

The Week Ahead

Active is: Keeping an eye on capital markets



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Stormy weather

In many respects, the outlook for global growth today rests on the outlook for **Covid-19**. The pandemic touches everything from online shopping and school reopenings to employment, monetary policy, currency pricing and political risk.

Massive resources are being poured into efforts to contain the outbreak and find treatments and cures. Nine months into the worst pandemic in a century, we already have **10 vaccine candidates** in Phase III human trials.

We anticipate celebrating more positive news around vaccines in the coming months as a series of highly anticipated test results are released. But we recognise there may be setbacks. For instance, there is evidence of a rapid fade in **virus-neutralising antibodies** within months of patients falling ill. This suggests disease protection might be transitory – like the common cold or seasonal flu. Some vaccine candidate manufacturers are already deploying follow-up doses and discussing the potential for an annual Covid-19 inoculation.

Another possible challenge is uptake. Only 58% of US adults say they would be willing to take the vaccine – a proportion that has fallen as people recalibrate to a **“new normal”** where life carries on despite widespread community transmission.

As a result, while the race for a cure is critical, what might prove even more exciting is news on therapies that improve outcomes *after* people get sick. We already know remdesivir and dexamethasone can reduce mortality rates, and plasma transfers might, too. Today, there are at least 331 Covid-19 therapies in development, including some that could enable **treatment at home**.

Another big question is what happens when the seasons change. As the weather turns colder, people will increasingly move indoors where Covid-19 can more easily transmit and be confused with the seasonal flu. This could make it harder for schools, businesses and employers

Publications



Investing in a better World

August 22, 2020: Earth Overshoot Day – it is all about investing in a better world



China's return to growth should help equities and corporate credit in North Asia

With its successful containment of Covid-19, China's ongoing recovery is likely to benefit its most closely connected neighbours.



How will private debt be changed by Covid-19?

As the world recovers from the global pandemic, the private-lending industry has an opportunity to position itself as a strong partner for post-crisis long-term growth. But sustainability needs to be at the heart of private lenders' approach.

to discern between individuals with a simple runny nose vs. those with coronavirus.

As such, from an economic standpoint, the advent of cold weather could present a challenge to the thousands of companies surviving the pandemic because they moved services outdoors (restaurants, gyms, barbers, etc). If the virus persists, more **government stimulus** may be needed to keep those businesses and their employees afloat.

The Week Ahead

We are entering a brief summer lull in the data flow, with second-quarter earnings winding down and the economic calendar looking languid. As a result, developments around Covid-19 and geopolitics may grab the headlines. In the US, we think a fall-off in daily deaths (see our Chart of the Week) may coincide with President Trump's nomination at the 2020 **Republican National Convention** scheduled 24-27 August.

On Monday, the only major release is the Chicago Fed's National Activity Index, which is expected to plateau in July after two months of gains.

On Tuesday, we will get more **US data**, including June FHFA home prices and August consumer confidence. Both are expected to advance. We'll also get a first indication of **German economic performance** in August, with ifo business expectations (expected to weaken) and current assessment (expected to improve).

On Wednesday and Thursday, **Europe watchers** will get French consumer and business confidence, along with Italian industrial orders and sales. In the US, potential market movers include weekly jobless claims, durable goods orders and pending home sales.

The week closes on Friday with more August consumer confidence numbers (Germany, Italy and the EU. We will also get preliminary August **inflation data** for France and Tokyo, plus July inventories and personal spending/income for the US.

Talking technicals

The "risk-on" reflation trade we have been monitoring for several weeks remains in place. Stocks continue to overcome short-term overbought situations, while commodities have been stable (or improving). The US dollar remains weaker and **government bond yields** have begun to rise. Market pessimism is still elevated, suggesting that further economic improvements could invite participation from investors that are still on the sidelines.

Enjoy the summer,

Greg

Upcoming Political Events 2020

Aug 25: ECB Governing Council meeting

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

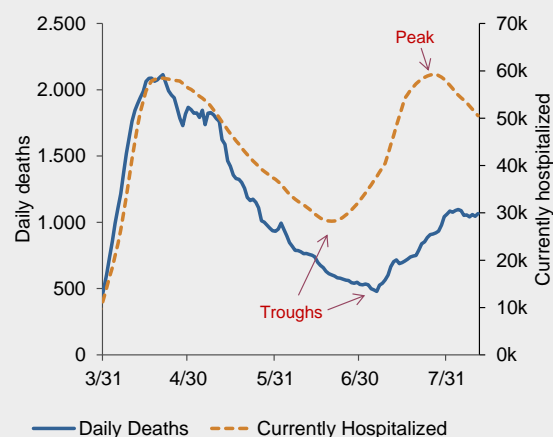
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Chart of the Week

Daily Deaths & Currently Hospitalized
(7-Day Averages)



Source: AllianzGI Global Economics & Strategy, Johns Hopkins University, as of 8/12/20

Calendar Week 35:

| Monday | | | Consensus | Previous |
|-----------|---------------------------------|--------|-----------|----------|
| US | Chicago National Activity Index | Jul | 3,88 | 4,11 |
| Tuesday | | | | |
| GE | Ifo Business Climate | Aug | -- | 90,5 |
| GE | Ifo Expectations | Aug | -- | 97 |
| GE | Ifo Current Assessment | Aug | -- | 84,5 |
| US | FHFA House Price Index MoM | Jun | 0,40% | -0,30% |
| US | Conf. Board Consumer Confidence | Aug | 93,2 | 92,6 |
| US | New Home Sales MoM | Jul | -2,50% | 13,80% |
| US | Richmond Fed Index | Aug | -- | 10 |
| Wednesday | | | | |
| FR | Consumer Confidence | Aug | -- | 94 |
| US | Durable Goods Orders MoM | Jul P | 4,00% | 7,60% |
| US | Durables Ex Transportation MoM | Jul P | 2,70% | 3,60% |
| Thursday | | | | |
| EC | M3 Money Supply YoY | Jul | -- | 9,20% |
| FR | Business Confidence | Aug | -- | 85 |
| IT | Industrial Sales WDA YoY | Jun | -- | -25,90% |
| IT | Industrial Orders NSA YoY | Jun | -- | -34,70% |
| JN | All Industry Activity Index MoM | Jun | -- | -3,50% |
| US | GDP Annualized QoQ | 2Q S | -32,50% | -32,90% |
| US | Personal Consumption QoQ | 2Q S | -- | -34,60% |
| US | Initial Jobless Claims | Aug-22 | -- | -- |
| US | Continuing Claims | Aug-15 | -- | -- |
| US | Pending Home Sales NSA YoY | Jul | -- | 12,70% |
| US | Kansas City Fed Manf. Activity | Aug | -- | 3 |
| Friday | | | | |
| EC | Economic Confidence | Aug | -- | 82,3 |
| EC | Industrial Confidence | Aug | -- | -16,2 |
| EC | Services Confidence | Aug | -- | -26,1 |
| FR | CPI YoY | Aug P | -- | 0,90% |
| FR | PPI YoY | Jul | -- | -2,70% |
| FR | Consumer Spending YoY | Jul | -- | 1,30% |
| GE | GfK Consumer Confidence | Sep | -- | -0,3 |
| IT | Consumer Confidence Index | Aug | -- | 100 |
| IT | Economic Sentiment | Aug | -- | 76,7 |
| JN | Tokyo CPI YoY | Aug | -- | 0,60% |
| JN | Tokyo CPI Core YoY | Aug | -- | 0,40% |
| US | Personal Income MoM | Jul | -0,20% | -1,10% |
| US | Wholesale Inventories MoM | Jul P | -- | -1,40% |
| US | Personal Spending MoM | Jul | 1,40% | 5,60% |
| US | PCE Deflator YoY | Jul | -- | 0,80% |
| US | PCE Core Deflator YoY | Jul | -- | 0,90% |
| US | MNI Chicago PMI | Aug | -- | 51,9 |
| Saturday | | | | |
| IT | PPI YoY | Jul | -- | -6,10% |

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