

The Week Ahead

Active is: Keeping an eye on capital markets



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“Holidays in the Sun”

If the outlook for global growth rested upon one factor in 2019, it would be the **US-China trade war**. Should the world’s two largest economies make “peace” the future should brighten, boosted by the clearing of uncertainty and the scale of monetary and fiscal stimulus already in place.

The longer the impasse persists, though, the greater the downward economic pressure. Importantly, ‘kicking-the-can-down-the-road’ does not help: It perpetuates the uncertainty undermining global trade, investment and manufacturing. (See our *Chart of the Week*). And **monetary policy** isn’t well-equipped to offset high-velocity negotiations that may (or may not) further disrupt foreign supply chains and corporate revenues. Central bank actions typically affect with a 6-18 month lag, but the trade outlook could flip with a tweet.

Negotiations are complicated by the fact the US raised tariffs on Mexico even after renegotiating NAFTA, and that Huawei and the Hong Kong protests have been linked to a prospective deal.

With this critical relationship being negotiated in public, it may prove difficult for someone to back down without losing face. That said, both presidents have strong **economic and political incentives** to stop the fighting and set global growth on a sunnier course.

The Week Ahead

Much of the week’s incoming economic news will be framed in terms of how it was impacted by the trade war. In Asia, the focus will be the health of **China’s economy** after it grew in the second quarter at the slowest pace in 30 years. Expect new data on Chinese manufacturing (probably contracting at an accelerating pace)

Publications



“Are we running out of policy options for the next crisis?”

The global economy will eventually face another downturn, which raises critical questions. With rates so low, what tools do central banks have left to spark a turnaround? What other monetary, fiscal or structural changes could head off problems? And what might happen if we don’t change our policy approach?



“Simply Red – or: Heaven for Debtors and Hell for Creditors”

It’s been a long time since my savings account passbook had any significance to me, but at least it’s a useful place for stashing the kids’ pocket money, even if it hasn’t paid any interest for a long time. But this time, as I stood at the bank counter emptying my kids’ piggy bank, it occurred to me that I was about to harm the bank – albeit unintentionally – through my deposits....



“Active is: Using the 7 habits of successful investors”

Investing and accumulating wealth are no trivial matter, especially when investors are torn between avoiding risk and striving for returns. Seven simple habits can help to accumulate capital calmly and composedly. After all, your money should be working for you, not the other way around.

and trade (recently volatile due to slowing domestic demand and falling shipments to the US). In **Japan**, investors will get an update on the index of leading economic indicators, which fell in June to the lowest level since February 2010.

Europe's export economies have been similarly buffeted: In **Germany**, we'll see if industrial production and construction spending have stabilized, after contracting at the fastest paces in 10 years and 17 months, respectively. For the broader **euro zone**, we will get updated retail sales—a bright spot after growing 2.6% in June.

With the UK on track to leave the EU on October 31, **Brexit-watchers** will be keen to see if British manufacturing remains in contraction (as expected) and if service sector growth has weakened (as expected). Brexit is similar to the trade war, in that it creates uncertainty, and can impair investment and manufacturing.

Across the pond, **US data** should show continued divergence between strong domestically-oriented sectors and weak foreign-focused sectors. For instance, while ISM data may show continued deterioration in both services and manufacturing, the latter may weaken more due to its cyclicality and export exposure. The trading week ends Friday with reports on the US labor market, where job growth is forecast to hold steady and unemployment could match a 50-year low.

Active is: Watching market technicals

Further **turbulence** is possible as we enter a seasonally difficult part of the year. While global equities have seen losses recently, "buy the dip" investors have yet to be washed out. Corporate bond spreads have widened, but not on the scale seen last December. The VIX Volatility Index is oscillating between 15 (a recent equity sell signal) and 25 (a recent buy signal). **Gold** continues to be perceived as a 'safe-haven', with more than \$16 trillion in negative-yielding bonds globally and central banks poised to ease more. Hoping your holidays were sunny,

Greg Meier

Upcoming Political Events 2019

Sep 12: ECB Governing Council meeting

Sep 17: UN General Assembly

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

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

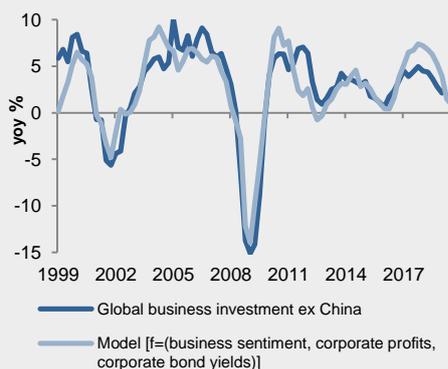
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Chart of the Week

Sluggish business investment raises downside risks to global economy



¹Global business investment approximated by gross fixed capital formation, US business investment comprises non-residential corporate investment. Source: Allianz Global Investors Global Economics & Strategy, Bloomberg. Data as of 20 August 2019.

Calendar Week 36:

Monday			Consensus	Previous
CH	Caixin Manufacturing PMI	Aug	49.8	49.9
IT	Markit Italy Manufacturing PMI	Aug	--	48.5
JN	Vehicle Sales YoY	Aug	--	6.7%
UK	Markit Manufacturing PMI	Aug	--	48
Tuesday				
EC	PPI YoY	Jul	--	0.7%
JN	Monetary Base YoY	Aug	--	3.7%
UK	Markit Construction PMI	Aug	--	45.3
US	ISM Manufacturing	Aug	51	51.2
US	Construction Spending MoM	Jul	--	-1.30%
Wednesday				
CH	Caixin Composite PMI	Aug	--	50.9
CH	Caixin Services PMI	Aug	52	51.6
EC	Retail Sales YoY	Jul	--	2.6%
IT	Markit Italy Services PMI	Aug	--	51.7
IT	Markit Italy Composite PMI	Aug	--	51
UK	Markit Services PMI	Aug	--	51.4
UK	Markit Composite PMI	Aug	--	50.7
US	Trade Balance	Jul	-\$55.3b	-\$55.2b
Thursday				
GE	Factory Orders YoY	Jul	--	-3.6%
GE	Markit Construction PMI	Aug	--	49.5
US	ADP Employment Change	Aug	--	156k
US	Initial Jobless Claims	Aug 31	--	--
US	Continuing Claims	Aug 24	--	--
US	Factory Orders MoM	Jul	--	0.6%
US	Factory Orders ex. Transport MoM	Jul	--	0.1%
US	ISM Non-Manufacturing Index	Aug	53	53.7
Friday				
FR	Trade Balance	Jul	--	-5187m
FR	Current Account Balance	Jul	--	-0.8b
GE	Industrial Production YoY	Jul	--	-5.2%
GE	Labor Costs WDA YoY	2Q	--	2.5%
IT	Retail Sales YoY	Jul	--	1.3%
JN	Labor Cash Earnings YoY	Jul	--	0.4%
JN	Leading Index	Jul P	--	--
JN	Coincident Index	Jul P	--	--
UK	Halifax House Price 3Mths/Year	Aug	--	4.1%
US	Change in Nonfarm Payrolls	Aug	165k	164k
US	Unemployment Rate	Aug	3.6%	3.7%
US	Average Hourly Earnings YoY	Aug	--	3.2%
Saturday				
CH	Foreign Reserves	Aug	--	\$3103.70b
Sunday				
CH	Trade Balance	Aug	--	\$45.06b
CH	Exports YoY	Aug	--	3.3%
CH	Imports YoY	Aug	--	-5.6%
CH	Trade Balance CNY	Aug	--	310.26b

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. Past performance is not indicative of future performance. This is a marketing communication. It is for informational purposes only. This document does not constitute investment advice or a recommendation to buy, sell or hold any security and shall not be deemed an offer to sell or a solicitation of an offer to buy any security. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. Certain data used are derived from various sources believed to be reliable, but the accuracy or completeness of the data is not guaranteed and no liability is assumed for any direct or consequential losses arising from their use. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted. This material has not been reviewed by any regulatory authorities. In mainland China, it is used only as supporting material to the offshore investment products offered by commercial banks under the Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations. This communication's sole purpose is to inform and does not under any circumstance constitute promotion or publicity of Allianz Global Investors products and/or services in Colombia or to Colombian residents pursuant to part 4 of Decree 2555 of 2010. This communication does not in any way aim to directly or indirectly initiate the purchase of a product or the provision of a service offered by Allianz Global Investors. Via reception of his document, each resident in Colombia acknowledges and accepts to have contacted Allianz Global Investors via their own initiative and that the communication under no circumstances does not arise from any promotional or marketing activities carried out by Allianz Global Investors. Colombian residents accept that accessing any type of social network page of Allianz Global Investors is done under their own responsibility and initiative and are aware that they may access specific information on the products and services of Allianz Global Investors. This communication is strictly private and confidential and may not be reproduced. This communication does not constitute a public offer of securities in Colombia pursuant to the public offer regulation set forth in Decree 2555 of 2010. This communication and the information provided herein should not be considered a solicitation or an offer by Allianz Global Investors or its affiliates to provide any financial products in Panama, Peru, and Uruguay. This document is being distributed by the following Allianz Global Investors companies: Allianz Global Investors U.S. LLC, an investment adviser registered with the U.S. Securities and Exchange Commission; Allianz Global Investors Distributors LLC, distributor registered with FINRA, is affiliated with Allianz Global Investors U.S. LLC; Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin); Allianz Global Investors (Schweiz) AG, licensed by FINMA (www.finma.ch) for distribution and by OAKBV (Oberaufsichtskommission berufliche Vorsorge) for asset management related to occupational pensions in Switzerland; Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424, Member of Japan Investment Advisers Association and Investment Trust Association, Japan]; and Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan. 939012