

THE WEEK AHEAD, 16 JANUARY 2026

Stable

Given all the uncertainties surrounding us as the new year begins, it is worth casting an eye on the economy to get a sense of how stable it is. The world economy entered 2026 much as it ended the previous year: under pressure, yet broadly stable. A range of data suggest that growth will gradually converge toward its potential over the coming quarters — an assessment underpinned by our proprietary macro breadth indicator, which aggregates more than 350 regional and country-level data series (see our chart of the week). That said, economic momentum remains uneven. The pace of deceleration varies across regions, and the outlook remains vulnerable to sudden shocks that could quickly change the direction of travel.

One of the most salient features of the current environment is the growing divergence between growth and price increases. While headline **inflation** has eased somewhat more than anticipated across many economies, underlying price pressures remain elevated — most notably in the United States. New tariffs, as well as the

lagged effects of existing ones, risk putting further upward pressure on prices, irrespective of the strength of economic activity. This dynamic complicates the task facing central banks, which must support the economy without losing sight of their primary mandate of price stability.

At the regional level, the picture remains uneven. A precarious road lies ahead for the **United States**: growth is likely to undershoot the economy's potential in 2026, while inflation is expected to remain above the monetary policy target. The outlook for **Europe** suggests a more balanced picture, supported in part by easing inflation and higher public spending — most notably in Germany — that is providing a tailwind. Meanwhile, **China** still has to walk a delicate tightrope: While a cyclical rebound is possible in the near term, the economy is unlikely to escape a structurally lower trend growth rate. However, there are many factors of uncertainty here.

The week ahead

As the new week gets underway, an additional **source of uncertainty** is emerging from the United States. Jerome Powell, chair of the US central bank, the Federal Reserve (Fed), is facing a criminal investigation in

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Our view of global markets. Bending not breaking.

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Global markets entered the year on an upward trajectory, with higher-risk assets and emerging markets drawing attention. We think the range of possible macro outcomes has narrowed, and are prioritising resilience through global duration positioning, high-quality credit and active management.



Dr Hans-Jörg Naumer
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connection with statements he made about renovations of the Fed's headquarters. Powell denies the allegations and has warned of a politically motivated attack on the Fed's independence to influence monetary policy. US Senator Thom Tillis has also announced that he will block the confirmation of new Federal Reserve appointees in the relevant Senate banking committee until the legal issues have been resolved. As a result, both the succession and the future policy direction of the Fed could remain unclear for longer. Inflation concerns are therefore likely to gain renewed traction.

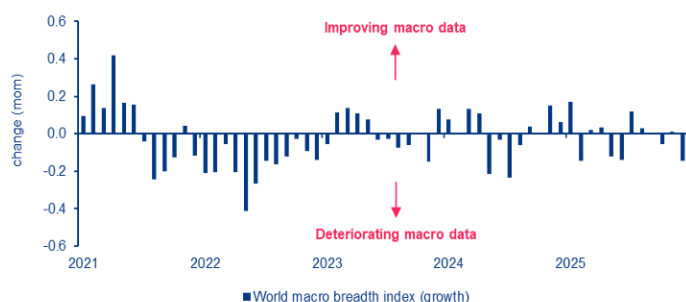
At the same time, **trade policy** could become another source of market unease. The US Supreme Court is reviewing the legality of key tariffs imposed by President Trump's administration and whether it was justified to enact them under the *International Emergency Economic Powers Act*, on the basis of a purported economic emergency.

Then there are the protests in Iran, which remain a further risk factor — with the situation still highly unclear.

The **economic data calendar** is full of activity: Early in the week, China will release two key indicators for growth and consumption. Industrial production is expected to rise by 5.0%, up from 4.8% previously, while retail sales are forecast to ease slightly to 1.2%, from 1.3%.

Figures due to come out of **Germany** include full-year GDP growth for 2025 (previously -0.5%) as well as the ZEW Indicator of Economic Sentiment (previously 45.8).

World Macro Breadth Index



Source: Allianz Global Investors Global Economics & Strategy, Bloomberg, Refinitiv, 31.12.2025. Past performance does not predict future returns.

UPCOMING POLITICAL EVENTS 2026

18 January	PRT	Presidential elections
19 January	EZ	Ecofin
19–23 January	CHE	World Economic Forum
22–23 January	BoJ	Central Bank Meeting
27–28 January	FED	Central Bank Meeting

This is followed by the **euro area**, where a final inflation reading for December will be released. The harmonised index of consumer prices is expected to remain unchanged at 2.0%. A preliminary reading of **consumer confidence** is also scheduled for later in the week (previously -13.1).

In the **United States**, attention will focus on the Federal Reserve's preferred inflation gauge, the personal consumption expenditures (PCE) price index. Both the headline and core measures most recently stood at 2.8%. New figures on initial jobless claims will also be published.

Toward the end of the week, a broad set of **leading indicators** will be made available, including purchasing managers' indices for Germany (previously 51.3), the euro area (51.5) and the United States, as well as the GfK's Consumer Confidence Index for the United Kingdom (previously -17). In the United States, the final reading of the University of Michigan consumer sentiment index (previously 54) is also set to be published. Finally, Japan's central bank will announce its interest rate decision (previously raised to 0.75%).

The bottom line is that fundamental and political uncertainty remains elevated but, in our view, has already peaked. The environment would appear supportive to risk assets (that is, equities), despite the fact that we are in a late stage of the economic cycle.

Wishing you a stable week ahead.

Yours,

Dr Hans-Jörg Naumer

Calendar Week 04

Monday			Consensus	Previous
JN	Machinery Orders YY	Nov	--	12.5%
CN	Industrial Output YY	Dec	5.0%	4.8%
CN	Retail Sales YY	Dec	1.2%	1.3%
CN	GDP YY	Q4	4.5%	4.8%
JN	Tertiary Ind Act NSA	Nov	--	-0.7%
EC	HICP Final YY	Dec	2.0%	2.0%
EC	HICP-X F,E,A&T Final YY	Dec	--	2.3%
Tuesday				
CN	Loan Prime Rate 5Y	Jan	--	3.50%
GE	Producer Prices YY	Dec	--	-2.3%
UK	Claimant Count Unem Chng	Dec	--	20.1k
UK	ILO Unemployment Rate	Nov	--	5.1%
UK	Employment Change	Nov	--	-16k
UK	Avg Wk Earnings 3M YY	Nov	--	4.7%
UK	Avg Earnings (Ex-Bonus)	Nov	--	4.6%
UK	HMRC Payrolls Change	Dec	--	-38k
GE	ZEW Economic Sentiment	Jan	--	45.8
GE	ZEW Current Conditions	Jan	--	-81.0
Wednesday				
UK	CPI YY	Dec	--	3.2%
UK	RPI YY	Dec	--	3.8%
UK	RPIX YY	Dec	--	3.7%
UK	PPI Input Prices YY NSA	Dec	--	1.1%
UK	PPI Output Prices YY NSA	Dec	--	3.4%
UK	PPI Core Output YY NSA	Dec	--	3.5%
UK	CBI Business Optimism	Q1	--	-31
Thursday				
JN	Exports YY	Dec	--	6.1%
JN	Imports YY	Dec	--	1.3%
JN	Trade Balance Total Yen	Dec	--	316.7B
UK	CBI Distributive Trades	Jan	--	-44
US	Core PCE Price Index YY	Nov	--	2.8%
US	PCE Price Index YY	Nov	--	2.8%
US	GDP Final	Q3	--	--
US	GDP Deflator Final	Q3	--	--
US	Core PCE Prices Fnal	Q3	--	--
US	Initial Jobless Clm	12 Jan, w/e	--	--
US	Cont Jobless Clm	5 Jan, w/e	--	--
Friday				
EC	Consumer Confid. Flash	Jan	--	-13.1
JN	JP BOJ Rate Decision	23.01.26	--	0.75%
JN	CPI, Core Nationwide YY	Dec	--	3.0%
JN	CPI, Overall Nationwide	Dec	--	2.9%
UK	GfK Consumer Confidence	Jan	--	-17
UK	Retail Sales YY	Dec	--	0.6%
UK	Retail Sales Ex-Fuel YY	Dec	--	1.2%
GE	HCOB Mfg Flash PMI	Jan	--	47.0
GE	HCOB Services Flash PMI	Jan	--	52.7
GE	HCOB Composite Flash PMI	Jan	--	51.3
EC	HCOB Mfg Flash PMI	Jan	--	48.8
EC	HCOB Services Flash PMI	Jan	--	52.4
EC	HCOB Composite Flash PMI	Jan	--	51.5
UK	Flash Composite PMI	Jan	--	51.4
UK	Flash Manufacturing PMI	Jan	--	50.6
UK	Flash Services PMI	Jan	--	51.4
US	S&P Global Mfg PMI Flash	Jan	--	51.8
US	S&P Global Svcs PMI Flash	Jan	--	52.5
US	U Mich Sentiment Final	Jan	--	54.0
UK	Nationwide house price yy	Jan	--	0.6%

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.

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

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