

FRIDAY, 13 DECEMBER 2024

# The Week Ahead

## Investors' wish list

In many countries, it is a time-honoured tradition during the festive season for children to write to Santa Claus with a list of what they would like for Christmas. But what if investors could do the same? What might be on their wish list for 2025?

**Enough growth:** Sufficiently high and robust economic growth in the crucial regions of the **United States**, Asia and Europe could be seen as a basic ingredient for a successful year on capital markets. Growth in the overall US economy appears resilient, with consumer spending proving especially robust. Tax cuts and deregulation could even give a further boost to growth while tariffs and the deportation of migrant workers may have the opposite effect. As for **Europe** and **China**, there is still upside potential in terms of GDP: a positive surprise in growth numbers may signal a genuine recovery in sentiment there.



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**Muted inflation:** 2021 and 2022 brought a stark reminder of the impact that an unexpectedly rapid spike in inflation can have on capital markets. Although inflation has continued to ease overall in 2024, the trend has recently stalled a little, notably in the US. Though it would certainly be helpful if inflation rates converge closer to central banks' two percent targets, it is by no means a foregone conclusion. In this respect, too, much will depend on the policy direction of the new US administration.

**Minimal protectionism:** Less trade, reduced competition as well as a lower level of specialisation and fewer economies of scale in supply chains would be harmful to all parties involved. The more pragmatic the new US administration acts in terms of trade policy, the better it will be for everyone.

**A recovery in manufacturing:** Looking through the rearview mirror, the engine of global growth in 2024 can be described as heavily skewed towards services. Manufacturing industry, on the other hand, either contracted or at the very least generated anaemic growth. Most recently, US purchasing managers' indices for new orders have firmed up slightly and a prolonged phase of reducing inventories may soon be over (*please see Chart of the Week*). In countries such as Germany and China, too, selective leading manufacturing indicators have recently stabilised at a low level. Broader-based growth could also help the stock market to become

## Publications

### → Outlook 2025:

#### **New ways to diversify**

Following a decisive result in the US election, the outlook for risky assets seems positive with a soft landing in sight for the US and world economies despite the potential for volatility ahead.

### → French government changes: market factors to watch

The French parliament voted on 4 December to oust Prime Minister Michel Barnier over his proposed budget.

### → Is COP burnt out?

COP 29 closed amid comparisons with an equally acrimonious COP 15 in 2009. The tripling of climate finance commitments merely masks heightened tensions between developed and developing nations, evident ambition gaps, and ongoing absence of detail.

more diversified (or less concentrated). A recovery in small cap stocks and other neglected segments within a heavily concentrated global equity market would undoubtedly bring cheer to many investors.

## The week ahead

A slew of figures and interest rate decisions awaits investors before the year finally draws to a close. The focus of attention is likely to be the outcome of the **US Federal Reserve's** Federal Open Market Committee (FOMC) **meeting** on Wednesday. The market expects a further 25 basis point cut in the key fed funds rate, but the bank's forward guidance may hint at fewer and/or later rate cuts thereafter – at least relative to what was expected a few weeks ago.

The following data releases also merit watching:

- 1) The November reports on Chinese manufacturing, retail sales and fixed asset investment,
- 2) the December preliminary purchasing managers' indices for the Euro Area, the UK, Japan and the US (both on Monday),
- 3) additional sentiment indicators for Germany on Tuesday (ifo and ZEW indices),
- 4) UK inflation numbers (Wednesday),
- 5) the interest rate decision by the Bank of Japan and data on the US labour and housing markets (Thursday), and finally
- 6) the US Personal Consumption Expenditures Price Index on Friday.

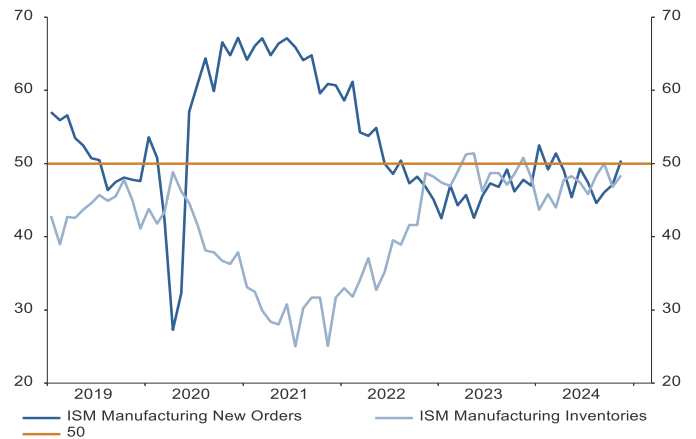
Many investors can look back on a year of strong returns in 2024. As such, some items on last year's wish list may have come true. The basis for a promising 2025 appears to be in place – even if there is potential for disruption from several directions, notably from geopolitics.

Wishing you all a very Merry Christmas and a prosperous 2025.

Yours,

*Stefan Rondorf*

### A glimpse of hope for US manufacturing: Recovery of new orders, end of destocking?



Source: LSEG Datastream, AllianzGI Economics & Strategy, 11.12.2024

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

### UPCOMING POLITICAL EVENTS 2024

17–18 Dec	US	Meeting of the US Federal Open Market Committee (FOMC)
19 Dec	JN	Bank of Japan meeting
19 Dec	GB	BoE announcement and minutes

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

## Calendar Week 51

Monday			Consensus	Previous
CN	Industrial Output YY	Nov	5.3%	5.3%
CN	Retail Sales YY	Nov	4.6%	4.8%
JN	Tertiary Ind Act NSA	Oct	--	1.9%
EC	HCOB Mfg Flash PMI	Dec	--	45.2
EC	HCOB Services Flash PMI	Dec	--	49.5
EC	HCOB Composite Flash PMI	Dec	--	48.3
UK	Flash Composite PMI	Dec	--	50.5
UK	Flash Manufacturing PMI	Dec	--	48.0
UK	Flash Services PMI	Dec	--	50.8
US	NY Fed Manufacturing	Dec	--	31.20
US	S&P Global Mfg PMI Flash	Dec	--	49.7
US	S&P Global Svcs PMI Flash	Dec	--	56.1
US	S&P Global Comp Flash PMI	Dec	--	54.9
Tuesday				
GE	Ifo Business Climate New	Dec	--	85.7
GE	Ifo Curr Conditions New	Dec	--	84.3
GE	Ifo Expectations New	Dec	--	87.2
GE	ZEW Economic Sentiment	Dec	--	7.4
GE	ZEW Current Conditions	Dec	--	-91.4
US	NAHB Housing Market Indx	Dec	--	46
Wednesday				
UK	Core CPI YY	Nov	--	3.3%
UK	CPI YY	Nov	--	2.3%
UK	RPI YY	Nov	--	3.4%
UK	RPIX YY	Nov	--	2.8%
UK	PPI Core Output YY NSA	Nov	--	1.7%
EC	HICP Final YY	Nov	--	2.3%
EC	HICP-X F,E,A&T Final YY	Nov	--	2.7%
US	Current Account	Q3	--	-266.8B
US	Building Permits: Number	Nov	--	1.419M
US	Housing Starts Number	Nov	1.345M	1.311M
US	Fed Int On Excess Reserves	18 Dec	--	4.65%
JN	Chain Store Sales YY	Nov	--	-1.3%
Thursday				
UK	BOE Bank Rate	Dec	4.75%	4.75%
US	GDP Final	Q3	2.8%	2.8%
US	Core PCE Prices Fnal	Q3	--	2.1%
US	Initial Jobless Clm	9 Dec, w/e	--	--
US	Cont Jobless Clm	2 Dec, w/e	--	--
US	Philly Fed Business Indx	Dec	--	-5.5
US	Existing Home Sales	Nov	4.03M	3.96M
US	Exist. Home Sales % Chg	Nov	--	3.4%
JN	JP BOJ Rate Decision	19 Dec	--	0.25%
Friday				
JN	CPI, Overall Nationwide	Nov	--	2.3%
CN	Loan Prime Rate 1Y	Dec	--	3.10%
GE	Producer Prices YY	Nov	--	-1.1%
UK	Retail Sales YY	Nov	--	2.4%
US	Core PCE Price Index YY	Nov	--	2.8%
US	PCE Price Index YY	Nov	--	2.3%
EC	Consumer Confid. Flash	Dec	--	-13.7
US	U Mich Sentiment Final	Dec	--	74.0

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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