Allianz Global Investors

THE WEEK AHEAD, 21 NOVEMBER 2025

Giving thanks where thanks are due

Thanksgiving remains the **USA's ultimate feast day**, and the numbers never fail to impress: over 45 million turkeys are expected to be consumed, amounting to nearly 1.4 billion pounds of meat (3 pounds or comfortably more than 1kg per person) after which the natural response is to digest the meal in front of the television or other source of social media entertainment. We can be confident that far fewer calories will be worked off on the day than consumed!

Beyond the family traditions, **Thanksgiving** now marks the more or less official start of the **holiday shopping season** reflecting well-developed advertising and discounting strategies. The US consumer has become decidedly two-tone this year as those with equity portfolios enjoy the boost to valuations coming from AI while those in the bottom half of the income distribution have found the pressure from a rising cost of living to be increasingly burdensome in a labour market where companies have become increasingly reluctant to hire. Despite this, US holiday sales are forecast to top $1 trillion.

For **financial markets**, Thanksgiving is an important seasonal marker. In credit markets, the week following Thanksgiving is traditionally the last opportunity for companies to issue debt before liquidity winds down into year end, while equity investors eagerly look forward to the possibility of a Santa Claus rally. This year, expectations for both markets are coloured by the scale of equity price appreciation seen since April (encouraging some profit taking) and the ramp-up of capex spending announcements to enable the AI build-out. A final factor tempering enthusiasm comes from the build-out. A final factor tempering enthusiasm comes from the cautionary tones being delivered by the **Federal Reserve** (the Fed is the US central bank). The absence of data has been an obvious motivation for **the Fed** to be wary of providing guidance, but the more fundamental challenge is the highly unusual bifurcation between the capex boom and the discomfort in the labour market.

Sean Shepley
Senior Economist

PUBLICATIONS

→ Responsible AI: a sustainable approach
Artificial intelligence is reshaping the world at an unprecedented pace but, as with any revolutionary technology, there are risks and trade-offs. We think AI can only sustain its growth by respecting environmental, social and governance standards. Can AI be responsible?

→ Behavioural Finance: Outsmart yourself!
Rising gold and oil prices, fears of inflation and recession – geopolitics are at the top of the agenda. Particularly in times of heightened uncertainty, there is an increased risk that our actions will be determined by behavioural patterns that are anything but rational.
This is why the findings of behavioural finance are more important than ever. But even more important than self-knowledge is the ability to outsmart oneself.

→ Systemic risk or isolated tremors?
A credit market check-in.

We suspect that the latter will ultimately prove to be the swing factor determining how much further the Fed will cut rates in 2026.

Across the Atlantic, it looks like there will be a lot less to celebrate. The **UK economy** has endured a year of weak growth and a new burst of inflation, partly due to food prices but more fundamentally due to policy changes instituted by Chancellor Reeves in her first Budget a year ago. With longer-term growth expectations having been revised down, the result is an expected need for fiscal policy to tighten by £20–30 billion (i.e. rising towards 1% of GDP) at the **November 26 Budget**.

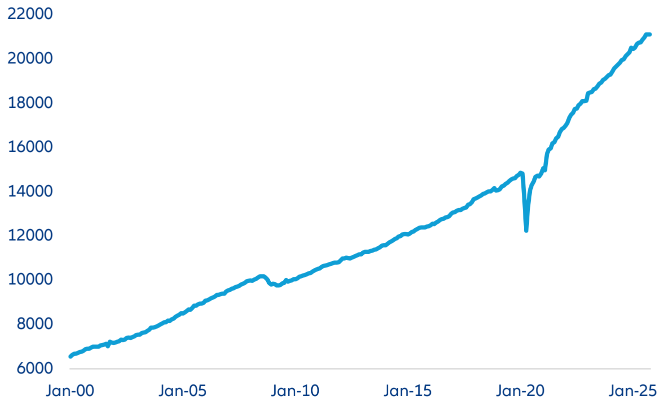
Few would argue that the **UK government** has managed communications ahead of the Budget well. Instead, there has been a slalom taking expectations first towards the need for even more aggressive fiscal tightening, including a rise in income tax that the Labour Party promised in its election manifesto not to deliver, and then back. Whereas an income tax rise would have delivered a highly visible and politically expensive tightening of fiscal policy that would have justified an immediate easing of monetary policy, the risk is that the likely alternatives (perhaps including a longer freeze on income tax thresholds, tighter property, capital gains and inheritance taxes as well as the possibility of levies on some sectors of the economy) are more diffuse, more drawn out and exact the same pain with less credibility.

Fiscal tightening that holds back growth expectations without promoting lower interest rates would unquestionably be a bad outturn, not least for the longer run popularity of the Labour Party. "Enlightened self-interest" should guide the government away from this strategy, but in this case, past performance is not encouraging, and the best one can say is that investor expectations going into the Budget are low.

UPCOMING POLITICAL EVENTS 2025

1 December	G20	US G20 presidency begins
10 December	US	Central Bank Meeting
18 December	UK	Central Bank Meeting
18 December	EZ	Central Bank Meeting
18–19 December	EZ	European Council

US Personal Consumption, USD bn



Source:
Bloomberg, 18.11.2025. Past performance does not predict future returns.

The coming week

In the **US**, the schedule of data releases remains heavily disrupted by the lagged effects of the government shutdown as officials assess how best to make up for lost time. Data releases may be made at very short notice while highly lagged data is likely to be interpreted by the market through the lens of the timing of the shutdown. Nonetheless, greater clarity over the performance of the labour market will be particularly influential for expectations for the Fed's December meeting.

In the **euro area**, next week sees the release of the regular month end surveys by the **European Commission** as well as **Germany's ifo survey**. To date, the euro area has succeeded in avoiding the worst of the downside threatened by higher tariffs, albeit uncertainty over upside momentum remains high. Also of note late next week will be the release of **German, French and Spanish November HICP data** where stabilisation after last month's inflation pick-up is to be expected.

Finally in **Japan**, Tokyo's CPI for November will likely show an extension of the persistent above-target inflation environment even if the Bank of Japan remains very cautious about responding to it by raising interest rates.

Yours,
Sean Shepley

Calendar Week 48

Monday			Consensus	Previous
GE	Ifo Business Climate New	Nov	--	88.4
GE	Ifo Curr Conditions New	Nov	--	85.3
GE	Ifo Expectations New	Nov	--	91.6
Tuesday				
GE	GDP Detailed QQ SA	Q3	--	0.0%
GE	GDP Detailed YY NSA	Q3	--	0.3%
GE	GDP Detailed YY SA	Q3	--	0.3%
UK	CBI Distributive Trades	Nov	--	-27
US	CaseShiller 20 YY NSA	Sep	--	1.6%
US	Consumer Confidence	Nov	--	94.6
Wednesday				
JN	Service PPI	Oct	--	3.00%
JN	Chain Store Sales YY	Oct	--	2.4%
JN	Leading Indicator Revised	Sep	--	1.0
US	GDP 2nd Estimate	Q3	--	--
US	Core PCE Price Index YY	Oct	--	--
US	PCE Price Index YY	Oct	--	--
US	Durable Goods	Oct	--	--
US	Durables Ex-Transport	Oct	--	--
US	GDP Deflator Prelim	Q3	--	--
US	Core PCE Prices Prelim	Q3	--	--
US	Initial Jobless Clm	17 Nov, w/e	--	--
US	Cont Jobless Clm	10 Nov, w/e	--	--
US	New Home Sales-Units	Oct	--	--
Thursday				
EC	Money-M3 Annual Grwth	Oct	--	2.8%
EC	Business Climate	Nov	--	-0.46
EC	Economic Sentiment	Nov	--	96.8
EC	Industrial Sentiment	Nov	--	-8.2
EC	Services Sentiment	Nov	--	4.0
EC	Consumer Confid. Final	Nov	--	--
Friday				
JN	CPI Tokyo Ex fresh food YY	Nov	--	2.8%
JN	CPI, Overall Tokyo	Nov	--	2.8%
JN	Jobs/Applicants Ratio	Oct	--	1.20
JN	Unemployment Rate	Oct	--	2.6%
JN	Retail Sales YY	Oct	--	0.5%
JN	Large Scale Retail Sales YY	Oct	--	3%
JN	Housing Starts YY	Oct	--	-7.3%
GE	Import Prices YY	Oct	--	-1.0%
GE	Retail Sales YY Real	Oct	--	0.2%
GE	Unemployment Chg SA	Nov	--	-1k
GE	Unemployment Rate SA	Nov	--	6.3%
GE	CPI Prelim YY	Nov	--	2.3%
GE	HICP Prelim YY	Nov	--	2.3%
US	Chicago PMI	Nov	--	43.8

The calendar data for the current week comes directly from LSEG Datastream. 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 LSEG Datastream through a survey of analysts and economists. It is the average of all estimates submitted.

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