

The Week Ahead

Active is: Keeping an eye on capital markets



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Back to normality?

Are we moving back to normality? With many countries gradually relaxing their lockdowns, the mobility data seem to point in this direction (see our *Chart of the Week*). Oil prices, too, have benefited from increased mobility and the re-opening of economies. But despite the unprecedented production cuts by the OPEC+ producer countries, we are still experiencing a global “oil glut” (as we mentioned before). The chances of a sustainable **rise in oil prices** are still small, particularly since demand remains weak and there is a shortage of crude oil storage capacities. This situation is putting a strain on the budgets of producer countries. **Saudi Arabia** has already announced government spending cuts and tripled its VAT rate – from 5% to 15%. In a bid to stabilise its main source of revenue, the country plans a further, one-sided production cut by one million barrels (one barrel is equivalent to 159 litres) per day in June, down to the lowest level in 18 years.

The underlying supply and demand shock triggered by the coronavirus and the oil price slump increasingly fed through to **macro data** in April. Our *Global Macro Breadth Index* for that month registered its deepest and broadest slide since January 2009, and analysts responded with significant further downward adjustments to their forecasts.

At the same time, it is an encouraging sign that the aggressive central bank measures of the last few weeks successfully prevented a further tightening of global financial conditions. However, **international central bank policy** is still far removed from normal conditions. During the past week, the Bank of England indicated it might buy bonds worth another GBP 100 billion (quantitative easing). At the same time, the US Fed Fund futures point to negative interest rates in the US, even though Fed officials have summarily rejected the idea. Other central banks provided significant amounts of liquidity and reduced their interest rates further, for example in Norway (-25 bp, to 0.0%), Brazil (-75

Publications



Sector ideas for the “re-opening” phase of the coronavirus crisis

Around the world, lockdowns and quarantines are slowly lifting, but consumers and business activity remain fragile. We believe investors should play both offence and defence during this new “re-opening” phase.



Five ways the coronavirus could change how we think about sustainability

The coronavirus pandemic has highlighted core sustainability issues such as income inequality, poor healthcare and complex supply chains. As a result, sustainability is likely to become increasingly integral to asset managers’ investment processes and risk analysis. Here are five ways we think the crisis will affect investors.



Coronavirus – Emerging Markets Outlook

Social distancing and other containment measures are creating significant risks to EM economies. Still, some countries – including Russia, Brazil and China – could be set to rebound when capital begins flowing back in.

bp, to 3.0%), the Czech Republic (-75 bp, to 0.25) and Malaysia (-50 bp, to 2%).

The Week Ahead

In the **US**, we will get housing data for April during the next calendar week (on Tuesday and Thursday). In all probability, the data will point to a slowdown in US construction activity. Market participants will also focus on the minutes of the **Federal Open Market Committee meeting** (due on Wednesday), the latest initial claims figures and the **preliminary PMIs** (both due on Thursday). The Philly Fed Index, another leading indicator due on Thursday, might signal a continuation of the downtrend in manufacturing in May.

In the **UK** and the **euro area**, the preliminary PMIs will also be the most important indicators next week; they are due on Thursday and Friday respectively, and look set to confirm that the situation in the EU is fragile.

In **Asia**, attention will focus on **China**, where the **National People's Congress** (which was postponed due to the corona pandemic) will begin on 22 May (Friday). Delegates will probably focus on the best way to return to social and economic normality. In addition, **Japan** will release several important economic data. Preliminary GDP figures for Q1 will probably point to a contraction of 4.5% year-on-year (after -7.1% in Q4 2019). (Core) machinery orders (on Wednesday), which serve as a proxy for demand for industrial goods, trade balance data and the preliminary PMIs (both due on Thursday) will also demand attention.

Active is:

While the measures mentioned above and the lower numbers of new infections recently contributed to a recovery in markets for risk assets, the weak fundamental background and the possibility of a second wave of coronavirus suggest that there is a non-negligible risk of another financial market correction before the markets reach firmer ground. Moreover, there are concerns about a renewal of the trade conflict between the US and China. Sentiment data already point to widespread pessimism; according to the American Association of Individual Investors (AAII), the percentage of bears is the highest in seven years and, according to data provider EPFR, global money-market funds registered net inflows of USD 1.1 trillion during the past 10 weeks. Meanwhile, technical indicators suggest that some market segments may be overbought. The way back towards normality is certainly bumpy and difficult.

Stay safe! Yours,

Stefan Scheurer

Upcoming Political Events 2020

Jun 04: ECB meeting

Jun 09: FOMC meeting

Jun 15: BoJ meeting

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

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

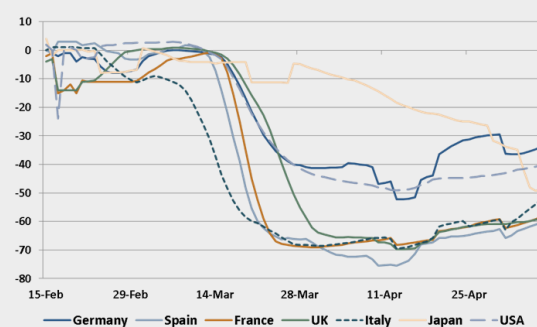
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Chart of the Week

Are we moving back to normality? Mobility data seem to point in this direction.



Source: Google, AllianzGI Economics & Strategy (as of May 12th 2020)

Calendar Week 21:

| Monday | | | Consensus | Previous |
|-----------|-----------------------------------|--------|-----------|----------|
| JN | GDP Annualized SA QoQ | 1Q P | -- | -7.10% |
| JN | Tertiary Industry Index MoM | Mar | -- | -0.50% |
| UK | Rightmove House Prices YoY | May | -- | 2.10% |
| US | NAHB Housing Market Index | May | -- | 30 |
| Tuesday | | | | |
| EC | EU27 New Car Registrations | Apr | -- | -55.10% |
| EC | Construction Output YoY | Mar | -- | -0.90% |
| EC | ZEW Survey Expectations | May | -- | 25.2 |
| GE | ZEW Survey Expectations | May | -- | 28.2 |
| GE | ZEW Survey Current Situation | May | -- | -91.5 |
| JN | Capacity Utilization MoM | Mar | -- | -1.80% |
| UK | Jobless Claims Change | Apr | -- | 12.2k |
| UK | Average Weekly Earnings 3M/YoY | Mar | -- | 2.80% |
| UK | ILO Unemployment Rate 3Mths | Mar | -- | 4.00% |
| US | Housing Starts MoM | Apr | -- | -22.30% |
| US | Building Permits MoM | Apr | -- | -6.80% |
| Wednesday | | | | |
| EC | ECB Current Account SA | Mar | -- | 40.2b |
| EC | Consumer Confidence | May A | -- | -- |
| GE | PPI YoY | Apr | -- | -0.80% |
| IT | Current Account Balance | Mar | -- | 4783m |
| JN | Core Machine Orders YoY | Mar | -- | -2.40% |
| UK | CPI YoY | Apr | -- | 1.50% |
| UK | CPI Core YoY | Apr | -- | 1.60% |
| UK | PPI Input NSA YoY | Apr | -- | -2.90% |
| UK | PPI Output NSA YoY | Apr | -- | 0.30% |
| UK | House Price Index YoY | Mar | -- | 1.10% |
| US | FOMC Meeting Minutes | Apr-29 | -- | -- |
| Thursday | | | | |
| JN | Trade Balance | Apr | -- | ¥4.9b |
| JN | Exports YoY | Apr | -- | -11.70% |
| JN | Imports YoY | Apr | -- | -5.00% |
| US | Philadelphia Fed Business Outlook | May | -- | -56.6 |
| US | Leading Index | Apr | -- | -6.70% |
| US | Existing Home Sales MoM | Apr | -- | -8.50% |
| Friday | | | | |
| EC | Markit Manufacturing PMI | May P | -- | -- |
| EC | Markit Services PMI | May P | -- | -- |
| EC | Markit Composite PMI | May P | -- | -- |
| FR | Markit Manufacturing PMI | May P | -- | -- |
| FR | Markit Services PMI | May P | -- | -- |
| FR | Markit Composite PMI | May P | -- | -- |
| GE | Markit Manufacturing PMI | May P | -- | -- |
| GE | Markit Services PMI | May P | -- | -- |
| GE | Markit Composite PMI | May P | -- | -- |
| JN | CPI YoY | Apr | -- | -- |
| JN | CPI Core YoY | Apr | -- | -- |
| UK | Retail Sales Ex Auto Fuel YoY | Apr | -- | -- |
| UK | Retail Sales Inc Auto Fuel YoY | Apr | -- | -- |
| UK | PSNB ex Banking Groups | Apr | -- | 3.1b |

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