

FRIDAY, 8 NOVEMBER 2024

The Week Ahead

Moments of truth

The past week was marked by several **moments of truth**. Not only did the US central bank, the Federal Reserve (**Fed**), announce its latest decision on monetary policy but an even more momentous choice was made by the American people: **elections for president** and both houses of Congress. Although it is often said that the impact of political events on stock markets is short lived, it would be too easy to just “copy and paste” this ostensible maxim onto today's world as the outcome of the US vote is significant, particularly for the economy. Trade (tariffs), foreign policy, regulation and climate policy are among the key areas in which the president has the power to effect change without any major congressional action. Congress has control over the federal budget, meaning that a president must have majorities in both the House of Representatives and the Senate for most policies that impact federal taxes and spending. In this respect, both candidates appear to have an appetite for expansionary fiscal policies, which should have a

stimulating effect on the economy, at least in the short term. That said, Kamala Harris leans more towards higher taxes to finance additional spending than her rival Donald Trump. His main focus is on higher trade tariffs, while he also favours a looser monetary policy - issues that do not seem to feature in his Democratic challenger's platform.

In the days leading up to the election, **US equity markets** would seem to have anticipated a Donald Trump win. In the latter scenario, stock market gains would already have priced in the tax cuts that Trump has pledged to deliver (or the extension of the temporary tax cuts he had previously made). That would also serve to relativise higher valuations. A similar pattern emerges for inflation prospects: While the euro area is forecast to see the rate of price increases continue to decline slightly over a one-year time horizon, expectations for inflation in the US have ticked up somewhat. The reason for this may be that markets have already factored in Trump's trade tariffs.

Publications

→ US elections

How might investors navigate the election result?

→ Multi Asset: The comeback

The aim behind “multi asset” is to improve the risk/return profile of an investment by allocating capital across a multitude of assets. This approach to investment struggled during the phase of low and negative returns. Meanwhile, it may be poised for a comeback.

→ Renewables: navigating political waters

While public attention is focused on the very different personalities of presidential candidates Kamala Harris and Donald Trump, it should not be forgotten that these elections represent much more.



Dr Hans-Jörg Naumer
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The Week Ahead

A number of **economic indicators** are set to be published in the coming week. However, taken together, they are unlikely to contain any major surprises. That is to say, they should have a minimal impact on markets.

Tuesday sees the publication of final consumer price index (CPI) data for Germany, while (core) inflation numbers for the United States will appear on Wednesday. These are followed on Thursday by producer prices (also for the US). It is highly unlikely that we will see any outliers that could influence monetary policymakers' decisions. The ZEW Indicator of Economic Sentiment for Germany on Tuesday will reveal whether it is in line with the barely noticeable improvement in the ifo Business Climate index. Thursday will then feature (heavily) lagging data releases for industrial production and the flash estimate for eurozone gross domestic product (GDP) in the third quarter. Rounding off the week are industrial production in China and the (less closely watched) New York Fed's Empire State manufacturing index.

The most crucial issues to watch in the week ahead will be the results of elections in the United States and their implications for the economy, in addition to monetary and geopolitical policy. There is plenty of uncertainty in store here. Finally, **geopolitics** remains a constant source of tension, with the spotlight being on the Middle East.

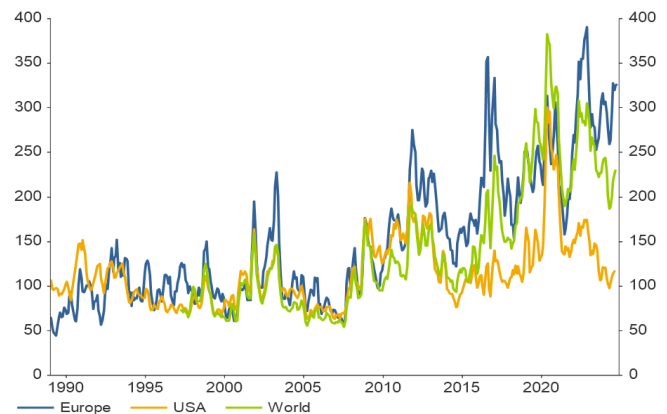
Another conspicuous trend is that reporting on economic policy issues in some parts of the world indicates growing levels of uncertainty. At least that is what the "**Economic Policy Uncertainty Index**" suggests. This indicator analyses reports from different countries on economic and economic policy topics, aggregating news with a high degree of risk or uncertainty into an indicator. Interestingly, while this indicator is hovering around a neutral level for the United States, overall coverage across the globe, and particularly in Europe, is heavily skewed towards news highlighting economic risks (see our chart of the week). European reporting is dominated by Germany.

Heightened volatility can be expected over the weeks to come. Despite this, the technical picture is stable and risk indicators, such as swap spreads or the European Central Bank's (ECB) CISS (Composite Indicator of Systemic Stress), as well as the St. Louis Fed Financial Stress Index, point to a more benign environment.

Wishing you some moments of calm,

Dr Hans-Jörg Naumer

Index of economic policy uncertainty <https://www.policyuncertainty.com/> (3m moving average)



Source: LSEG Datastream, AllianzGI Global Capital Markets & Thematic Research, 04.11.2024.

Past performance, or any prediction, projection or forecast, is not indicative of future performance.

UPCOMING POLITICAL EVENTS 2024

11–22 Nov		COP29 in Azerbaijan
18–19 Nov	G20 EU	G20 Summit in Brazil
		Decision deadline on China EV subsidies

→ [Overview political events 2024 \(click here\)](#)

Calendar Week 46

Monday			Consensus	Previous
CN	M2 Money Supply YY	Oct	7.0%	6.8%
JN	Current Account NSA JPY	Sep	--	3,803.6B
JN	Current Account Bal SA	Sep	--	3,016.500M
Tuesday				
JN	Trade Bal Cust Basis SA	Sep	--	-274,968.00M
JN	M2 Money Supply	Oct	--	1,252,834,800M
JN	Broad Money	Oct	--	2,181.3T
GE	CPI Final YY	Oct	--	2.0%
GE	HICP Final YY	Oct	--	2.4%
UK	Claimant Count Unem Chng	Oct	--	27.9k
UK	ILO Unemployment Rate	Sep	--	4.0%
UK	Employment Change	Sep	--	373k
UK	Avg Wk Earnings 3M YY	Sep	--	3.8%
UK	Avg Earnings (Ex-Bonus)	Sep	--	4.9%
UK	HMRC Payrolls Change	Oct	--	-15k
GE	ZEW Economic Sentiment	Nov	--	13.1
Wednesday				
GE	ZEW Current Conditions	Nov	--	-86.9
JN	Corp Goods Price YY	Oct	--	2.8%
US	Core CPI YY, NSA	Oct	--	3.3%
US	CPI YY, NSA	Oct	--	2.4%
Thursday				
US	CPI Wage Earner	Oct	--	309.046
UK	RICS Housing Survey	Oct	--	11
EC	Employment Flash YY	Q3	--	0.8%
EC	GDP Flash Estimate YY	Q3	--	0.9%
EC	Industrial Production YY	Sep	--	0.1%
US	Initial Jobless Clm	4 Nov, w/e	--	--
US	Cont Jobless Clm	28 Oct, w/e	--	--
US	PPI Machine Manuf'ing	Oct	--	184.8
US	PPI Final Demand YY	Oct	--	1.8%
US	PPI exFood/Energy YY	Oct	--	2.8%
Friday				
JN	GDP QQ	Q3	0.2%	0.7%
JN	GDP QQ Pvt Consmp Prelim	Q3	0.2%	0.9%
JN	GDP QQ Capital Expend.	Q3	-0.2%	0.8%
JN	GDP QQ External Demand	Q3	0.1%	-0.1%
CN	Industrial Output YY	Oct	--	5.4%
CN	Retail Sales YY	Oct	--	3.2%
CN	Unemp Rate Urban Area	Oct	--	5.1%
JN	Tertiary Ind Act NSA	Sep	--	-2.9%
UK	GDP Est 3M/3M	Sep	--	0.2%
UK	GDP Estimate YY	Sep	--	1.0%
UK	Services YY	Sep	--	1.5%
UK	Industrial Output YY	Sep	--	-1.6%
UK	Manufacturing Output YY	Sep	--	-0.3%
UK	Goods Trade Balance GBP	Sep	--	-15.060B
UK	GDP Prelim YY	Q3	--	0.7%
UK	Business Invest QQ Prelim	Q3	--	1.4%
UK	Business Invest YY Prelim	Q3	--	0.2%
EC	Reserve Assets Total	Oct	--	1,318.88B
US	NY Fed Manufacturing	Nov	--	-11.90
US	Import Prices YY	Oct	--	-0.1%
US	Retail Control	Oct	--	0.7%
US	Capacity Utilization SA	Oct	--	77.5%

The calendar data for the current week comes directly from Bloomberg. They are published in the week in which "The Week Ahead" appears. These are economic data that come from official sources. Where available, the previous figure is collected together with the consensus estimate. The consensus estimate is collected by Bloomberg through a survey of analysts and economists. It is the average of all estimates submitted.

If not mentioned otherwise data and information sources are from LSEG Datastream.

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