

# WHAT TO EXPECT NEXT WEEK

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# HIGHLIGHTS

- The ISM global index (5) will be the major data this week. It is consistent with the GDP growth momentum and was particularly weak in September compared to what was seen last summer. A weak number may trigger a change in what the Fed could do in a foreseeable future.
- The Services Markit indices will be released on November 5. But the Euro Area data on manufacturing (4) and on services (6) will be released a little later this month as November 1 is off in most continental Europe countries.
- The Monetary policy Committee of the Bank of England will meet on November 7. Nothing is expected on its monetary policy stance but extension of the Brexit may imply comments on the impact for the UK economy.
- In the US, we look systematically at details on the labor market. The global employment index of the ISM survey and the JOLTS survey will bring these information. The ISM global index on the labor market was below the 50 threshold in September and maybe a source of concern in case a continuous weakness.
- The Chinese external trade (8) will provide new information on the impact of the trade war on the Chinese economy.
- In Germany, there is a string of data with the industrial orders (6) the industrial production index (7) and the trade balance (8). All of them will highlight the impact of the negative environment on the German short term momentum. Will they increase the risk of a long recession ?
- Japanese households' expenditures in September at the eve of a VAT rate hike (October). In March 2014 they spend a lot just before the higher VAT rate in April 2014. Have we had the same behavior ?

## NEXT WEEK'S MAIN DATA AND EVENTS

- **The most important data this week will be the ISM global index (November 5).**

This index is a combination of the manufacturing and non manufacturing indices. The weight for each index is the sector's share in private employment. This index has a profile which is consistent with the GDP growth. In September, the index was at 51.8 way below the third quarter average at 53.4. The September level is compatible with a GDP growth at 1.5%. The important point with the ISM global index in October is that at the start of the fourth quarter a weak number may change expectations on the robustness of the US economy for the end of the year and the start of the new one.

Associated with it, the global index on employment will be interesting. In September, this index was just below the 50 threshold for the first time since February 2014. The non manufacturing sector was the main contributor to this drop. The index for October will be important.

On the labor market, the JOLTS for September will be released on November the 5<sup>th</sup>. We may see a U-turn on this survey. This index is consistent with a question on the labor market in the Conference Board survey on Consumer Confidence. Both trends were flat since the beginning of the year. But during the last three months the Conference Board index is shifting on the upside reflecting a possible strong improvement on the labor market.

- **All the Markit business surveys – On the manufacturing sector for the Euro Area (the rest of the world has been released on November 1) and on the services component on November 5. It'll be on November 6 for the Euro Area countries.**

All these indices are expected to give information that could reduce uncertainty. But we have doubt they will. In the Euro Area for the manufacturing sector, we don't see a reversal may be a stabilization but no more.

The global index for the Euro Area was at 50 in the flash estimate for October. This means that the GDP growth may be lower than the .2% we saw in the third quarter.

- **One important measure of the robustness of the business cycle will be the indices of industrial orders in Germany for September.(November 6)**

We will be specifically attentive to the capital goods sector as it's a good predictor of the OECD corporate investment. This YoY change of this index has been negative during the last 12 months. This reflects negative expectations of the foreseeable future.

On November 7, the industrial production index and on November 8, the German external trade both for September will highlight the risk on the short term German outlook and notably the impact of the lower global trade momentum. This may be instructive on the duration of the German low expansion.

- **On November 8, the Chinese external trade balance will be release**

Since the beginning of the year the trade balance improves strongly. The exports momentum is low. The YoY change is close to zero since the beginning of the year. This contributes to the low world trade momentum. At the same time, imports follow a negative trend reflecting the lower internal dynamics in China. The details of both will give information on the impact of the trade war. The US China bilateral balance will be informative. Details on the US side have shown some weakness in capital goods sector and in the food and agricultural sector. It will be interesting to see how these observations match the Chinese external trade.

- **The Monetary Policy Committee of the Bank of England will meet on November the 7<sup>th</sup>.**

Nothing is expected on the monetary policy stance but we may have comments on the impact of what has been said and done on the Brexit side and how it may impact the monetary policy.

- **Households spending in Japan in September (November 8).**

We keep in mind that in March 2014 just one month before the VAT rate hike, Japanese households spend a lot. The Vat Rate hike has been implemented in October and the figure may be interesting.

- **We will also have the INSEE investment survey on industrial investment (7), the French industrial production index (8) and the productivity in the US for the 3<sup>rd</sup> quarter (6)**

# ADDITIONAL NOTES

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