ECOWEEK

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Contents

ECONOMIC RESEARCH

BNP PARIBAS

The bank for a changing world

THE STAIRWAY OF PUBLIC INDEBTEDNESS

For a large sample of developed economies, government debt as a percentage of GDP has been on a rising trend over the past 40 years. High public sector debt weakens the resilience of the economy to cope with interest rate and growth shocks. This calls for embarking, at some point in time, on a fiscal consolidation. Clearly, now is not the time. The economy is still recovering from the Covid-19 shock and the outlook remains highly uncertain. Nor is there any urgency, considering the very low interest rates. However, the absence of urgency in the near term should not make us forget about the necessity to act at a later stage. Otherwise, the resilience of the economy would weaken further. It would also represent a bet that in every downturn, central bank QE will come to the rescue.

For a large sample of developed economies, government debt as a percentage of GDP has been on a rising trend over the past 40 years.[1] Recessions cause an acceleration in this development due to the decline in GDP, the role of automatic stabilisers – whereby revenues decline and expenditures such as unemployment benefit payments increase - and discretionary measures to support growth. The decline in government indebtedness during an economic expansion tends to be slow and more limited. The Great Recession, which, after a short-lived recovery, was followed in many countries in the sample by a relapse in recession, had a profound impact, causing a big jump in indebtedness.

After a limited decline in the average debt ratio, this year will see another big increase due to the Covid-19 crisis. Uncertainty about the economic outlook remains very high and the IMF, in its latest Fiscal Monitor, argues that *"more needs to be done to address rising poverty, unemployment, and inequality and to foster the economic recovery."*[2] Assuming a healthy rebound in economic activity, the Fund expects the global public debt ratio to stabilise.

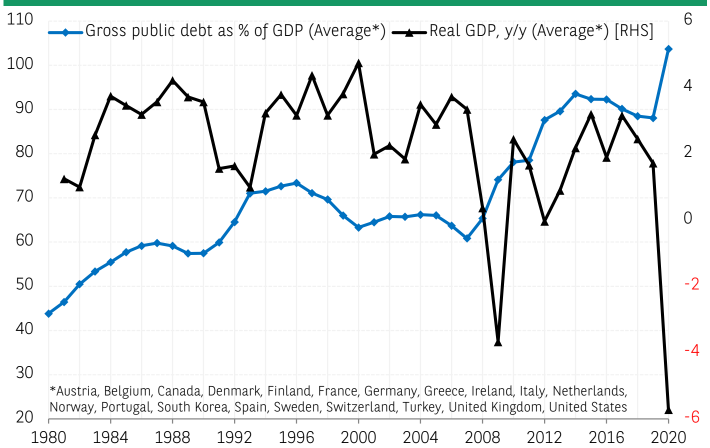
Low and stable interest rates play a key role in this respect. The health crisis has probably caused a further decline in the neutral rate of interest, monetary policy and quantitative easing keep bond yields under control and central bank forward guidance is unambiguous: accommodative policy will remain in place for a considerable time. It seems very likely that for several years to come, nominal GDP growth (g) should be higher than the average nominal interest rate on outstanding public debt (r). When g > r, stabilising the debt ratio shouldn't be that difficult, once activity has normalised, considering that it allows governments to run moderate primary deficits.

Of course, this would imply that the recession-induced jump in the public debt ratio becomes permanent, thereby extending the historical pattern of the debt stairway. In a recent speech, Banque de France's Governor François Villeroy de Galhau, warned this represents a tragedy on the horizon: *"we do not know if nor when the tragedy – a major confidence shock, for instance – may happen. But we know for sure that rising public debt is a growing risk hanging over us, and still more over our children and grandchildren."*[3] High and rising public sector debt is indeed a source of mounting risk. First, it increases the sensitivity of government finances should interest rates rise due to a tightening of monetary policy. Driving down the debt ratio is more challenging when starting from an elevated level given the extent of the effort which is needed to bring it back to acceptable proportions. As a consequence, investors will demand a risk premium, which pushes up the borrowing cost and complicates debt stabilisation[4].

1. Only for a small number of countries, the projected public debt ratio at the end of 2020 is not significantly different from that in 1980: Denmark, Ireland and Sweden. The data for 2020 are an estimate.
2. Source: IMF, Fiscal Monitor, October 2020.

3. *Central banks' response to the "tragedy on the horizon"*, Speech by Mr François Villeroy de Galhau, Governor of the Bank of France, at the SUERF –Online Conference, 14 October 2020.
4. Cinzia Alcidi and Daniel Gros emphasize that a marginal increase in debt ends up causing a sizeable increase in interest charges because eventually debt will need to be refinanced at more expensive terms.They refer to the rule of the thumb of the IMF *"that the risk premium increases by 4 basis points for every percentage of the debt GDP ratio above 60%."* The authors mention that according to the European Commission, this increase is 3 basis points. Source: *Public Debt and the Risk Premium: A Dangerous Doom Loop*, EconPol Europe Opinion, 2019, vol. 2.

GROSS PUBLIC DEBT AND REAL GDP



SOURCE: OXFORD ECONOMICS, BNP PARIBAS

> The absence of urgency in the near term should not make us forget about the necessity of a fiscal consolidation when circumstances are more favourable. Doing nothing would weaken the resilience of the economy to shocks. It would also represent a bet that in every downturn, central bank QE will come to the rescue.

At the current juncture, this risk looks remote because the ECB's quantitative easing – in particular the Pandemic Emergency Purchase Programme - has been instrumental in lowering sovereign spreads. When the net purchases of these programmes eventually come to a halt, this is expected to cause a repricing of risk and lead to somewhat wider sovereign spreads. Second, because of the impact on borrowing costs, it reduces the possibility to stimulate growth using fiscal policy, unless the central bank would again start a QE programme and buy government paper. Third, the sensitivity of government finances to a recession increases: a contraction of GDP causes a bigger increase in the debt ratio in terms of percentage points of GDP.

All these reasons call for embarking, at some point in time, on fiscal consolidation, i.e. to reduce year after year the cyclically adjusted primary deficit or even increase the surplus. The more difficult question is when to start? Clearly, now is not the time. The economic outlook remains highly uncertain due to the pandemic and even when a vaccine will have been found and deployed, most economies will continue to operate below potential for quite some time.

A contractionary fiscal policy when the output gap is negative would neutralise to a large degree the efforts of central banks in pushing up inflation by means of an accommodative monetary policy. On the other hand, fiscal consolidation when the output gap is positive would reduce the required extent of monetary tightening to keep inflation under control. Although the interaction with monetary policy is relevant to consider when deciding on the timing of a fiscal consolidation, the overriding concern should be whether the economy can withstand the fiscal policy tightening.

Government expenditure cuts or tax increases have a direct impact on final demand and income but they also increase uncertainty about future income and profits. A priori, one would expect the sensitivity to be higher when growth is subdued than when the activity is booming. Empirical research shows that this sensitivity – also known as the fiscal multiplier – fluctuates over time and is higher during recessions and lower during expansions. This calls for 'backloading' the fiscal consolidation effort and waiting for a more robust growth environment. Hysteresis effects – whereby a cyclical increase in unemployment ends up becoming permanent- strengthen the case for postponing the budgetary adjustment 'until the time is ripe'.[5]

The current low rate environment, in conjunction with QE, also means there is no urgency to act. As explained before, when $g > r$, the debt ratio declines 'automatically', unless the primary deficit would be too high to start with. However, the absence of urgency in the near term should not make us forget about the necessity to act at a later stage, when circumstances are more favourable. Doing nothing would weaken the resilience of the economy to cope with interest rate and growth shocks. It would also represent a bet that in every downturn, central bank QE will come to the rescue.

William De Vijlder

5. This point is analysed in an excellent paper from the IMF: *How delaying fiscal consolidation affects the present value of GDP*, working paper 15/52, March 2015

MARKETS OVERVIEW

OVERVIEW

Week 16-10 20 to 22-10-20

↘ CAC 40	4 936	▸ 4 851	-1.7	%
↘ S&P 500	3 484	▸ 3 453	-0.9	%
↗ Volatility (VIX)	27.4	▸ 28.1	+0.7	bp
↘ Libor $ 3M (%)	0.22	▸ 0.21	-0.9	bp
↗ OAT 10y (%)	-0.41	▸ -0.35	+6.2	bp
↗ Bund 10y (%)	-0.62	▸ -0.56	+6.1	bp
↗ US Tr. 10y (%)	0.74	▸ 0.85	+10.4	bp
↗ Euro vs dollar	1.17	▸ 1.18	+0.9	%
↘ Gold (ounce, $)	1 903	▸ 1 899	-0.2	%
↘ Oil (Brent, $)	43.0	▸ 42.5	-1.0	%

MONEY & BOND MARKETS

Interest Rates		highest 20			lowest 20		
€ ECB	0.00	0.00	at	01/01	0.00	at	01/01
Eonia	-0.47	-0.44	at	31/03	-0.49	at	30/09
Euribor 3M	-0.51	-0.16	at	23/04	-0.51	at	12/10
Euribor 12M	-0.47	-0.05	at	22/04	-0.47	at	20/10
$ FED	0.25	1.75	at	01/01	0.25	at	16/03
Libor 3M	0.21	1.91	at	01/01	0.21	at	19/10
Libor 12M	0.33	2.00	at	01/01	0.33	at	21/10
£ BoE	0.10	0.75	at	01/01	0.10	at	19/03
Libor 3M	0.05	0.80	at	08/01	0.05	at	14/10
Libor 12M	0.12	0.98	at	01/01	0.12	at	20/10

At 22-10-20

Yield (%)		highest 20			lowest 20		
€ AVG 5-7y	-0.36	0.72	at	18/03	-0.40	at	19/10
Bund 2y	-0.77	-0.58	at	14/01	-1.00	at	09/03
Bund 10y	-0.56	-0.17	at	19/03	-0.84	at	09/03
OAT 10y	-0.35	0.28	at	18/03	-0.42	at	09/03
Corp. BBB	0.80	2.54	at	24/03	0.65	at	20/02
$ Treas. 2y	0.16	1.59	at	08/01	0.11	at	04/08
Treas. 10y	0.85	1.91	at	01/01	0.50	at	09/03
High Yield	5.71	1 1.29	at	23/03	5.44	at	21/02
£ gilt. 2y	-0.02	0.61	at	08/01	-0.12	at	21/09
gilt. 10y	0.33	0.83	at	01/01	0.04	at	04/08

At 22-10-20

EXCHANGE RATES

1€ =		highest 20			lowest 20			2020
USD	1.18	1.20	at	01/09	1.07	at	20/03	+5.4%
GBP	0.90	0.94	at	23/03	0.83	at	18/02	+6.6%
CHF	1.07	1.09	at	05/06	1.05	at	14/05	-1.3%
JPY	123.96	126.82	at	31/08	114.51	at	06/05	+1.6%
AUD	1.66	1.87	at	23/03	1.60	at	01/01	+4.2%
CNY	7.89	8.26	at	30/07	7.55	at	19/02	+0.9%
BRL	6.60	6.69	at	20/08	4.51	at	02/01	+46.1%
RUB	90.50	92.95	at	29/09	67.75	at	10/01	+29.8%
INR	86.98	89.12	at	18/08	77.21	at	17/02	+8.6%

At 22-10-20 *Change*

COMMODITIES

Spot price, $		highest 20			lowest 20			2020	2020(€)
Oil, Brent	42.5	69.1	at	06/01	16.5	at	21/04	-35.9%	-39.1%
Gold (ounce)	1 899	2 053	at	06/08	1 475	at	19/03	+24.9%	+18.6%
Metals, LMEX	3 108	3 125	at	21/10	2 232	at	23/03	+9.3%	+3.7%
Copper (ton)	6 907	6 978	at	21/10	4 625	at	23/03	+12.3%	+6.6%
wheat (ton)	235	2.4	at	21/01	178	at	26/06	+2.7%	-2.5%
Corn (ton)	156	1.6	at	22/10	113	at	28/04	+0.4%	-1.1%

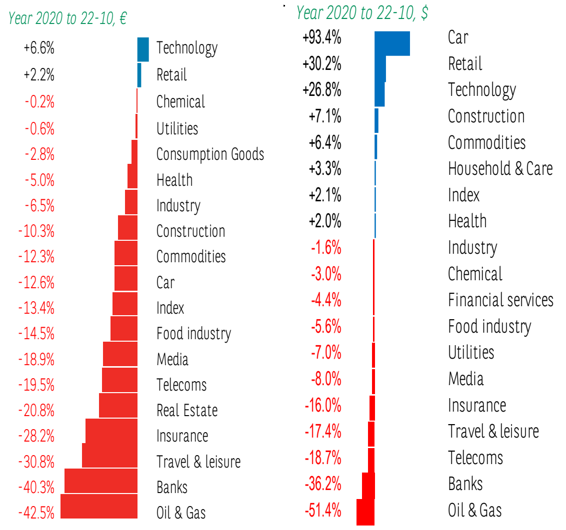
At 22-10-20 *Change*

EQUITY INDICES

	Index	highest 20			lowest 20			2020
World								
MSCI World	2 421	2 494	at	02/09	1 602	at	23/03	+2.7%
North America								
S&P500	3 453	3 581	at	02/09	2 237	at	23/03	+6.9%
Europe								
EuroStoxx50	3 171	3 865	at	19/02	2 386	at	18/03	-15.3%
CAC 40	4 851	6 111	at	19/02	3 755	at	18/03	-1.9%
DAX 30	12 543	13 789	at	19/02	8 442	at	18/03	-5.3%
IBEX 35	6 797	10 084	at	19/02	6 107	at	16/03	-2.9%
FTSE100	5 786	7 675	at	17/01	4 994	at	23/03	-2.3%
Asia								
MSCI, loc.	936	1 034	at	20/01	743	at	23/03	-0.7%
Nikkei	23 474	24 084	at	20/01	16 553	at	19/03	-0.8%
Emerging								
MSCI Emerging ($)	1 137	1 147	at	17/01	758	at	23/03	+0.2%
China	103	104	at	21/10	69	at	19/03	+20.5%
India	583	609	at	17/01	353	at	23/03	+1.6%
Brazil	1 499	2 429	at	02/01	1 036	at	23/03	-12.4%
Russia	548	857	at	20/01	419	at	18/03	-18.1%

At 22-10-20 *Change*

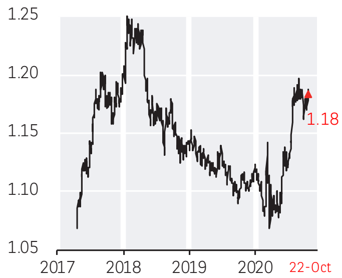
PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)



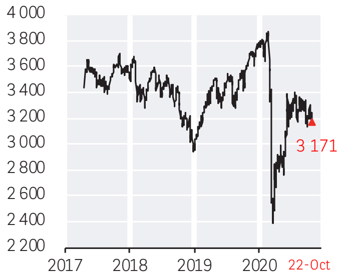
SOURCE: THOMSON REUTERS,

MARKETS OVERVIEW

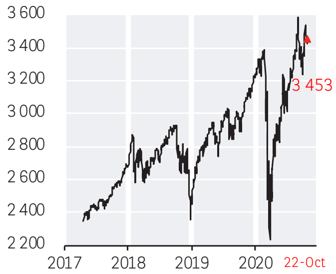
EURO-DOLLAR



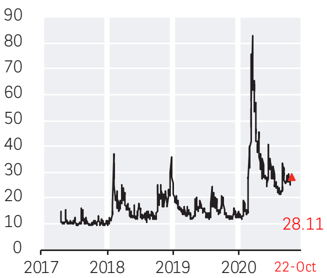
EUROSTOXX50



S&P500

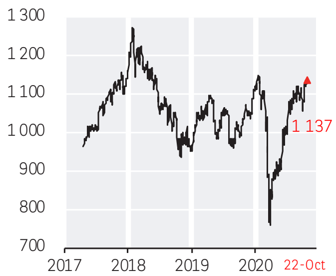


VOLATILITY (VIX, S&P500)

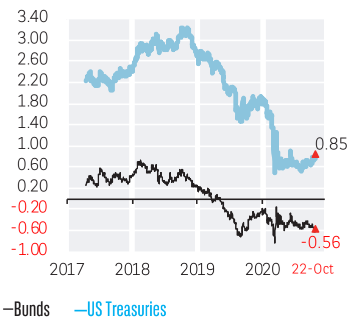


MSCI WORLD (USD)

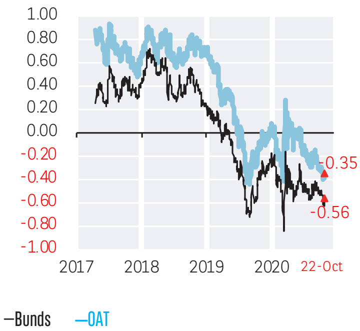
MSCI EMERGING (USD)



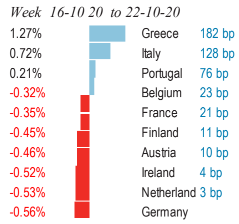
10Y BOND YIELD, TREASURIES VS BUND



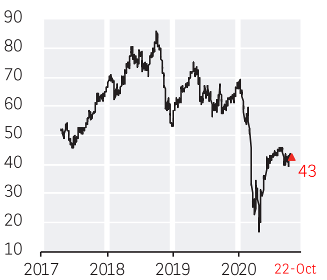
10Y BOND YIELD



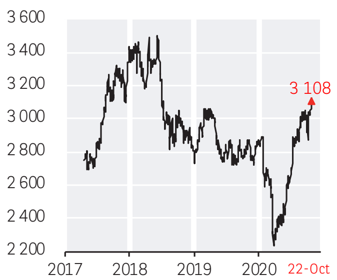
10Y BOND YIELD & SPREADS



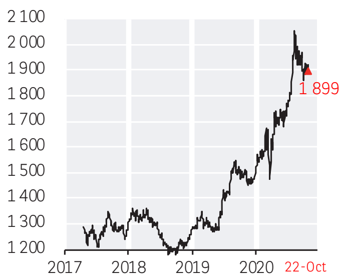
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: THOMSON REUTERS,

ECONOMIC PULSE

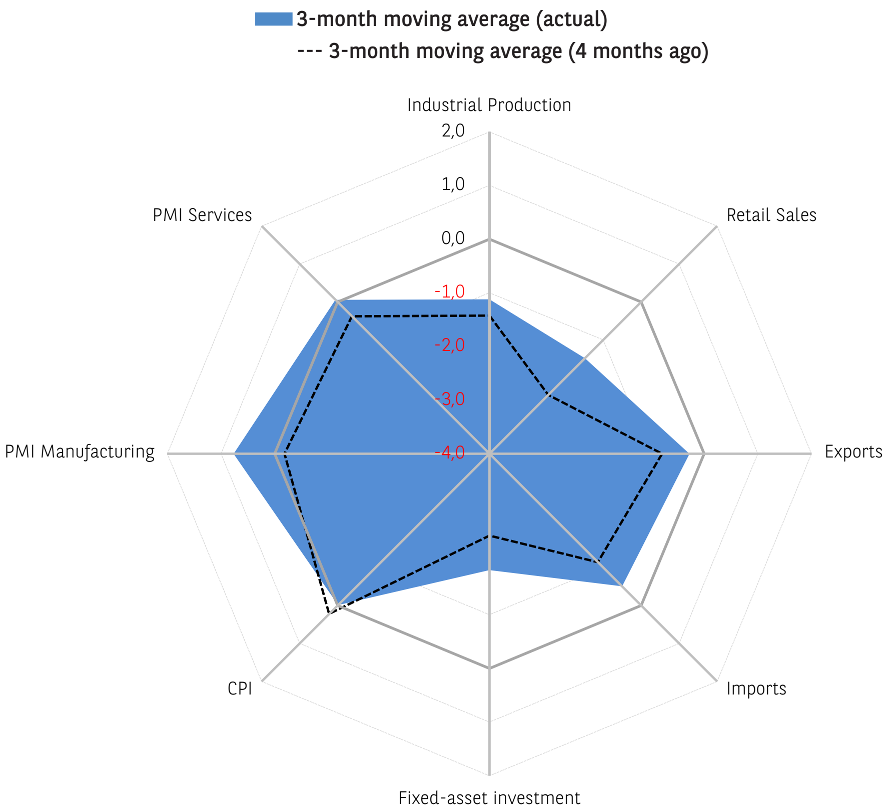
CHINA: A SOLID CAPACITY TO REBOUND

China's economic dynamics have remained the same in the past three months, i.e. the recovery has continued and strengthened gradually. As a result, real GDP registered positive growth of 0.7% y/y in the first three quarters of 2020, and 4.9% y/y in Q3 alone. The main economic sectors all reported positive growth in the first three quarters: +2.3% in the primary sector (vs. 3.1% in 2019), +0.9% in the secondary sector (vs. 5.7% in 2019) and +0.4% in the tertiary sector (vs. 6.9% in 2019). These data underline both the solid capacity of the Chinese economy to rebound after the Q1 shock, and the greater fragility of the services sector, where the recovery has started later and been slower than in the industrial sector.

As seen in our monthly Pulse, the expansion of the blue area compared to the dotted area shows a more widespread recovery in activity in Q3 2020 than in Q2. The recovery that followed the lockdown period of Q1 was initially driven by the rebound in industrial production and investment in both public infrastructure and real estate. Then, in Q3 2020, it has also been supported by the improvement in the services sector and by the strengthening in other demand components. Export growth accelerated strongly (+9.9% y/y in September), driven by sales of medical equipment and IT goods and, more recently, by sales of home appliances and other consumer goods. Investment in the manufacturing sector strengthened in Q3, but yet is lagging behind investment in the property sector and public infrastructure. The rebound in retail sales has also gained momentum since August, but they were still well below their 2019 level over the first nine months of the year (-7.2% y/y). Consumer price inflation has continued to slow (to 2.3% y/y on average in Q3). While core inflation stayed low and stable (at 0.5%) au T3, disinflation has resulted mainly from the fall in fuel prices and slower inflation in food prices.

Christine Peltier

QUARTERLY CHANGES



SOURCE: NBS, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +2. 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 compared to the dotted area signals an increase in the variable.

ECONOMIC SCENARIO

UNITED STATES

After its collapse in the second quarter (-31.7% on an annualized basis) the economy partially recovered during the summer months, with surveys (among households and businesses) returning to almost normal levels. However, at the end of September, the activity deficit to be filled compared to 2019 remains significant (in the order of 4 percentage points of GDP), as the sectors most exposed internationally are far from having returned to their pre-crisis level. With an unemployment rate that has doubled and is now close to 8.5%, the labour market remains hard-hit, a fact that no doubt weighed in the Fed's decision to further accommodate its policy in the long term by adapting its inflation targeting strategy.

CHINA

After plummeting during the period of the strictest lockdown in February, economic activity has gradually turned around since March. The contraction in real GDP was unprecedented in Q1 2020, but the rebound in Q2 was strong enough to completely regain the ground that was lost. Monetary policy has been eased cautiously and should become less supportive in H2 2020 as the authorities focus more on containing risks in the financial system. Stimulus efforts should depend increasingly on fiscal policy in the year ahead, with infrastructure investment boosted further. Downside risks on our short-term scenario are significant, notably due to the sluggish momentum in private consumption growth and tensions with the US.

EUROZONE

As expected, confinement measures taken to tackle the epidemic have severely hit the eurozone economy. GDP has massively fallen in Q2 2020, by -11.8% (q/q) after -3.7% in Q1 2020. While the economy entered Q3 2020 with relatively strong momentum, the latest indicators point to a somewhat slower pace with the risk of a significant decrease in GDP growth in Q4 2020. In all likelihood, the loss of activity following the Covid-19 shock should not be erased by the end-2021. Beyond the uncertainties about the pandemic, worries remain regarding the expected increase in both unemployment rate and bankruptcies. These developments could weigh respectively on consumer confidence and private investment. The policy mix will remain supportive, which is an essential condition for a strong recovery. Fiscal recovery packages, both at the national and European level, are a crucial complement to the accommodative and flexible monetary policy.

FRANCE

In the first half of 2020, the economy suffered a massive recessionary shock caused by the Covid-19 pandemic and containment measures: GDP plunged by 5.9%q/q in Q1 and then by 13.8% q/q in Q2. Since mid-May and the end of the lockdown, a mechanical rebound has been at work: the catching up was vigorous until June-July and is helping to moderate the 2020 GDP contraction. But it remains incomplete and is losing steam. The French sectoral specificities, the dispersed nature of the recovery and the return to normal, both at the sector level and geographically, act as a brake. Uncertainty remains high as to the extent of the shock wave in terms of company failures and rising unemployment. The health situation remains worrying. By 2021, GDP would still be about 2% below its end-2019 level. However, the emergency measures implemented in the spring have played a key cushioning role, while the EUR 100 bn France Recovery plan, detailed on 3 September, have a reinforcing role. We estimate the additional growth in 2021 at 0.6 points.

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. Treasury yields should move higher on the back of the economic recovery and because the Fed will accept and actually wants inflation to rise beyond 2%.

In the eurozone, the ECB projects inflation in 2022 to remain well below its objective and, although the economy is recovering, it considers that risks are still tilted to the downside. This implies that current monetary policy will be maintained for a long time and that more easing is possible should circumstances require. This very accommodative setting should keep a lid on sovereign bond spreads. As usual, eurozone bond yields will be very much influenced by what happens to US yields. Clearly, fluctuations in risk appetite also play an important role.

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

We expect the recent trend of dollar weakening to continue. 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	2019	2020 e	2021 e
United-States	2.2	-4.2	4.2	1.8	1.3	1.9
Japan	0.7	-5.4	1.2	0.5	0.0	-0.3
United-Kingdom	1.5	-9.7	6.9	1.8	0.7	1.3
Euro Area	1.3	-8.0	5.2	1.2	0.3	0.9
Germany	0.6	-5.6	4.7	1.4	0.6	1.6
France	1.5	-9.8	6.8	1.3	0.6	0.9
Italy	0.3	-10.0	5.3	0.6	-0.1	0.4
Spain	2.0	-13.0	5.0	0.8	-0.3	0.6
China	6.1	2.5	7.5	2.9	2.8	2.3
India*	4.2	-11.4	9.6	4.8	5.5	3.4
Brazil	1.1	-5.0	3.0	3.7	2.6	2.6
Russia	1.3	-5.0	3.1	4.3	3.3	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 09/10/2020

INTEREST & EXCHANGE RATES

Interest rates, %		2020				2021				
End of period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q4e	2020e	2021e
US	Fed Funds (upper limit)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
	T-Notes 10y	0.67	0.80	0.64	0.75	0.90	1.00	1.20	0.75	1.20
Ezone	Deposit rate	-0.50	-0.50	0.00	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
	Bund 10y	-0.46	-0.50	-0.54	-0.30	-0.20	-0.10	0.00	-0.30	0.00
	OAT 10y	-0.05	-0.15	-0.32	-0.05	0.05	0.15	0.25	-0.05	0.25
	BTP 10y	1.55	1.30	0.77	0.90	1.20	1.40	1.50	0.90	1.50
	BONO 10y	0.68	0.50	0.16	0.30	0.50	0.20	0.70	0.30	0.70
UK	Base rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
	Gilts 10y	0.31	0.55	0.14	0.30	0.30	0.40	0.70	0.30	0.70
Japan	BoJ Rate	-0.07	-0.10	-0.03	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
	JGB 10y	0.02	0.00	0.02	0.05	0.05	0.10	0.15	0.05	0.15

Exchange Rates		2020				2021				
End of period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q4e	2020e	2021e
USD	EUR / USD	1.10	1.09	1.17	1.23	1.24	1.25	1.27	1.23	1.27
	USD / JPY	108	104	106	102	101	99	95	102	95
	GBP / USD	1.24	1.24	1.28	1.41	1.43	1.45	1.48	1.41	1.48
EUR	EUR / GBP	0.89	0.88	0.91	0.87	0.87	0.86	0.86	0.87	0.86
	EUR / JPY	118	113	124	125	125	124	121	125	121

Brent		2020				2021				
Period-average		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q4e	2020e	2021e
Brent	USD/bbl	51	33	41.02	49	61	58	-	44	59

LAST UPDATE: 09/10/2020

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)

CALENDAR

LATEST INDICATORS

The recovery in China continues. Admittedly, third quarter GDP growth slowed - for understandable reasons, coming after a very strong second quarter -, but versus last year, growth accelerated. This is also the case for industrial production in September. It should be noted however that most indicators came in slightly below expectations. In the US, the NAHB housing market index saw a small improvement whereas building permits increased significantly, beating expectations. Housing starts are also on the rise but less than expected. In Japan, the year-over-year decline of Tokyo department store sales was even bigger in September than the month before. France saw a slight decline in business confidence, to a large degree driven by services. Although UK retail sales growth picked up in September, beating expectations, consumer confidence declined more than expected in October. The flash PMIs weakened as well and the decline in services was unexpectedly large. The PMIs in Japan were hardly changed compared to September. The services PMI declined more than expected in France, Germany and the euro area. The manufacturing PMI eased slightly in France. It improved for the euro zone, thereby largely beating the consensus which had expected a decline. The manufacturing index powered ahead in Germany and the positive surprise was huge (58 versus 55). In the US, the manufacturing PMI was virtually unchanged versus the previous month. The services sector saw an unexpected improvement.

DATE	COUNTRY	INDICATOR	PERIOD	ACTUAL	SURVEY	PREVIOUS
10/19/2020	China	GDP SA QoQ	3Q	2.7%	3.3%	11.7%
10/19/2020	China	GDP YoY	3Q	4.9%	5.5%	3.2%
10/19/2020	China	Industrial Production YTD YoY	Sep.	1.2%	1.0%	0.4%
10/19/2020	China	Retail Sales YTD YoY	Sep.	-7.2%	-7.4%	-8.6%
10/19/2020	China	Fixed Assets Ex Rural YTD YoY	Sep.	0.8%	0.9%	-0.3%
10/19/2020	China	Property Investment YTD YoY	Sep.	5.6%	5.2%	4.6%
10/19/2020	China	Surveyed Jobless Rate	Sep.	5.4%	5.5%	5.6%
10/19/2020	United States	NAHB Housing Market Index	Oct.	85	83	83
10/20/2020	United States	Building Permits MoM	Sep.	5.2%	3.0%	-0.5%
10/20/2020	United States	Housing Starts MoM	Sep.	1.9%	3.5%	-6.7%
10/21/2020	United States	U.S. Fed. Releases Beige Book		0	0	
10/22/2020	Japan	Tokyo Dept Store Sales YoY	Sep.	-35.0%	--	-29.1%
10/22/2020	France	Business Confidence	Oct.	90	92	92
10/22/2020	United Kingdom	CBI Business Optimism	Oct.	0	-17	-1
10/22/2020	United States	Initial Jobless Claims	Oct.	787k	870k	842k
10/22/2020	Eurozone	Consumer Confidence	Oct.	-15.5	-15.0	-13.9
10/23/2020	United Kingdom	GfK Consumer Confidence	Oct.	-31	-28	-25
10/23/2020	Japan	Jibun Bank PMI Mfg	Oct.	48.0	--	47.7
10/23/2020	Japan	Jibun Bank PMI Services	Oct.	46.6	--	46.9
10/23/2020	Japan	Jibun Bank PMI Composite	Oct.	46.7	--	46.6

SOURCE: BLOOMBERG

DATE	COUNTRY	INDICATOR	PERIOD	ACTUAL	SURVEY	PREVIOUS
10/23/2020	United Kingdom	Retail Sales Ex Auto Fuel MoM	Sep.	1.6%	0.5%	0.6%
10/23/2020	France	Markit France Manufacturing PMI	Oct.	51.0	51.0	51.2
10/23/2020	France	Markit France Services PMI	Oct.	46.5	47.0	47.5
10/23/2020	France	Markit France Composite PMI	Oct.	47.3	48.0	48.5
10/23/2020	Germany	Markit/BME Manufacturing PMI	Oct.	58.0	55.0	56.4
10/23/2020	Germany	Markit Germany Services PMI	Oct.	48.9	49.4	50.6
10/23/2020	Germany	Markit/BME Germany Composite PMI	Oct.	54.5	53.3	54.7
10/23/2020	Eurozone	Markit Eurozone Manufacturing PMI	Oct.	54.4	53.0	53.7
10/23/2020	Eurozone	Markit Eurozone Services PMI	Oct.	46.2	47.0	48.0
10/23/2020	Eurozone	Markit Eurozone Composite PMI	Oct.	49.4	49.2	50.4
10/23/2020	United Kingdom	Markit UK PMI Manufacturing SA	Oct.	53.3	53.1	54.1
10/23/2020	United Kingdom	Markit/CIPS UK Services PMI	Oct.	52.3	53.9	56.1
10/23/2020	United Kingdom	Markit/CIPS UK Composite PMI	Oct.	52.9	54.0	56.5
10/23/2020	United States	Markit US Manufacturing PMI	Oct.	53.3	53.5	53.2
10/23/2020	United States	Markit US Services PMI	Oct.	56	54.6	54.6
10/23/2020	United States	Markit US Composite PMI	Oct.	55.5	--	54.3

SOURCE: BLOOMBERG

CALENDAR: THE WEEK AHEAD

COMING INDICATORS

The highlight of next week is the ECB Governing Council meeting. Analysts will be eager to hear the reaction to the mounting economic headwinds coming from the rising number of Covid-19 infections against a background of very low and declining core inflation. The week will also be very rich in terms of data releases with the publication of third quarter GDP growth in the US, France, Germany and the euro area. Several surveys will be published for the month of October: IFO business climate in Germany, Conference Board consumer confidence and University of Michigan sentiment in the US, consumer confidence in France, economic confidence and its sub-series for the euro area as well as several regional surveys in the US. Finally, there is also the meeting of the Bank of Japan.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
10/26/2020	Germany	IFO Business Climate	Oct.	--	93.4
10/26/2020	Germany	IFO Expectations	Oct.	--	97.7
10/26/2020	Germany	IFO Current Assessment	Oct.	--	89.2
10/26/2020	United States	Chicago Fed Nat Activity Index	Sep.	--	0.79
10/26/2020	United States	New Home Sales MoM	Sep.	-0.1%	4.8%
10/26/2020	United States	Dallas Fed Manf. Activity	Oct.	13.5	13.6
10/27/2020	China	Industrial Profits YoY	Sep.	--	19.1%
10/27/2020	France	Total Jobseekers	3Q	--	4.1493e+06
10/27/2020	United States	Cap Goods Orders Nondef Ex Air	Sep.	--	1.9%
10/27/2020	United States	Conf. Board Consumer Confidence	Oct.	101.9	101.8
10/27/2020	United States	Conf. Board Present Situation	Oct.	--	98.5
10/27/2020	United States	Conf. Board Expectations	Oct.	--	104.0
10/27/2020	United States	Richmond Fed Manufact. Index	Oct.	16	21
10/27/2020	Germany	Retail Sales MoM	Sep.	--	3.1%
10/28/2020	France	Consumer Confidence	Oct.	--	95
10/29/2020	Japan	Retail Sales MoM	Sep.	--	4.6%
10/29/2020	Japan	Consumer Confidence Index	Oct.	--	32.7
10/29/2020	Eurozone	Economic Confidence	Oct.	--	91.1
10/29/2020	Eurozone	Industrial Confidence	Oct.	--	-11.1
10/29/2020	Eurozone	Services Confidence	Oct.	--	-11.1
10/29/2020	Eurozone	Consumer Confidence	Oct.	--	--
10/29/2020	United States	Initial Jobless Claims	Oct.	--	--
10/29/2020	United States	GDP Annualized QoQ	3Q	32.0%	-31.4%
10/29/2020	Eurozone	ECB Deposit Facility Rate	Oct.	--	-0.500%
10/29/2020	Japan	BOJ Policy Balance Rate	Oct.	--	-0.100%
10/30/2020	Japan	Industrial Production MoM	Sep.	2.7%	1.0%
10/30/2020	France	Consumer Spending MoM	Sep.	--	2.3%
10/30/2020	France	GDP QoQ	3Q	--	-13.8%
10/30/2020	Germany	GDP SA QoQ	3Q	--	-9.7%
10/30/2020	Eurozone	ECB Survey of Professional Forecasters			
10/30/2020	Eurozone	Unemployment Rate	Sep.	--	8.1%
10/30/2020	Eurozone	GDP SA QoQ	3Q	--	-11.8%
10/30/2020	Eurozone	CPI Core YoY	Oct.	--	0.2%
10/30/2020	United States	University of Michigan Sentiment	Oct.	81.2	81.2

SOURCE: BLOOMBERG

FURTHER READING

Second wave: what are the risks for the eurozone economy?	EcoTVWeek	23 October
Eurozone: covid-19, ecb and long term interest rates	Chart of the Week	21 October
France : French household consumption in 2019: weak and strong at the same time	Conjoncture	21 October
Global: A temporary relaxation of leverage standards	EcoFlash	19 October
Global: Supply-side policy for a post-Covid-19 world	EcoWeek	16 October
United Kingdom: Recovery already showing signs of weakness	EcoWeek	16 October
Spain: Slowdown in the economic recovery	EcoWeek	16 October
Italy: Caught up by the second wave	EcoWeek	16 October
Preparing for a post-pandemic world: towards a more targeted economic policy	EcoTV	16 October
United kingdom: mortgages caught between support and restriction	Chart of the Week	14 October
US : The presidential election on 3 November	EcoFlash	13 October
United Kingdom : Brexit: Time is running out to reach an agreement	EcoFlash	13 October
Global : Will companies use better cash flows to invest?	EcoWeek	9 October
Global : PMI: services sector is suffering again from the pandemic	EcoWeek	9 October
EcoTV October 2020	EcoTV	9 October
Russia: Weak recovery	Chart of the Week	7 October
4th quarter 2020 issue of EcoEmerging	EcoEmerging	5 October
Japan : Under pressure but improved household confidence provides some hope	EcoWeek	2 October
Eurozone : The economic recovery is running out of steam	EcoWeek	2 October
US : Still a substantial shortage of jobs	EcoWeek	2 October

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