

# The Week Ahead

## Active is: Keeping an eye on capital markets



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### A sense of uncertainty

While the market downtrend seen at the end of the preceding week did not continue, investors are obviously more aware of the **significant global uncertainties**. Equity market volatility has increased again, and the “Economic Policy Uncertainty Index which is based on the number of “uncertainty” and risk-related headlines in major global daily papers, was up as well. This elevated uncertainty applies particularly to **China** and the **US**, and less so to **Europe** (see our *Chart of the Week*). Investors started to doubt whether expectations of a V-shaped recovery were really justified, even though the economic data were relatively robust. The Empire State Index for the manufacturing industry in the state of New York jumped. US-Retail sales rose more strongly than expected. US industrial output increased in May, but did not meet the expectations. The British labour market (still) surprised to the upside in April, with 6,000 new jobs being created (on a moving three-month average). Nevertheless, the virus continues to take its toll. In the US, the number of Covid-19 cases continued to rise, and in China, concerns about a “second wave” have surfaced. In addition, there are some political uncertainties. The result of the **US presidential elections** is becoming more unpredictable; now, Joe Biden, the Democratic challenger to President Donald Trump, is in the lead not just among bookmakers, but also in the polls. Among other things, Biden has called for higher corporate and income taxes and plans to take back some of the current president’s deregulation decisions. While he is not an “anti-Wall Street” candidate, higher taxes would necessarily eat away at corporate profits.

### The Week Ahead

Next week will be the week of sentiment and leading indicators, with new releases due on almost every day. On Monday, the euro-area consumer confidence and the Chicago Activity Index will be published. On Tuesday, the PMIs (“Purchasing Managers’ Indices”) for the US, the UK and the euro area and its member states will

### Publications



#### China is positioned to lead Asia’s economic recovery from the coronavirus crisis

The coronavirus pandemic applied a sudden brake to China’s growth story, as it did to most economies around the world. But there are signs that China could be ready to lead the way out of the downturn and resume its long-term growth trajectory.



#### Pandemic: The “hammer” and the “dance” on the road back to normality

Beyond its human impact, the coronavirus has the global economy firmly in its grasp. The question now is, what shape will the recovery take? The answer depends to a large extent on how successful the fight against the virus proves to be.



#### 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.

follow suit. On Wednesday, the ifo business climate index will be at the centre of attention. Observers will be closely watching for any sign of a recovery in the assessment of the current situation after the dip. The expectations component has already risen considerably, even though businesses are obviously still in crisis mode. And on Thursday, US **order intake** and the GfK consumer confidence index for Germany will be released.

### Active is: "Dancing" with the markets

Now that the **S&P 500** has risen by more than 40% from its March low, it was a good time to take a breather. Any doubts will help to prevent the index from getting into bubble territory – quite a difficult feat in a time when profitable investment opportunities are few and far between. Both institutional and retail investors are still sitting on large chunks of cash and urgently looking for return-bearing investments in a **low/negative rate environment**. The technicals are not indicating selling pressure, and the relative-strength indicators only point to minor tensions. The global fund manager survey by Bank of America Merrill Lynch indicates significant shifts towards small and mid-caps, euro-area stocks and emerging market equities. Investors still seem to prefer defensive securities. Nevertheless, the positioning points to more rotation. Fund managers seem to be becoming less interested in cash and bonds. We have arrived at the "dancing" phase ([see also our research study](#)): most countries have eased their **lockdown measures**, but some setbacks are likely. Remember that **China** had to re-impose a curfew in some areas of Beijing. Geopolitical uncertainties remain elevated and will have an impact on (and be impacted by) the US presidential elections. While the economic data are likely to improve in step with the **mobility data** collected by Google, the situation is still far from normal. "Dancing" remains the order of the day – or, in other words: prepare for elevated volatility.

Keep in step with the markets!

Hans-Jörg Naumer

### Upcoming Political Events 2020

Jun 30: Funo's term ends, Basic Policies for Economic and Financial Management Reform, strategic growth plan

Jul 16: ECB meeting

Jul 21: BoJ meeting

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

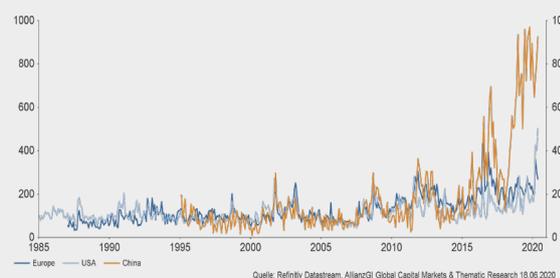
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### Chart of the Week

Economic Policy Uncertainty Index:  
Europe / US / China



## Calendar Week 26:

Monday			Consensus	Previous
EC	Consumer Confidence	Jun A	--	--
US	Chicago National Activity Index	May	--	--
US	Existing Home Sales MoM	May	--	-17,80%
Tuesday				
EC	Markit Manufacturing PMI	Jun P	--	--
EC	Markit Services PMI	Jun P	--	--
EC	Markit Composite PMI	Jun P	--	--
FR	Markit Manufacturing PMI	Jun P	--	--
FR	Markit Services PMI	Jun P	--	--
FR	Markit Composite PMI	Jun P	--	--
GE	Markit Manufacturing PMI	Jun P	--	--
GE	Markit Services PMI	Jun P	--	--
GE	Markit Composite PMI	Jun P	--	--
JN	Jibun Bank Japan PMI Mfg	Jun P	--	--
JN	Jibun Bank Japan PMI Services	Jun P	--	--
JN	Jibun Bank Japan PMI Composite	Jun P	--	--
UK	Markit Manufacturing PMI	Jun P	--	--
UK	Markit Services PMI	Jun P	--	--
UK	Markit Composite PMI	Jun P	--	--
US	Markit Manufacturing PMI	Jun P	--	--
US	Markit Services PMI	Jun P	--	--
US	Markit Composite PMI	Jun P	--	--
US	New Home Sales MoM	May	--	--
US	Richmond Fed Index	Jun	--	--
Wednesday				
FR	Business Confidence	Jun	--	--
GE	Ifo Business Climate	Jun	--	79,5
GE	Ifo Expectations	Jun	--	80,1
GE	Ifo Current Assessment	Jun	--	78,9
US	FHFA House Price Index MoM	Apr	--	--
Thursday				
GE	GfK Consumer Confidence	Jul	--	-18,9
JN	All Industry Activity Index MoM	Apr	--	-3,80%
US	Wholesale Inventories MoM	May P	--	--
US	GDP Annualized QoQ	1Q T	--	--
US	Personal Consumption QoQ	1Q T	--	--
US	Durable Goods Orders MoM	May P	--	--
US	Durables Ex Transportation MoM	May P	--	--
US	Initial Jobless Claims	Jun 20	--	--
US	Continuing Claims	Jun 13	--	--
US	Kansas City Fed Manf. Activity	Jun	--	--
Friday				
EC	M3 Money Supply YoY	May	--	--
FR	Consumer Confidence	Jun	--	--
IT	Consumer Confidence Index	Jun	--	--
IT	Economic Sentiment	Jun	--	--
JN	Tokyo CPI YoY	Jun	--	--
JN	Tokyo CPI Core YoY	Jun	--	--
US	Personal Income MoM	May	--	--
US	Personal Spending MoM	May	--	--
US	PCE Deflator YoY	May	--	--
US	PCE Core Deflator YoY	May	--	--

**Investing involves risk.** The value of an investment and the income from it will fluctuate and investors may not get back the principal invested. Equities have tended to be volatile, and do not offer a fixed rate of return. Investing in the bond market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bond prices will normally decline as interest rates rise. The impact may be greater with longer-duration bonds. Credit risk reflects the issuer's ability to make timely payments of interest or principal—the lower the rating, the higher the risk of default. Currencies involve risks such as credit risk, interest rate fluctuations, and can be more sensitive to the effect of varied economic conditions of the underlying country. 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