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ECONOMIC RESEARCH



BNP PARIBAS

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THE NARRATIVES OF 2020

Narratives – the stories people tell about events – may influence behaviour. In future years, several narratives may very well be used when looking back at economic developments in 2020. Big, unanticipated shocks do happen. In terms of monetary policy, a ‘whatever it takes’ attitude prevails. This also applies increasingly to fiscal policy. In terms of financial markets, the dominant attitude towards risky assets is to buy rather than to say ‘bye bye’. With Next Generation EU, the European Union has again demonstrated that, under pressure, it can make big leaps forward. Finally, attention to sustainable growth has become ubiquitous. Some of these narratives provide comfort but several also come with a warning.

In his presidential address to the annual meeting of the American Economic Association in 2017, Nobel laureate Robert Shiller argued that one should consider the possibility that the severity of a recession is related to the prevalence and vividness of certain stories. These form a narrative, a term that refers to “a simple story or easily expressed explanation of events that many people want to bring up in conversation or on news or social media because it can be used to stimulate the concerns or emotions of others, and/ or because it appears to advance self-interest.”¹ Narratives are relevant because they can influence future behaviour. Past traumatic experiences – e.g. losing money in a stock market crash – can influence how, many years later, certain investors deal with risk and uncertainty. In future years, at least six narratives may be used when looking back at economic developments in 2020.

First, black swans exist or, to put it differently, big, unanticipated shocks do happen. As these shocks are so rare, it is difficult to prepare for them, e.g. by buying insurance. The pandemic-induced shock to demand and supply was of a size that would have been considered unthinkable 12 months ago. The disruption of supply chains was a wake-up call of the necessity to test their resilience considering that climate events or cybersecurity attacks could also trigger tail risks.

Second, in terms of monetary policy, the ‘whatever it takes’ reaction prevails. Quantitative easing is used by an increasing number of central banks, including in emerging markets. The Federal Reserve has committed to accept a moderate and temporary overshooting of its inflation target in order to have average inflation over time in line with its 2% objective. Its corporate bond purchases have played a key role in stabilising this market, thereby avoiding a further blow to the liquidity and solvency of many issuers. This week, it announced that asset purchases will continue at least at the current pace until substantial progress has been made in reaching the maximum employment and price stability goals. The ECB’s Pandemic Emergency Purchase Programme has been instrumental in controlling the longer end of the yield curve – despite the sizeable increase in issuance volume- and in driving down sovereign spreads versus Bund yields.

1. Robert J. Shiller, *Narrative economics*, *American Economic Review*, 2017, <https://doi.org/10.1257/aer.107.4.967>

Third, ‘whatever it takes’ has been extended to fiscal policy. The huge increase in budget deficits was partly automatic and hence unavoidable – because of the role of automatic stabilisers- but it was also the result of much-needed policy decisions to cushion the consequences of the sudden and very deep recession on household and businesses via income support, changes in taxation and loan guarantees.

Fourth, in terms of financial investments, the dominant attitude has been to buy risky assets – equities, corporate bonds, emerging markets – rather than to say ‘bye bye’ to the market. This is largely related to the monetary and fiscal policy support, including the commitment of central banks to do more if necessary, but also to an environment of negative real interest rates.

Fifth, the European Union has again demonstrated that, under pressure, it can make big leaps forward, witness the EUR 750 bn Next Generation EU initiative that is financed at the EU level and partly consists of grants.

REAL GDP (Q4 2019 = 100)

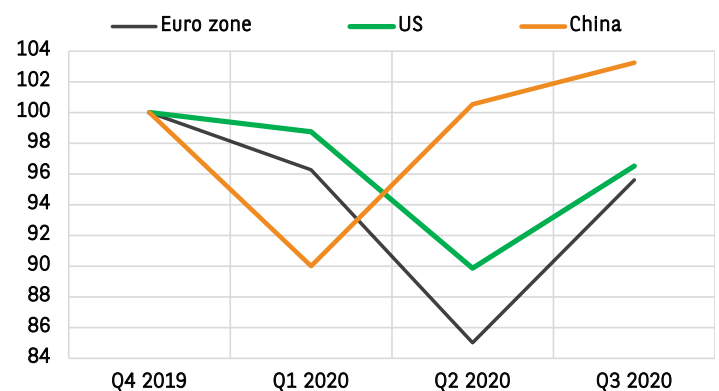


CHART 1

SOURCE: EUROSTAT, BEA, NBS, BNP PARIBAS

Several of the narratives of 2020 come with a warning, such as the need to pay attention to possible unintended consequences of sustained very accommodative monetary policy, to moral hazard risk and to the necessity to bring public finances under control.



Finally, attention to sustainable growth has become ubiquitous. Companies which scored high in terms of ESG criteria suffered less during the equity sell-off in February and March. The pandemic should make people more aware of how global warming could also provoke “Black Swan” events. Climate related disasters such as heat waves, floodings and drought are likely to claim many human lives and cause enormous economic damage in the coming decades. The necessity to contribute to limiting the increase of average temperature and, more generally, to care more about the environment in order to protect the well-being of its people has played a key role in setting the priorities of fiscal stimulus at the national – think of France and Germany – and European level. Unfortunately, even despite all the efforts to limit global warming to less than 1.5°C, it will take at least until the middle of the century that carbon neutrality can be reached and the global temperature curve can start showing signs of reversing.

To conclude, certain stories about 2020 that may be told in future provide comfort: the prospect of enhanced resilience of the supply side, the ability of the EU countries to act jointly, the focus on sustainability, the ‘can do’ approach of ‘whatever it takes’. However, several narratives also come with a warning, such as the need to pay attention to possible unintended consequences of sustained very accommodative monetary policy, to moral hazard risk and to the necessity to bring public finances under control.

William De Vijlder

CENTRAL BANK BALANCE SHEET (END 2019 = 100)

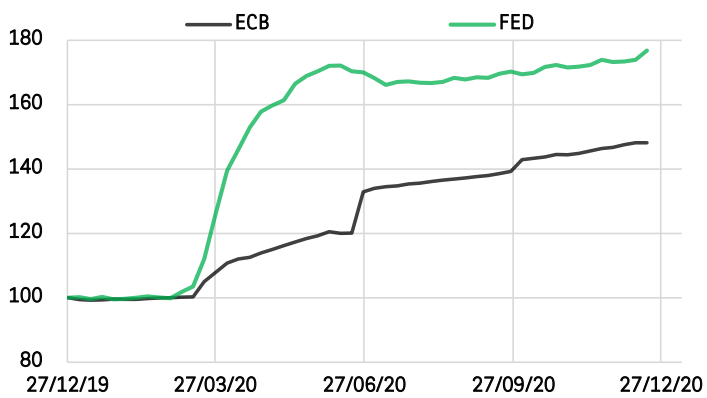


CHART 2 SOURCE: ECB, FEDERAL RESERVE, BNP PARIBAS

FISCAL BALANCE AS % OF GDP IN 2020

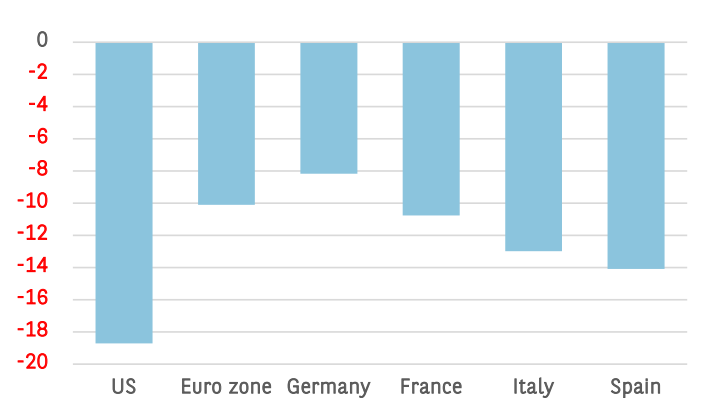


CHART 3 SOURCE: IMF (FISCAL MONITOR), BNP PARIBAS

EQUITY MARKETS

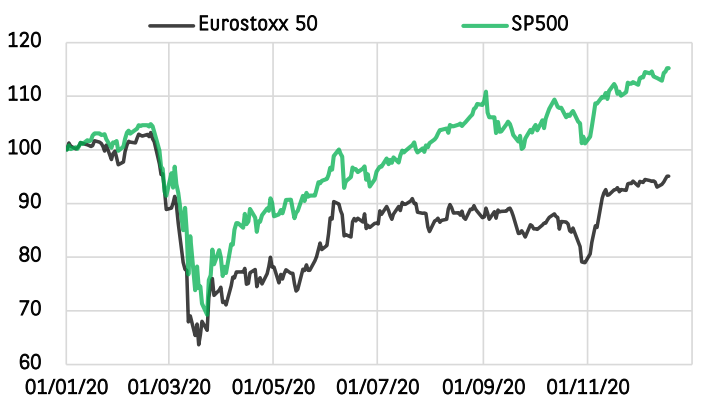


CHART 4 SOURCE: REFINITIV, BNP PARIBAS

2020 IS AMONG THE WARMEST YEARS ON RECORD

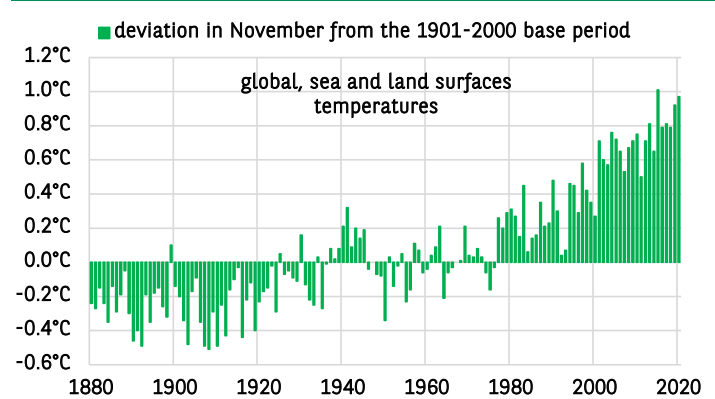


CHART 5 SOURCE: US NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, BNP PARIBAS

MARKETS OVERVIEW

OVERVIEW

Week 11-12 20 to 17-12-20

➔ CAC 40	5 508	➔ 5 549	+0.8 %
➔ S&P 500	3 663	➔ 3 722	+1.6 %
➔ Volatility (VIX)	23.3	➔ 21.9	-1.4 pb
➔ Libor \$ 3M (%)	0.22	➔ 0.24	+2.0 bp
➔ OAT 10y (%)	-0.44	➔ -0.40	+4.3 bp
➔ US Tr. 10y (%)	0.89	➔ 0.93	+3.8 bp
➔ Euro vs dollar	1.21	➔ 1.22	+1.1 %
➔ Gold (ounce, \$)	1 846	➔ 1 888	+2.3 %
➔ Oil (Brent, \$)	50.1	➔ 51.6	+3.0 %

MONEY & BOND MARKETS

Interest Rates	highest 20	lowest 20	Yield (%)	highest 20	lowest 20
€ ECB	0.00	0.00	€ AVG 5-7y	-0.46	0.72
Eonia	-0.47	-0.44	Bund 2y	-0.72	-0.58
Euribor 3M	-0.54	-0.16	Bund 10y	-0.58	-0.17
Euribor 12M	-0.50	-0.05	OAT 10y	-0.40	0.28
\$ FED	0.25	1.75	Corp. BBB	0.55	2.54
Libor 3M	0.24	1.91	\$ Treas. 2y	0.13	1.59
Libor 12M	0.33	2.00	Treas. 10y	0.93	1.91
£ BoE	0.10	0.75	High Yield	4.87	11.29
Libor 3M	0.05	0.80	£ gilt. 2y	-0.03	0.61
Libor 12M	0.11	0.98	£ gilt. 10y	0.29	0.83

EXCHANGE RATES

1€ =	highest 20	lowest 20	2020
USD	1.22	1.22	at 17/12
GBP	0.90	0.94	at 23/03
CHF	1.08	1.09	at 05/06
JPY	126.17	126.82	at 31/08
AUD	1.61	1.87	at 23/03
CNY	8.00	8.26	at 30/07
BRL	6.20	6.75	at 28/10
RUB	89.23	93.98	at 02/11
INR	90.10	90.10	at 17/12

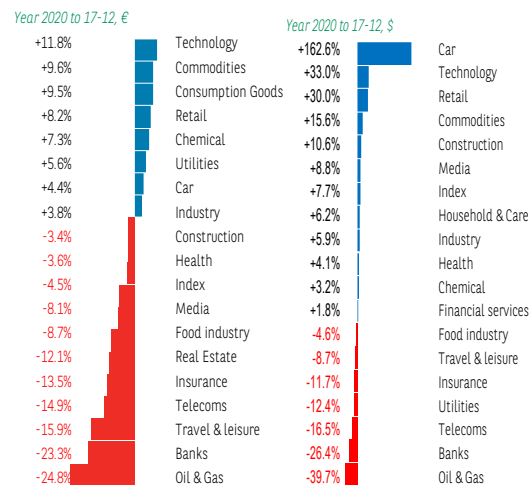
COMMODITIES

Spot price, \$	highest 20	lowest 20	2020	2020(€)
Oil, Brent	51.6	69.1	at 06/01	16.5
Gold (ounce)	1 888	2 053	at 06/08	1 475
Metals, LME	3 502	3 502	at 17/12	2 232
Copper (ton)	7 900	7 900	at 17/12	4 625
wheat (ton)	234	2.4	at 21/01	178
Corn (ton)	167	1.7	at 17/12	113

EQUITY INDICES

Index	highest 20	lowest 20	2020
World			
MSCI World	2 675	2 675	at 17/12
North America			
S&P500	3 722	3 722	at 17/12
Europe			
EuroStoxx50	3 561	3 865	at 19/02
CAC 40	5 549	6 111	at 19/02
DAX 30	13 667	13 789	at 19/02
IBEX 35	8 153	10 084	at 19/02
FTSE100	6 551	7 675	at 17/01
Asia			
MSCI, loc.	1 042	1 042	at 17/12
Nikkei	26 807	26 818	at 09/12
Emerging			
MSCI Emerging (\$)	1 273	1 273	at 17/12
China	107	109	at 09/11
India	656	656	at 17/12
Brazil	1 920	2 429	at 02/01
Russia	679	857	at 20/01

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

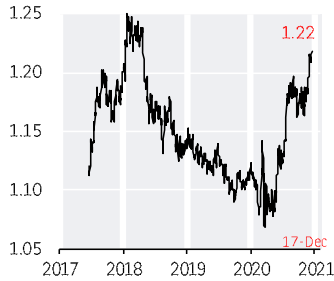


SOURCE: THOMSON REUTERS,

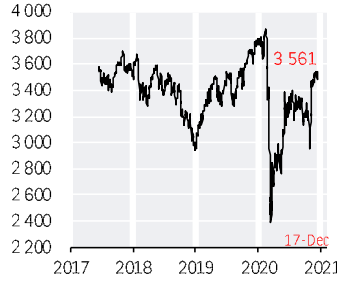


MARKETS OVERVIEW

EURO-DOLLAR



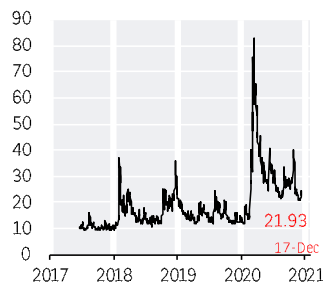
EUROSTOXX50



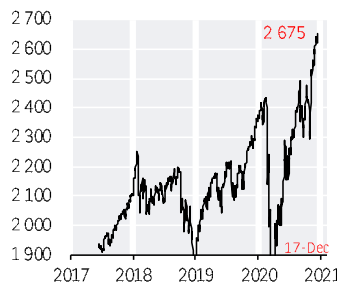
S&P500



VOLATILITY (VIX, S&P500)



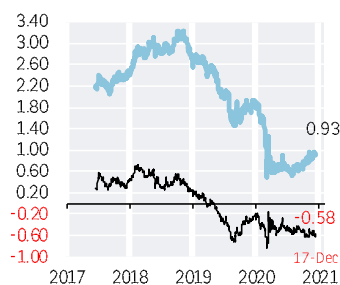
MSCI WORLD (USD)



MSCI EMERGING (USD)

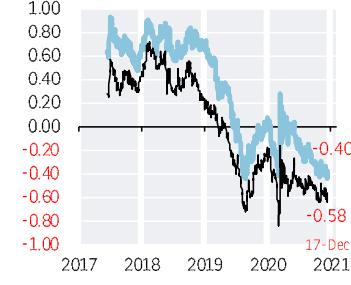


10Y BOND YIELD, TREASURIES VS BUND



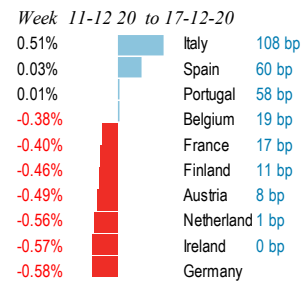
—Bunds —US Treasuries

10Y BOND YIELD

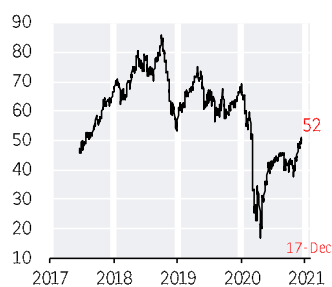


—Bunds —OAT

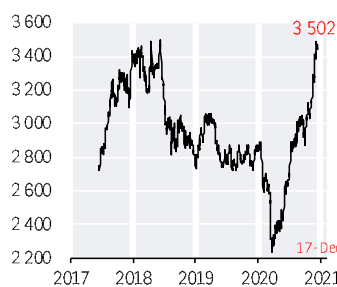
10Y BOND YIELD & SPREADS



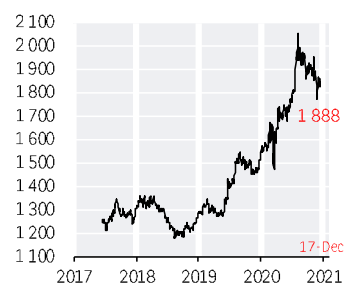
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: THOMSON REUTERS,



ECONOMIC PULSE

JAPAN: A SHARP ECONOMIC SLOWDOWN EXPECTED IN Q4

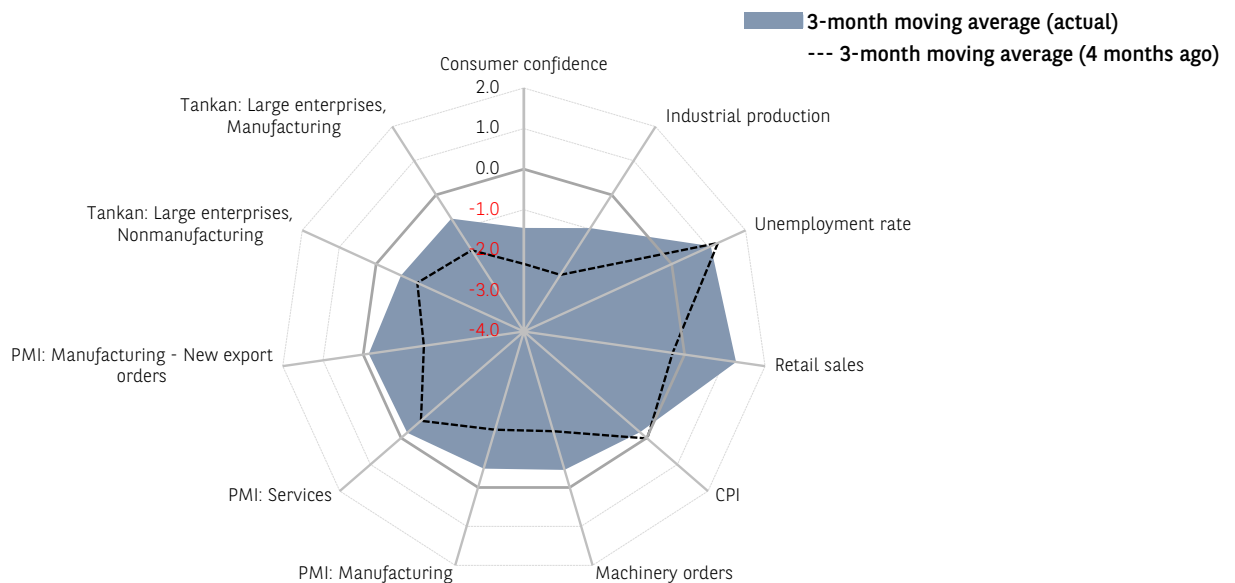
Compared to the US or European economies, Japan has been so far relatively unscathed by the Covid-19 pandemic. The country's public health measures have been less strict than those implemented elsewhere. A resurgence in infections in Japan and its main trading partners hitting demand would result in a marked deceleration in economic activity in Q4 2020.

Over recent months the economic situation has improved, but overall economic activity was still below its pre-crisis level. On the industrial side, production contracted further in October 2020 (the most recent available figure) on a year-on-year basis, albeit by much less than in previous months (-3%, after -9.8% in September and -14.2% in August). Meanwhile, Purchasing Managers Index (PMI) for the manufacturing sector, an advance indicator of economic activity, continued its gradual recovery in December (at 49.7) but remained slightly below the threshold of 50 that separates expansion from recession, and below its long-term average. The Bank of Japan's Tankan index for Q4 2020 sends a comparable message. The manufacturing sector benefitted in particular from a return to growth in Japan's trading partners, especially China, but is now suffering from the tightening of health measures in many parts of the world.

After a slow recovery over the past few months, the services PMI experienced a timid fall in December to reach only 47.2, a low level compared to its long-term average. This is in contrast with the normalisation of the consumer confidence indicator, which has been on a rising trend since its low point in April 2020. However, consumer confidence has not regained its pre-crisis level, and stabilised somewhat in November (to 33.7, compared to 38.4 in February). Meanwhile, retail sales experienced a significant increase in October (6.4% year-on-year) – the first gain since February – but could now stall. Uncertainties remain regarding the health crisis and the situation in the labour market, given the decreasing trend followed by wages and the rising trend in unemployment since the beginning of 2020. This could persist in the coming months, as companies concentrate first on restoring margins. Against this background, prices fell in October, dropping 0.4% year-on-year. Given this, the Bank of Japan has launched an overall review of its monetary policy.

Louis Boisset

QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, BNP PARIBAS

The indicators in the radar and surprise charts are all transformed into z-scores. By construction, the z-scores have mean zero and their values, which indicate how far the indicator is removed from its long-term average, are in the interval between -4 and 2 in almost all cases. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area signals an improvement. In the right pane, the surprise is an actual outcome that differs from the market forecast (Bloomberg).



ECONOMIC PULSE

7

MOBILITY: BETWEEN LOCKDOWNS AND RESTRICTIONS, THE DYNAMIC IS STAGNATING

At the approach of the holiday season and fearing another resurgence in the coronavirus pandemic, several European countries have tightened their lockdowns to contain the level of contamination. We can expect that in the weeks ahead, these new restrictions will have a clear impact on the momentum of retail and leisure traffic flows. Over the past week, momentum was already stagnant in most of the European countries, as illustrated by the Google Mobility Report released on 13 December.

In Germany, customer traffic has been stable since November, with a 7-day moving average of 30% relative to the baseline* (chart 1). In a television address on 13 December, Chancellor Angela Merkel announced that Germany would return to a hard lockdown from 16 December until early January. This is likely to reduce retail and leisure customer traffic in the weeks ahead. In France, the lockdown was loosened and a curfew from 8 pm to 6 am replaced the earlier travel restrictions. Non-essential shops could reopen but restaurants, bars and cultural establishments remained closed. Customer traffic flows, which have been stable with a 7-day moving average holding at about 29% relative to the baseline, is expected to pick up in the coming weeks. In Belgium and Spain, traffic trends have also been fairly stable with a 7-day moving average of 40% and 33%, respectively, relative to the baseline. In Italy, in contrast, unlike its neighbouring countries, the momentum of customer traffic continues to build with a 7-day moving average of 37% relative to the baseline. The country, which holds the sad record for the most Covid-19 deaths in Europe, will ban travel between regions from 21 December through 6 January, and will continue to enforce a curfew from 10 pm to 5 am. In the UK, which launched a massive Covid-19 vaccination campaign on 8 December, customer traffic continues to gain

momentum with a 7-day moving average of 33% relative to the baseline, after a huge decline to 53% when the lockdown began in early November (chart 2).

Following the UK's lead, the United States launched a Covid-19 vaccination campaign on 14 December. After experiencing a surge in new infections in recent weeks, the country surpassed a grim milestone of 300,000 deaths. Retail traffic has picked up slightly with a 7-day moving average of 20% relative to the baseline (chart 2). In Japan, traffic trends have remained stable since June, with the 7-day moving average declining to 10% relative to the baseline (chart 2). Yet the country is on maximum alert to counter a spike in the number of new cases, notably in Tokyo, where hospitals are overloaded with a record number of new cases (chart 2).

According to the latest figures published by Markit (chart 3), the flash PMI index for the services sector in France rebounded from 38.8 in November to 49.2 in December, although remaining below the 50-mark that separates contraction from expansion. The highest score since August. In the UK and Germany, services also continued to contract albeit at a slower pace, as the PMI rose to 49.9 and 47.7, respectively, in December, from 47.6 and 46 in November. In the United States, growth in services is losing momentum as the PMI declined from 58.4 in November to 55.3 in December, the lowest score in three months. Restrictions imposed by individual states combined with weaker demand have strained overall economic activity. In Japan, the services PMI was virtually flat at 47.2 in December. These figures reaffirm the close correlation between retail and leisure customer traffic flows and the services PMI indexes.

Tarik Rharrab

RETAIL AND RECREATION MOBILITY

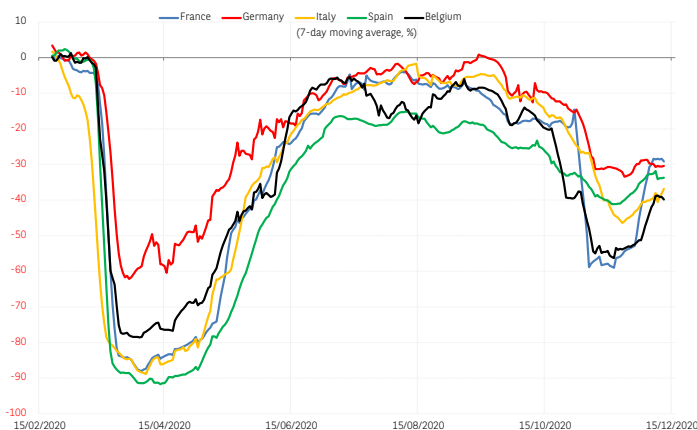


CHART 1

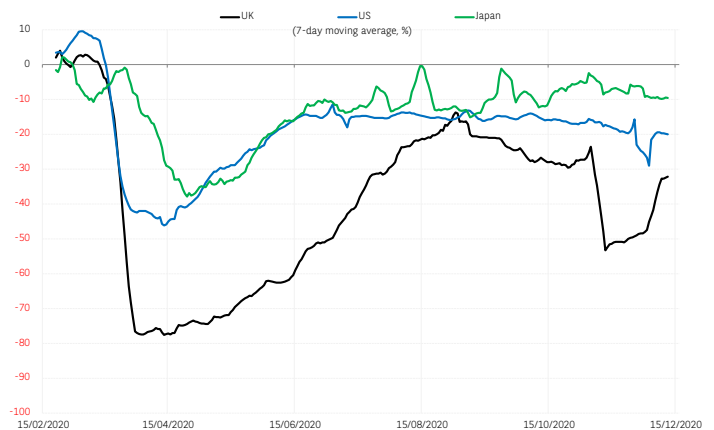


CHART 2

SOURCE: GOOGLE (LAST UPDATE 13 DECEMBER 2020), BNP PARIBAS

* Google Mobility Reports show how visits and length of stay at different places change compared to a baseline. The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020. A figure of negative 30% indicates that traffic was down 30% compared to a baseline. The reports show trends over several weeks with the most recent data representing approximately 2–3 days ago—this is how long it takes to produce the reports. In order to smooth the series, we use a seven-day moving average of the raw data in the Google Mobility Reports. Source: Google



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ECONOMIC PULSE

RELATIONSHIP BETWEEN MARKIT PMI SURVEYS IN THE SERVICES SECTOR AND RETAIL AND RECREATION MOBILITY

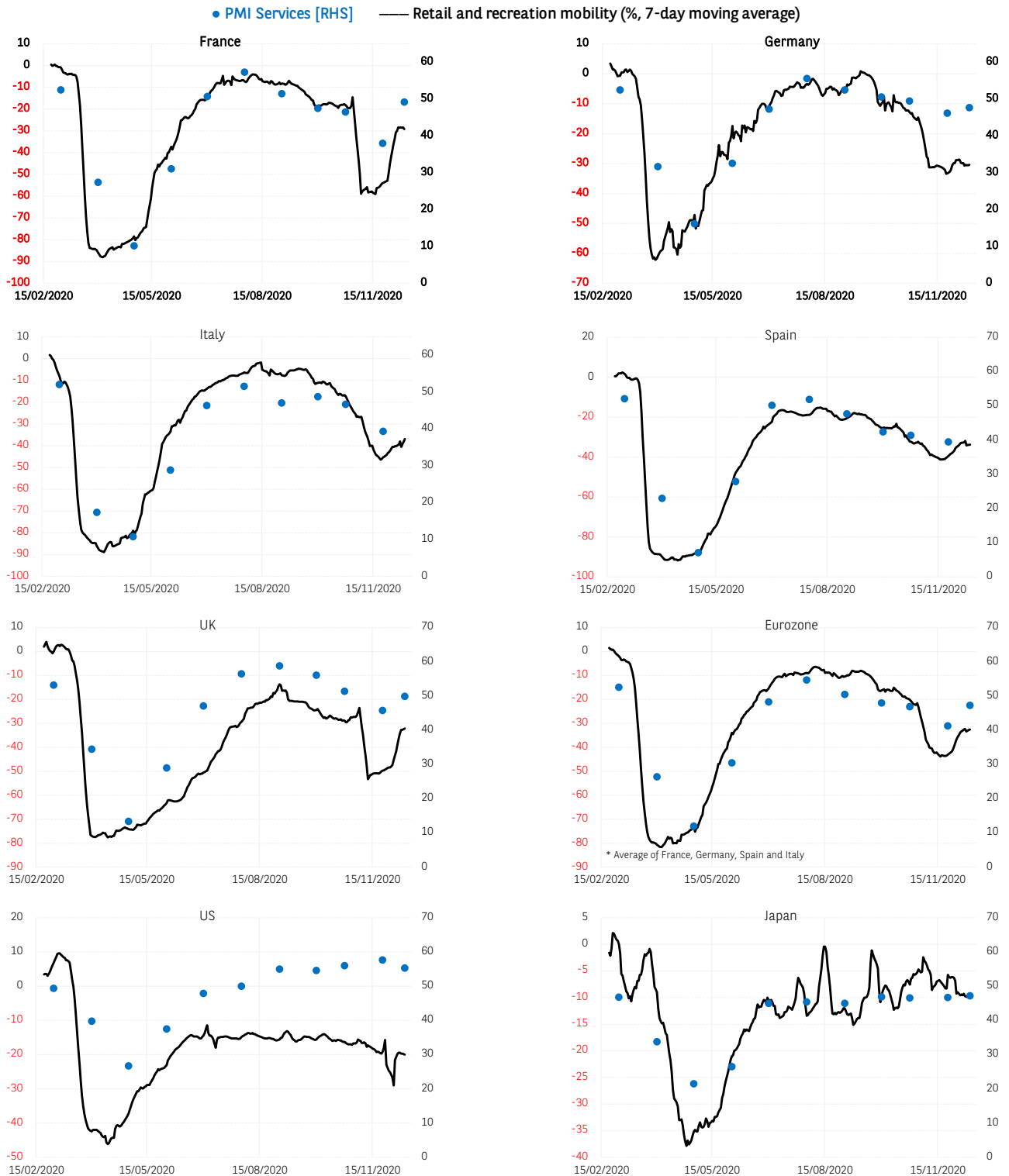


CHART 3

SOURCE: GOOGLE (LAST UPDATE 13 DECEMBER 2020), MARKIT, BNP PARIBAS



ECONOMIC SCENARIO

9

UNITED STATES

With a drop in GDP of an estimated 3.6% in 2020, the USA has experienced a record-breaking recession, albeit one that has been less severe than in most other countries. The health cost of the Covid-19 epidemic has, however, been immense, with the USA having the highest number of deaths in the world and suffering a higher mortality rate than the European Union. As we move into winter, the disease is surging again, forcing certain states, such as New York and California, to tighten social distancing measures. Although the economy had seemed able to avoid a further contraction, it could be flatlining at the start of the new year, although a gradual return to normal is then expected as vaccines become available.

CHINA

After plummeting in Q1 2020, economic activity has experienced a V-shaped rebound since Q2. The recovery has first been driven principally by industrial production and investment in infrastructure projects and the real estate sector. Then exports have strengthened, supported by the rebound in global demand. Finally, the services sector and private consumption have regained growth momentum since last summer. In the short term, fiscal policy should continue to support economic growth. Domestic credit conditions, which have been eased prudently in 2020, are expected to start to be tightened from Q4, as the authorities aim to contain risks in the financial system.

EUROZONE

After plummeting in Q2 2020 (-11.8% q/q, after -3.7% in Q1 2020), eurozone GDP rebounded robustly in Q3 2020 (+12.6%), exceeding expectations. Given the resurgence of the pandemic and the implementation of new sanitary restrictions in most of the member states, the recovery is losing momentum, raising fears that the economic situation could further deteriorate in the year-end period. The activity loss caused by the Covid-19 crisis is unlikely to be fully erased before year-end 2021. Worries about the pandemic and unemployment trends in eurozone member states in the months ahead are shaking consumer confidence, which remains low. The risk of corporate defaults continues to rise as long as the pandemic is not completely under control, which is undermining private investment. Support from fiscal policy at both the national and European levels will be essential, as is maintaining an accommodating and flexible monetary policy.

FRANCE

The risks have materialized for a W-shaped growth profile. After the massive recessionary shock of H1 2020 due to the first lockdown, the economy vigorously recovered in Q3 before relapsing again in Q4 under the impact of a new lockdown designed to curb the second wave of the Covid-19 pandemic. Yet the second V is bound to be less pronounced than the first: on the downside because the second lockdown was not as restrictive nor as long, and on the upside because this time the restrictive measures will be lifted gradually and conditionally. Major fiscal resources have been deployed that effectively buffered the double shock, but still the economy has been weakened, which is straining its rebound capacity. The possible start-up of a massive vaccination campaign in 2021 raises hopes that we might be seeing the light at the end of the tunnel. Growth should also get a boost from the first effects of the France Relance stimulus package. French GDP is expected to catch up pre-crisis levels during 2022 and the economy to return to 100% of its normal functioning. Inflation is also expected to pick up, but will hold at extremely low levels.

INTEREST RATES AND FX RATES

In the US, the Federal Reserve's new strategy of targeting average inflation implies a dovish twist. Policy should remain on hold for quite some time, considering that the FOMC wants inflation to move beyond 2% so as to make up for below target inflation in recent years. Should the economic situation worsen, more measures are to be expected but this also depends on the size and nature of the expected fiscal stimulus. Treasury yields should move higher on the back of fiscal stimulus and the economic recovery and because the Fed will accept and actually wants inflation to rise beyond 2%.

In the eurozone, at its December meeting, the ECB is expected to announce measures to support the economy, all the more so considering that core inflation has dropped to a very low level. The very accommodative stance will be maintained for a long time. It should keep a lid on sovereign bond spreads. As usual, eurozone bond yields will be very much influenced by what happens to US yields. The prospect of a more lasting recovery as a vaccine will be deployed, should contribute to somewhat higher bond yields.

The Bank of Japan is expected to maintain its current policy stance including its yield curve control strategy.

We expect the dollar to weaken versus the euro. Due to the limited short-term interest rate differential, international investors incur low costs when they want to hedge their dollar exposure, the euro is still undervalued versus the dollar and the Fed's new strategy of targeting average inflation implies a more dovish stance compared to the ECB which should support the euro. Similar arguments apply for the dollar versus the yen.

GROWTH & INFLATION

%	GDP Growth				Inflation			
	2019	2020 e	2021 e	2022 e	2019	2020 e	2021 e	2022 e
United-States	2.2	-3.6	3.7	3.2	1.8	1.3	1.9	1.9
Japan	0.7	-5.4	1.5	1.8	0.5	0.0	-0.4	-0.3
United-Kingdom	1.5	-11.5	6.4	6.8	1.8	0.9	1.5	2.1
Euro Area	1.3	-7.5	5.6	3.9	1.2	0.2	0.8	1.3
Germany	0.6	-5.9	4.2	3.6	1.4	0.4	1.3	1.2
France	1.5	-9.5	6.3	3.8	1.3	0.5	0.6	1.2
Italy	0.3	-9.1	6.0	3.4	0.6	-0.2	0.5	1.3
Spain	2.0	-11.8	7.0	4.9	0.8	-0.4	0.4	0.9
China	6.1	2.0	8.6	5.3	2.9	2.6	2.3	2.8
India*	4.2	-11.4	11.6	5.0	4.8	5.8	4.3	3.8
Brazil	1.1	-4.5	3.0	3.0	3.7	3.1	4.0	4.0
Russia	1.3	-4.5	3.8	3.0	4.3	3.4	3.5	3.5

SOURCE: BNP PARIBAS GROUP ECONOMIC RESEARCH (E: ESTIMATES & FORECASTS)
*FISCAL YEAR FROM 1ST APRIL OF YEAR N TO MARCH 31ST OF YEAR N+1

**LAST UPDATE 23/11/2020

INTEREST & EXCHANGE RATES

Interest rates, %		2021				2021e		2022e	
End of period		Q1e	Q2e	Q3e	Q4e	2021e	2022e		
US	Fed Funds (upper limit)	0.25	0.25	0.25	0.25	0.25	0.25		
	T-Notes 10y	1.10	1.20	1.30	1.40	1.40	1.50		
	Deposit rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50		
Ezone	Bund 10y	-0.35	-0.50	-0.40	-0.20	-0.20	0.10		
	OAT 10y	-0.10	-0.25	-0.15	0.10	0.10	0.50		
	BTP 10y	0.75	0.60	0.80	1.20	1.20	1.70		
	BONDO 10y	0.35	0.20	0.40	0.60	0.60	1.00		
UK	Base rate	0.10	0.10	0.10	0.10	0.10	0.10		
	Gilts 10y	0.40	0.40	0.50	0.60	0.60	0.75		
Japan	BoJ Rate	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10		
	JGB 10y	0.05	0.05	0.10	0.10	0.10	0.15		
Exchange Rates		2021				2021e		2022e	
End of period		Q1e	Q2e	Q3e	Q4e	2021e	2022e		
USD	EUR / USD	1.22	1.24	1.25	1.25	1.25	1.30		
	USD / JPY	101	100	98	98	98	95		
	GBP / USD	1.39	1.41	1.44	1.44	1.44	1.59		
EUR	EUR / GBP	0.88	0.88	0.87	0.87	0.87	0.82		
	EUR / JPY	123	124	123	123	123	124		
Brent		2021				2021e		2022e	
Period-average		Q1e	Q2e	Q3e	Q4e	2021e	2022e		
Brent	USD/bbl	56	54	55	59	56	-		

LAST UPDATE: 23/11/2020

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)



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CALENDAR

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LATEST INDICATORS

In China, the growth of industrial production in November was in line with the previous month but retail sales growth accelerated, albeit less than expected. In the eurozone, new car registration saw a big drop but the flash PMI for December brought good news, improving significantly in both manufacturing and services, thereby beating expectations. A similar observation can be made for France, where in particular the services sector saw a huge and unexpected improvement in sentiment. The INSEE business climate rebounded strongly (from 79 to 91 in December), driven by services and retail trade. In Germany, the PMIs improved as well but less so considering that their earlier decline had been more limited. The IFO business climate picked up more than expected, driven by a better assessment of the current situation. Expectations improved as well but to a lesser degree. In Japan, the data (Tankan survey, PMI) improved more than anticipated. The inertia of inflation -at a very low level- remains a concern for the Bank of Japan, which as a consequence will conduct a strategy review to assess whether any change is needed in the conduct of its monetary policy. In the UK, the PMIs improved somewhat and consumer confidence picked up even more. Retail sales on the other hand declined, but less than expected. Data in the US were weaker and retail sales in particular disappointed. The FOMC decided to continue its QE "until substantial further progress has been made toward [its] maximum employment and price stability goals."

DATE	COUNTRY	INDICATOR	PERIOD	SURVEY	ACTUAL	PREVIOUS
12/14/2020	Japan	Tankan Large Mfg Outlook	4Q	-11	-8	-17
12/14/2020	Japan	Tankan Large Non-Mfg Outlook	4Q	-7	-6	-11
12/14/2020	Japan	Tankan Small Mfg Outlook	4Q	-34	-26	-38
12/14/2020	Japan	Tankan Small Non-Mfg Outlook	4Q	-22	-20	-27
12/14/2020	Eurozone	Industrial Production SA MoM	Oct	2.0%	2.1%	0.1%
12/15/2020	China	Industrial Production YoY	Nov	7.0%	7.0%	6.9%
12/15/2020	China	Retail Sales YoY	Nov	5.2%	5.0%	4.3%
12/15/2020	China	Fixed Assets Ex Rural YTD YoY	Nov	2.6%	2.6%	1.8%
12/15/2020	China	Property Investment YTD YoY	Nov	--	--	6.3%
12/15/2020	France	CPI EU Harmonized YoY	Nov	0.2%	0.2%	0.1%
12/15/2020	United States	Empire Manufacturing	Dec	6.9	4.9	6.3
12/15/2020	United States	Industrial Production MoM	Nov	0.3%	0.4%	0.9%
12/15/2020	United States	Capacity Utilization	Nov	72.9%	73.3%	72.8%
12/15/2020	Japan	Manufacturing PMI	Dec	48.9	49.7	49
12/15/2020	Japan	Services PMI	Dec	--	47.2	47.8
12/16/2020	France	Manufacturing PMI	Dec	50.1	51.1	49.6
12/16/2020	France	Markit Composite PMI	Dec	42.9	49.6	40.6
12/16/2020	France	Services PMI	Dec	40	49.2	38.8
12/16/2020	Germany	Composite PMI	Dec	50.4	52.5	51.7
12/16/2020	Germany	Manufacturing PMI	Dec	56.4	58.6	57.8
12/16/2020	Germany	Services PMI	Dec	44	47.7	46
12/16/2020	Eurozone	Manufacturing PMI	Dec	53	55.5	53.8

SOURCE: BLOOMBERG



DATE	COUNTRY	INDICATOR	PERIOD	SURVEY	ACTUAL	PREVIOUS
12/16/2020	Eurozone	Markit Composite PMI	Dec	45.8	49.8	45.3
12/16/2020	Eurozone	Services PMI	Dec	41.9	47.3	41.7
12/16/2020	United Kingdom	Composite PMI	Dec	51.3	50.7	49
12/16/2020	United Kingdom	Manufacturing PMI	Dec	55.9	57.3	55.6
12/16/2020	United Kingdom	Services PMI	Dec	50.5	49.9	47.6
12/16/2020	United Kingdom	CPI Core YoY	Nov	--	1.1%	0.015
12/16/2020	United States	Retail Sales Control Group	Nov	0.2%	-0.5%	-0.1%
12/16/2020	United States	Markit US Manufacturing PMI	Dec	55.7	56.5	56.7
12/16/2020	United States	Markit US Services PMI	Dec	55.9	55.3	58.4
12/16/2020	United States	Markit US Composite PMI	Dec	--	55.7	58.6
12/16/2020	United States	NAHB Housing Market Index	Dec	88	86	90
12/16/2020	United States	FOMC Rate Decision (Upper Bound)	Dec	0.25%	0.25%	0.25%
12/17/2020	Eurozone	EU27 New Car Registrations	Nov	--	-12.0%	--
12/17/2020	France	Business Confidence	Dec	93	93	92
12/17/2020	Eurozone	CPI YoY	Nov	-0.3%	-0.3%	-0.3%
12/17/2020	Eurozone	CPI Core YoY	Nov	0.2%	0.2%	0.2%
12/17/2020	United Kingdom	Bank of England Bank Rate	Dec	0.1%	0.1%	0.1%
12/17/2020	United States	Housing Starts MoM	Nov	--	1.2%	6.3%
12/17/2020	United States	Building Permits MoM	Nov	--	6.2%	-0.1%
12/17/2020	United States	Initial Jobless Claims	Dec	800K	885K	862K
12/17/2020	United States	Philadelphia Fed Business Outlook	Dec	20	11.1	26.3
12/17/2020	United States	Kansas City Fed Manf. Activity	Dec	--	12	20
12/17/2020	Japan	Tokyo Dept Store Sales YoY	Nov	--	--	--
12/18/2020	United Kingdom	GfK Consumer Confidence	Dec	-31	-26	-33
12/18/2020	United Kingdom	Retail Sales Ex Auto Fuel MoM	Nov	-3.3%	-2.6%	1.4%
12/18/2020	Germany	Ifo Business Climate	Dec	90.0	92.1	90.9
12/18/2020	Germany	Ifo Expectations	Dec	92.5	92.8	91.8
12/18/2020	Germany	Ifo Current Assessment	Dec	89.0	91.3	90.0
12/18/2020	Japan	BOJ Policy Balance Rate	Dec	-0.1%	-0.1%	-0.1%

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

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COMING INDICATORS

As usual, the latter part of the month sees the publication of several surveys although, due to the festive season, some will be published later than normal. This explains why the first week of January will be particularly busy. Over the coming three weeks, we will have consumer confidence in several countries, the purchasing managers indices, the ISM indices for manufacturing and services sector in the US as well as the economic confidence survey - and its components - of the European Commission. Finally, at the end of the first week of January we have the all-important labour market report in the US.

DATE	COUNTRY	INDICATOR	PERIOD
12/21/2020	Eurozone	Consumer Confidence	Dec
12/22/2020	Germany	GfK Consumer Confidence	Jan
12/23/2020	United States	Personal Income	Nov
12/23/2020	United States	Real Personal Spending	Nov
12/23/2020	United States	U. of Mich. Sentiment	Dec
12/24/2020	United States	Initial Jobless Claims	Dec
12/24/2020	United States	Cap Goods Orders Nondef Ex Air	Nov
12/29/2020	United States	Conf. Board Consumer Confidence	Dec
12/31/2020	China	Composite PMI	Dec
12/31/2020	China	Manufacturing PMI	Dec
12/31/2020	China	Non-manufacturing PMI	Dec
12/31/2020	United States	Initial Jobless Claims	Dec
01/04/2021	United States	Markit US Manufacturing PMI	Dec
01/06/2021	Japan	Consumer Confidence Index	Dec
01/06/2021	France	Consumer Confidence	Dec
01/06/2021	United States	Markit US Services PMI	Dec
01/06/2021	United States	Markit US Composite PMI	Dec
01/06/2021	United States	FOMC Meeting Minutes	Dec
01/07/2021	Eurozone	Consumer Confidence	Dec
01/07/2021	Eurozone	Retail Sales MoM	Nov
01/07/2021	Eurozone	Economic Confidence	Dec
01/07/2021	Eurozone	Industrial Confidence	Dec
01/07/2021	Eurozone	Services Confidence	Dec
01/07/2021	Eurozone	CPI MoM	Dec
01/07/2021	Eurozone	CPI Core YoY	Dec
01/07/2021	United States	Initial Jobless Claims	Jan
01/08/2021	France	Industrial Production MoM	Nov
01/08/2021	France	Consumer Spending MoM	Nov
01/08/2021	Eurozone	Unemployment Rate	Nov
01/08/2021	United States	Change in Nonfarm Payrolls	Dec
01/08/2021	United States	Unemployment Rate	Dec
01/08/2021	United States	Labor Force Participation Rate	Dec

SOURCE: BLOOMBERG



FURTHER READING

2020: Entering a new era	EcoTVWeek	18 December
Quarterly Economic Outlook for OECD countries and China	EcoPerspectives	17 December
Egypt: foreign currency liquidity restored	Chart of the Week	16 December
EcoWeek 20.46. December 11, 2020 issue	EcoWeek	11 December
December 2020 edition	EcoTV	10 December
European Union: EBA reactivates its guidelines on moratoria on loan repayments	Chart of the Week	9 December
United States: Are the GSEs ready to exit FHFA conservatorship?	EcoFlash	8 December
EcoWeek 20.45. December 4, 2020 issue	EcoWeek	4 December
After celebrating the reduction in uncertainty, investors to focus on the growth outlook	EcoTVWeek	4 December
Greece: Will employment hold up in 2021?	Chart of the Week	2 December
European Union Southern Europe: why such low potential growth?	Conjoncture	30 November
United Kingdom: United Kingdom: what will be the economic consequences of a hard Brexit?	Conjoncture	30 November
Global: What if the road to Covid-19 immunity is longer than expected?	EcoWeek	27 November
US Bad signs	EcoWeek	27 November
United Kingdom: Tuned in to BBC – Budget, Brexit, Covid	EcoWeek	27 November
Italy: The recovery at a standstill	EcoWeek	27 November
Spain: All eyes on the employment figures	EcoWeek	27 November
Global : The impact of lockdown and restrictions on the services sector	EcoWeek	27 November
Is the end of conservatorship of Fannie Mae and Freddie Mac imminent?	EcoTVWeek	27 November
South Korea: beginning of a new wave	Chart of the Week	25 November

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