oct	--	0.5%
UK	CPI Core YoY	Oct	--	1.3%
UK	PPI Input NSA YoY	Oct	--	-3.7%
UK	PPI Output NSA YoY	Oct	--	-0.9%
UK	House Price Index YoY	Sep	--	2.5%
US	Building Permits MoM	Oct	--	5.2%
US	Housing Starts MoM	Oct	--	1.9%
Thursday				
EC	ECB Current Account SA	Sep	--	19.9b
IT	Current Account Balance	Sep	--	5950m
US	Initial Jobless Claims	Nov-14	--	--
US	Continuing Claims	Nov-07	--	--
US	Philadelphia Fed Business Outlook	Nov	--	32.3
US	Leading Index	Oct	--	0.7%
US	Existing Home Sales MoM	Oct	--	9.4%
US	Kansas City Fed Manf. Activity	Nov	--	13
Friday				
EC	Consumer Confidence	Nov A	--	-15.5
GE	PPI YoY	Oct	--	-1.0%
IT	Industrial Sales WDA YoY	Sep	--	-3.8%
IT	Industrial Orders NSA YoY	Sep	--	6.1%
JN	CPI YoY	Oct	--	0.0%
JN	CPI Core YoY	Oct	--	-0.3%
JN	Jibun Bank Japan PMI Mfg	Nov P	--	48.7
JN	Jibun Bank Japan PMI Services	Nov P	--	--
JN	Jibun Bank Japan PMI Composite	Nov P	--	--
UK	GfK Consumer Confidence	Nov	--	-31
UK	PSNB ex Banking Groups	Oct	--	36.1b
UK	Retail Sales Ex Auto Fuel YoY	Oct	--	6.4%
UK	Retail Sales Inc Auto Fuel YoY	Oct	--	4.7%

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