

# The Week Ahead

## Active is: Keeping an eye on capital markets



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### A brighter outlook?

The past week gave the capital markets several reasons to celebrate. For example, the S&P reached a new all-time high (if only by a small margin), and the German benchmark index DAX jumped above the threshold of 13,000. Market participants were clearly in a “risk-on” mode. The rotation towards cyclical and neglected value stocks continued and helped European stocks to hold their own versus the US market. In fact, EPFR data on net global fund in- and outflows suggest that international investors are increasing their exposure to the European markets. We will see whether the 80-week-long series of net outflows from the region will finally come to an end.

Several signs of a cyclical pick-up supported the recent rise in global equity prices, as did hopes of declining tensions in the trade conflict between the US and China and a preliminary blueprint for an orderly **Brexit**. From a macroeconomic vantage point, the increase in the euro-area manufacturing Purchasing Manager Index (PMI) and German order intake clearly helped to brighten sentiment. In line with these developments, the PMI sub-components for the developed markets as a whole and for the emerging markets in particular climbed to their highest levels since July 2018 (see our *Chart of the Week*). Still, these hopeful signs are not supported by the broad economic data flow. For example, US order intake recently dropped more strongly than expected by the consensus. Our proprietary Global Macro Breadth Index shows that global macro data deteriorated once again in October and weakened in 19 out of the past 21 months.

### The Week Ahead

Since it is still not clear whether the global economy is in for sub-potential growth (with a risk of recessionary tendencies) next year or whether monetary policy can successfully boost growth (ideally against the background of a sustained decline in geopolitical tensions), investors will continue to focus on the economic

### Publications



#### Active is: Investing in a Better World - #FinanceForFuture

“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. In spite of all these changes, however, there is a basic constant that is paving the way to a better world: capital.



#### 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.



#### 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.

data. During the coming week, preliminary GDP growth data for Q3 will be released in **Japan**, the **UK**, Germany and the euro area as a whole. In addition, the ZEW, an indicator of economic sentiment, expectations for the euro area and its individual member states will be announced on Tuesday, euro-area industrial output figures on Wednesday, and **US** initial claims on Thursday. The US labour market is very robust and an important pillar of domestic consumption and, in turn, growth. In China, capital investment, retail sales and industrial output figures will be released. And towards the end of the week, US data will take centre-stage, in particular retail sales and industrial output.

#### **Active is: exploit the uptick in sentiment, but remain cautious**

The **technical situation** appears healthier, with many leading indicators in the developed and the emerging markets pointing upwards. Nevertheless, it remains vulnerable to turnarounds in sentiment, which may be triggered by negative news. The large-scale short sales of US equities and a high put/call ratio are striking. Moreover, many investors are still keeping to the sidelines and may push the markets quickly into a negative or a positive direction. Bond yields have stabilised. In the meantime, the volume of **negative-yielding bonds** has dropped to USD 12.8 trn (from a peak of 17 trn).

Overall, the economic data, the technical situation and the geopolitical backdrop have brightened. While this should support riskier asset classes, it is still too early to assume that a cyclical uptrend has started. The best option is probably to exploit the uptick in sentiment, but remain cautious.

Wishing you more clarity

Hans-Jörg Naumer

#### **Upcoming Political Events 2019**

Nov 13-14: BRICS-summit in Brasilia

Nov 30: End of term Council President Tusk

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

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

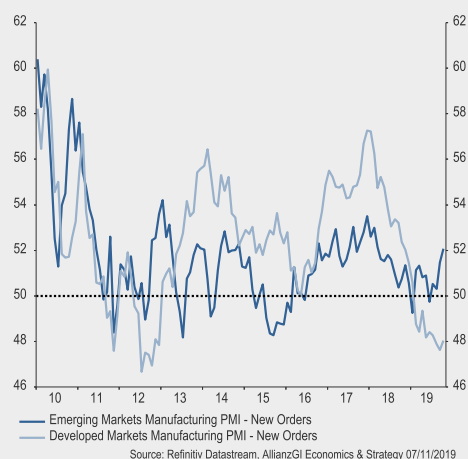
#### **Global Capital Markets & Thematic Research goes MP3, iPod & Blackberry:**

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

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

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

EM manufacturing new orders index at the highest level since July 2018.



## Calendar Week 46:

Monday			Consensus	Previous
IT	Industrial Production YoY	Sep	--	-1,8%
JN	Core Machine Orders YoY	Sep	--	-14,5%
JN	BoP Current Account Balance	Sep	--	¥2157,7b
JN	Trade Balance BoP Basis	Sep	--	¥50,9b
UK	GDP QoQ	3Q P	--	-0,2%
UK	Industrial Production YoY	Sep	--	-1,8%
UK	Manufacturing Production YoY	Sep	--	-1,7%
UK	Trade Balance GBP/Mn	Sep	--	-£1546m
UK	Construction Output YoY	Sep	--	2,4%
Tuesday				
EC	ZEW Survey Expectations	Nov	--	-23,5
FR	Bank of France Business Sentiment	Oct	--	96
GE	ZEW Survey Current Situation	Nov	--	-25,3
GE	ZEW Survey Expectations	Nov	--	-22,8
JN	Money Stock M2 YoY	Oct	--	2,4%
JN	Money Stock M3 YoY	Oct	--	2,0%
JN	Machine Tool Orders YoY	Oct P	--	-35,5%
UK	Jobless Claims Change	Oct	--	21.1k
UK	Average Weekly Earnings 3M/YoY	Sep	--	3,8%
UK	ILO Unemployment Rate 3M	Sep	--	3,9%
Wednesday				
EC	Industrial Production YoY	Sep	--	-2,8%
JN	PPI YoY	Oct	--	-1,1%
UK	CPI YoY	Oct	--	1,7%
UK	CPI Core YoY	Oct	--	1,7%
UK	PPI Input NSA YoY	Oct	--	-2,8%
UK	PPI Output NSA YoY	Oct	--	1,2%
UK	House Price Index YoY	Sep	--	1,3%
US	Real Avg Weekly Earnings YoY	Oct	--	0,9%
US	CPI YoY	Oct	--	1,7%
US	CPI Ex Food and Energy YoY	Oct	--	2,4%
Thursday				
CH	Fixed Assets Ex Rural YTD YoY	Oct	5,4%	5,4%
CH	Industrial Production YoY	Oct	5,5%	5,8%
CH	Retail Sales YoY	Oct	7,8%	7,8%
EC	GDP SA QoQ	3Q P	--	0,2%
FR	ILO Unemployment Rate	3Q	--	8,5%
GE	GDP SA QoQ	3Q P	--	-0,1%
JN	GDP Annualized SA QoQ	3Q P	0,8%	1,3%
JN	Tertiary Industry Index MoM	Sep	--	0,4%
UK	Retail Sales Ex Auto Fuel YoY	Oct	--	3,0%
UK	Retail Sales Inc Auto Fuel YoY	Oct	--	3,1%
US	PPI YoY	Oct	--	1,4%
US	PPI Core YoY	Oct	--	2,0%
US	Initial Jobless Claims	Nov 09	--	--
US	Continuing Claims	Nov 02	--	--
Friday				
EC	Trade Balance SA	Sep	--	20,3b
IT	Trade Balance	Sep	--	2585m
JN	Capacity Utilization MoM	Sep	--	-2,9%
US	Empire Manufacturing	Nov	6	4
US	Import Price Index YoY	Oct	--	-1,6%
US	Export Price Index YoY	Oct	--	-1,6%
US	Retail Sales MoM	Oct	0,2%	-0,3%
US	Retail Sales Ex Auto and Gas YoY	Oct	--	0,0%
US	Industrial Production MoM	Oct	-0,3%	-0,4%
US	Capacity Utilization	Oct	77,3%	77,5%

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