

# The Week Ahead



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## Tailwinds

The past week started well, thanks to good news about potential coronavirus vaccines, which pointed to an effectiveness of more than 90%. This created additional tailwinds for the markets. Both US equities and the MSCI for Asian equities reached all-time highs. Asian equities also benefited from the signing of the Regional Comprehensive Economic Partnership (RCEP) – a free-trade agreement that creates the world's largest trading bloc. It is made up of 15 countries with an aggregate population of 2.2 billion people and a total GDP of USD 26.2 trillion – almost 30% of global GDP. The new pact's sheer volume clearly exceeds that of the free-trade agreement between the US, Mexico and Canada, or that of the European Union. From a global vantage point, this is an important step towards regional integration in Asia Pacific. Moreover, the agreement indicates that Asia is promoting free trade and that the centre of gravity of the global economy is moving eastward.

Recent economic data from **China** point to a continued economic recovery. Moreover, the October data show that the upswing has spread to domestic consumption and the services sector. As expected, growth is likely to move towards the potential rate of 6% for the year as a whole during the final quarter of the year. By the end of Q3, the global economy had reversed more than two-thirds of its 10% contraction in the first half of the year, and China likely played a significant part in that recovery. Still, the path towards a full recovery is likely to be long and stony. As monetary and fiscal stimulus wane, pent-up demand peters off and the services sector remains fragile, we expect GDP growth to slow in the coming months. Downside risks will predominate, at least in the short term, as the pandemic situation has recently deteriorated considerably in many countries.

## 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 increases.



### 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.



### #FinanceForFuture: Investing in a Better World

"Disruption" seems to describe our present and future more aptly than any other term. Disruption is the power (not always purely creative) to destroy the old and to create something new - economic disruption ("digitalization"), disruption of the population pyramid ("demography"), environmental and climate disruption, social disruption (populism), etc.

The economic costs of the pandemic will rise further. In the US, calls for another stimulus package are getting louder, and the central banks continue to send dovish signals or even promise further expansionary measures.

### The Week Ahead: Focus on the real economy

Market sentiment has been buoyant for some days now, as election-related uncertainties in the US receded and good news about potential coronavirus vaccines was released. However, the focus is likely to shift back to the pandemic and real economic indicators during the coming week. In the **US**, several leading and sentiment indicators will be released at the beginning of the week, starting with the manufacturing PMI on Monday and the Conference Board consumer sentiment index on Tuesday. The latter might deteriorate due to tighter restrictions in more federal states and weigh on household consumption in the longer run. On Wednesday, weekly labour market data, preliminary consumer durables order intake and the Fed minutes will be released.

In the **euro area**, market participants will pay particular attention to manufacturing PMIs on Monday. Tighter lockdown measures might have an impact on economic sentiment (the data are due on Friday). In **Germany**, the focus will be on the ifo business sentiment index on Tuesday and the GfK consumer confidence index on Thursday. Preliminary **French** consumer price inflation may give us a first inkling of what the ECB is likely to decide at its meeting in December.

In **Asia**, not many data are due in the coming week; consumer prices for the Tokyo area are the only series to be released on Friday.

Positions in riskier assets, including equities, have increased considerably since the US elections. According to the American Association of Individual Investors (AAII), the share of US investors who are bullish about the next six months rose from 38% to 56% during the past week alone, and the latest Bank of America survey among fund managers showed that the cash ratio has dropped to just below 4%, ie, its pre-COVID level. In fact, global equity funds recently saw their biggest weekly net inflows in 20 years, at USD 44.5 billion (see our *Chart of the Week*). The favourable news about future vaccines brightened the outlook for oil (oil demand has recently been weak) and supported another steepening of the yield curves.

But while investors may be optimistic right now, the tailwinds might abate. It will take time to inject enough people with the vaccine, and the relative-strength indicators suggest that the global equity markets are approaching an overbought level. This might trigger profit taking in the coming weeks.

Wishing you reliable tailwinds

Stefan Scheurer

### Upcoming Political Events 2020

Nov 21: G20 summit in Saudi Arabia

Nov 30: OPEC meeting

Dec 12: China Central Economic Work Congress

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

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

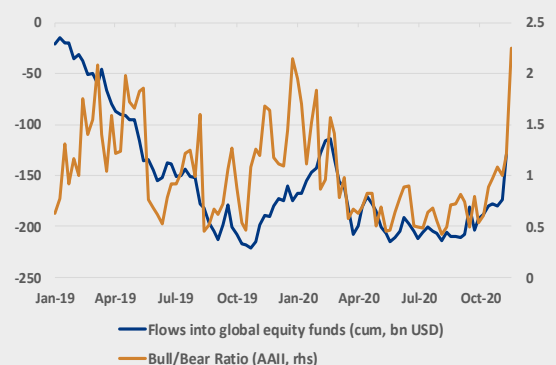
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### Chart of the Week

Positions have increased considerably: global equity funds saw their biggest weekly net inflows in 20 years.



Source: EPFR, Refinitiv Datastream, AllianzGI Economics & Strategy.  
(data as of 19 November)

## Calendar Week 48:

Monday			Consensus	Previous
EC	Markit Manufacturing PMI	Nov P	--	54.8
EC	Markit Services PMI	Nov P	--	46.9
EC	Markit Composite PMI	Nov P	--	50.0
FR	Markit Manufacturing PMI	Nov P	--	51.3
FR	Markit Services PMI	Nov P	--	46.5
FR	Markit Composite PMI	Nov P	--	47.5
GE	Markit Manufacturing PMI	Nov P	--	58.2
GE	Markit Services PMI	Nov P	--	49.5
GE	Markit Composite PMI	Nov P	--	55.0
UK	Markit Manufacturing PMI	Nov P	--	53.7
UK	Markit Services PMI	Nov P	--	51.4
UK	Markit Composite PMI	Nov P	--	52.1
US	Chicago National Activity Index	Oct	--	0.27
US	Markit Manufacturing PMI	Nov P	--	53.4
US	Markit Services PMI	Nov P	--	--
US	Markit Composite PMI	Nov P	--	--
Tuesday				
FR	Business Confidence	Nov	--	90
FR	Consumer Confidence	Nov	--	94
GE	Ifo Business Climate	Nov	--	92.7
GE	ifo Expectations	Nov	--	95.0
GE	ifo Current Assessment	Nov	--	90.3
US	FHFA House Price Index MoM	Sep	--	1.5%
US	Conf. Board Consumer Confidence	Nov	--	100.9
US	Richmond Fed Index	Nov	--	29
Wednesday				
US	Initial Jobless Claims	Nov-21	--	--
US	Continuing Claims	Nov-14	--	--
US	Wholesale Inventories MoM	Oct P	--	--
US	GDP Annualized QoQ	3Q S	--	33.1%
US	Personal Consumption QoQ	3Q S	--	40.7%
US	Durable Goods Orders MoM	Oct P	--	1.9%
US	Durables Ex Transportation MoM	Oct P	--	0.9%
US	Personal Income MoM	Oct	--	0.9%
US	Personal Spending MoM	Oct	--	1.4%
US	PCE Deflator YoY	Oct	--	1.4%
US	PCE Core Deflator YoY	Oct	--	1.5%
US	New Home Sales MoM	Oct	--	-3.5%
US	FOMC Meeting Minutes	Nov-05	--	--
Thursday				
EC	M3 Money Supply YoY	Oct	--	10.4%
GE	GfK Consumer Confidence	Dec	--	-3.1
Friday				
EC	Economic Confidence	Nov	--	90.9
EC	Industrial Confidence	Nov	--	-9.6
EC	Services Confidence	Nov	--	-11.8
FR	CPI YoY	Nov P	--	--
FR	PPI YoY	Oct	--	-2.4%
FR	Consumer Spending YoY	Oct	--	-1.3%
IT	Consumer Confidence Index	Nov	--	102.0
IT	Economic Sentiment	Nov	--	92.9
IT	PPI YoY	Oct	--	-3.8%
JN	Tokyo CPI YoY	Nov	--	-0.3%
JN	Tokyo CPI Core YoY	Nov	--	-0.5%

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