

FRIDAY, 13 SEPTEMBER 2024

The Week Ahead

“Hungry Eyes”

Investors worldwide are watching the US. Is **the American economy** still cooking or is getting cold? Will the Federal Reserve (Fed) trim interest rates? How might the presidential election impact markets? These are big questions with global ramifications.

Let’s start by clearing the smoke. Bearish investors may note that the US Treasury yield curve is in the midst of the longest inversion on record—nearly 700 days. That’s a potential warning because most US recessions are predicated by **inverted yield curves**.

Could this tested economic thermometer be wrong? We may only know with hindsight. For now, what we can say is **the US still probably expanding** at a decent clip. In fact, according to the Atlanta Fed’s widely watched GDPnow tracker (GDP – Gross Domestic Product), the economy is on course to grow around 2.5% this quarter, with a fat dollop of support from US consumers.

The **balance of risks** points to continued momentum. Hiring has

slowed, but layoffs remain historically low, inflation-adjusted wages are rising, and there are still more job vacancies than jobless workers.

This helps explain consumer resilience. With adequate employment opportunities, there isn’t great need for the average US household to brace for recession. Sure, there are areas of stress—for instance, credit card delinquencies are up. But **pockets of weakness aren’t uncommon**, and other critical consumer credit categories look healthy, particularly mortgages.

Consider this: If the average American family is struggling, wouldn’t it show in areas like air travel, much of which is “discretionary”? It should, right? So, how is air travel today? During the recent Labor Day holiday weekend, the number of people passing through US airport checkpoints approached the **all-time high** set during the 4th of July Independence Day weekend. (See our Chart of the Week).

Importantly, we still think the US economy could cool in coming quarters. Pandemic-era economic aftershocks have largely evaporated, and **the Fed’s monetary stance** is starting to look overly restrictive. Yet, we think today’s Federal Reserve has both the courage and the recipe to add stimulus and perpetuate growth, need be. Expect to hear more about this when America’s central bank convenes next week.

Publications

→ Active investing

Has the change in momentum put active investing back in the driving seat

→ Dimensions of disruption: Demographics

Demographic growth implies that there will be further economic growth in the future. However, this will go hand in hand with higher wages and inflationary pressure as the number of people working shrinks relative to the total population. In this respect, there is a connection between demographic shifts and the other dimensions of disruption.

→ Resistance is futile

Resistance to antimicrobials has emerged as a major global public health threat.



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The Week Ahead

The economic week starts at a simmer and ends with a rolling boil amid **central bank decisions** in Asia, Europe and the US.

Monday should be relatively quiet, with Chinese, Japanese and South Korean markets closed for **holiday celebrations**. Investors hungry for macro data may not find much with the potential to move markets. The menu is limited to euro zone wage inflation, Italian CPI inflation and UK home prices.

Things get juicier on Tuesday. In Europe, investors will focus on **Germany's ZEW economic sentiment** indicator to see if the recent downtrend spiraled into September. Meanwhile, US investors will want to know if retail sales held firm in August after July's big splurge.

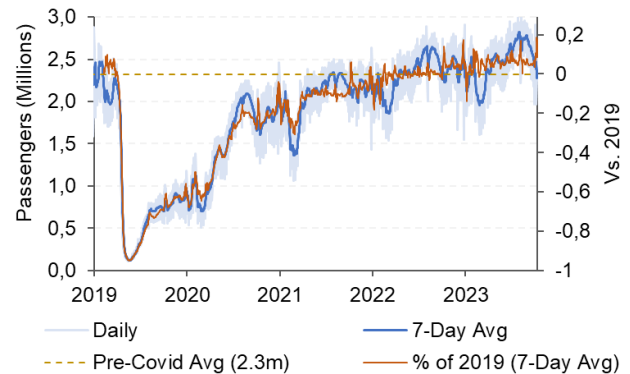
On Wednesday, the **US Federal Reserve** is set to launch the beginning of a rate-cutting cycle. For investors, the question is whether this means a 25- or 50-basis point (bp) reduction in the Fed's target range. Currently, the Chicago Mercantile Exchange's "FedWatch" tool points toward a smaller 25bp cut (with roughly 75% odds). Other key data on Wednesday include UK CPI inflation, German CPI inflation and Japanese machinery orders.

Thursday and Friday deliver a cornucopia of monetary decisions from the People's Bank of China, the Bank of England and the Bank of Japan. For investors, the key consideration is potential **policy divergence**. While many central banks are focused on cutting interest rates, the Bank of Japan is working from a different cookbook by raising rates. This is not necessarily problematic, but—like grilling a fine Wagyu steak—it requires monitoring.

May your investments turn out well,

Greg

US air travel recently hit an all-time high TSA Airport Security Line Throughput



Source: Allianz Global Investors; TSA; as of 9 September 2024

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

UPCOMING POLITICAL EVENTS 2024

17–18 Sep	US	Meeting of the US Federal Open Market Committee (FOMC)
19 Sep	GB	BoE announcement and minutes
20 Sep	JN	Bank of Japan meeting
17 Oct	EZ	ECB Governing Council meeting

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

Calendar Week 38

Monday			Consensus	Previous
CN	M2 Money Supply YY	Aug	6.2%	6.3%
UK	House Price Rightmove MM	Sep	--	-1.5%
UK	House Price Rightmove YY	Sep	--	0.8%
EC	Total Trade Balance SA	Jul	--	17.50B
EC	Reserve Assets Total	Aug	--	1,282.79B
US	NY Fed Manufacturing	Sep	--	-4.70
Tuesday				
JN	Chain Store Sales YY	Aug	--	-1.0%
JN	Tertiary Ind Act NSA	Jul	--	1.4%
GE	ZEW Economic Sentiment	Sep	--	19.2
GE	ZEW Current Conditions	Sep	--	-77.3
US	Retail Sales MM	Aug	0.2%	1.0%
US	Retail Sales Ex-Autos MM	Aug	0.3%	0.4%
US	Retail Control	Aug	--	0.3%
US	Industrial Production MM	Aug	0.0%	-0.6%
US	Capacity Utilization SA	Aug	--	77.8%
US	Business Inventories MM	Jul	0.4%	0.3%
US	NAHB Housing Market Indx	Sep	--	39
Wednesday				
JN	Machinery Orders MM	Jul	--	2.1%
JN	Machinery Orders YY	Jul	--	-1.7%
JN	Exports YY	Aug	--	10.3%
JN	Imports YY	Aug	--	16.6%
JN	Trade Balance Total Yen	Aug	--	-621.8B
UK	Core CPI YY	Aug	--	3.3%
UK	CPI MM	Aug	--	-0.2%
UK	CPI YY	Aug	--	2.2%
UK	RPI MM	Aug	--	0.1%
UK	RPI YY	Aug	--	3.6%
UK	RPIX YY	Aug	--	2.7%
UK	CPI Services MM	Aug	--	0.5%
UK	PPI Input Prices MM NSA	Aug	--	-0.1%
UK	PPI Input Prices YY NSA	Aug	--	0.4%
UK	PPI Output Prices MM NSA	Aug	--	0.0%
UK	PPI Output Prices YY NSA	Aug	--	0.8%
UK	PPI Core Output MM NSA	Aug	--	0.0%
UK	PPI Core Output YY NSA	Aug	--	1.0%
EC	HICP Final MM	Aug	0.0%	0.0%
EC	HICP Final YY	Aug	2.2%	2.2%
EC	HICP-X F, E, A, T Final MM	Aug	--	0.3%
EC	HICP-X F,E,A&T Final YY	Aug	--	2.8%
US	Building Permits: Number	Aug	--	1,406M
US	Housing Starts Number	Aug	1,248M	1,238M
US	Fed Funds Tgt Rate	18. Sep	--	5.25-5.5
US	Fed Int On Excess Reserves	18. Sep	--	5.40%
Thursday				
UK	BOE Bank Rate	Sep	--	5.00%
US	Current Account	Q2	--	-237.6B
US	Initial Jobless Clm	9 Sep, w/e	--	--
US	Cont Jobless Clm	2 Sep, w/e	--	--
US	Philly Fed Business Indx	Sep	--	-7.0
US	Existing Home Sales	Aug	3.85M	3.95M
US	Exist. Home Sales % Chg	Aug	--	1.3%
Friday				
UK	GfK Consumer Confidence	Sep	--	-13
JN	CPI, Core Nationwide YY	Aug	--	2.7%
JN	CPI, Overall Nationwide	Aug	--	2.8%
CN	Loan Prime Rate 1Y	Sep	--	3.35%
CN	Loan Prime Rate 5Y	Sep	--	3.85%
GE	Producer Prices MM	Aug	--	0.2%
GE	Producer Prices YY	Aug	--	-0.8%
UK	Retail Sales MM	Aug	--	0.5%
UK	Retail Sales Ex-Fuel MM	Aug	--	0.7%
UK	Retail Sales YY	Aug	--	1.4%
UK	Retail Sales Ex-Fuel YY	Aug	--	1.4%
EC	Consumer Confid. Flash	Sep	--	-13.5
JN	JP BOJ Rate Decision	20. Sep	--	0.25%

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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