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WHAT TO EXPECT NEXT WEEK

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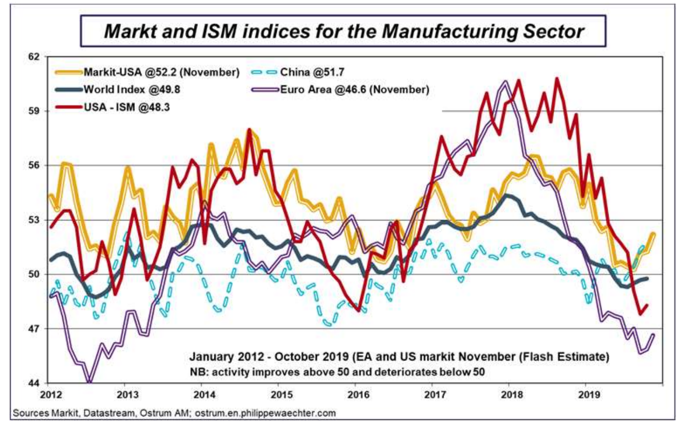
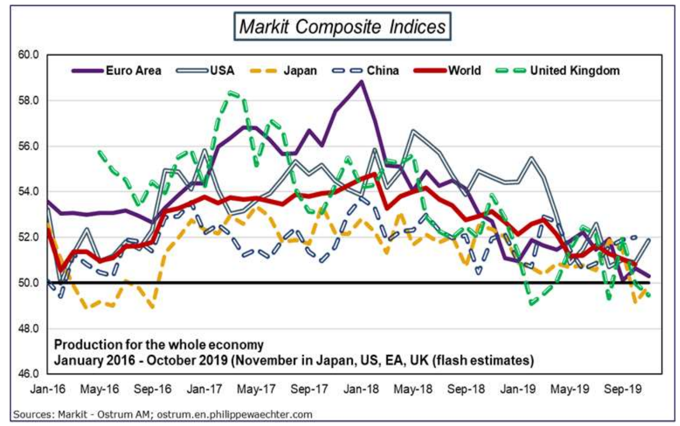
HIGHLIGHTS

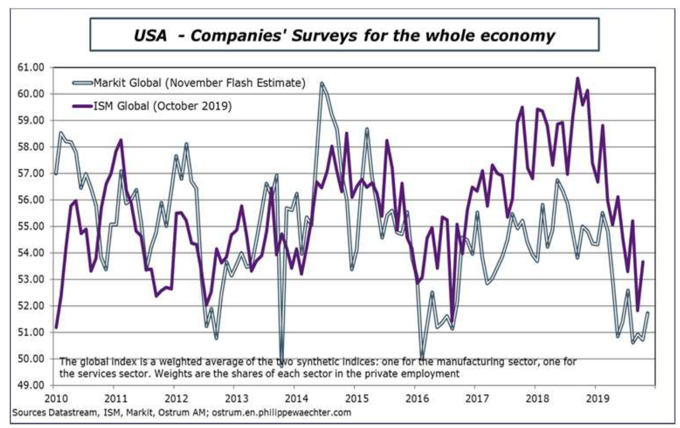
- **The short term dynamics will be highlighted by the release of the worldwide Markit survey on the manufacturing sector (Dec 2)**
  In the November flash estimate of these survey for the US and the Euro Area, indices improved. The US remains above the 50 threshold (52.2 in November) while the Eurozone jumped at 46.6 after 45.9 in October. Japan also stabilized at 48.6. The good news is the official Chinese PMI which was above the 50 level, at 50.2, for the first time since last April.
- **On December 4, Markit will release the services survey indices and the composite indices and ISM the non manufacturing index for the US**
  In recent months, services indices had a lower momentum. This reflects the impact, with delays, of the lower dynamics in the manufacturing sector. The flash estimates have shown that, except in the US, the picture was weaker than in recent months.
  The important point on this question will be the ISM survey. The ISM global index (a weighted average of the manufacturing and non manufacturing indices) was on a slower trend that will reflect in lower growth numbers in a foreseeable future.
- **External trade in China for November (Dec 8)**
  The main question for China is the profile of its exports. In recent months it was close to zero before plunging way below 0 in October. A negative figure may have a strong impact on the trade agreement negotiations with the US. A first round may be signed in coming weeks depending on the current data on trade.
- **The German industrial momentum is conditioned by the flows of orders (Dec 5).**
  The real question in Europe is the possibility of a recession in Germany. Recent GDP growth data have not been convincing that the German economy will avoid a recession. Nevertheless, corporate surveys stabilized in October and November. The trough may be nigh. The industrial orders data will highlight the possibility of a rebound (The German industrial production for October will also give many information on this specific point (Dec 6)).
- **US employment for November (Dec 6)**
  The jobs creation momentum remains strong. The figure in November will be robust but no spike is expected on wages and the unemployment rate will remain close to the current 3.6%.
- **From December 2 to December 13, the COP25 will take place in Spain.**
  Spain replaces Chile after the recent social unrest in Santiago. But we have to remember that Chile was itself replacing Brazil which didn't want to be committed on environmental questions after Bolsonaro's election.
  The climate change issue is often a kind of adjustment variable at the global level showing that the question remains secondary for many governments.
  We have to keep in mind that in many countries where governments do not want to commit on environmental issues, the divergence with the population is, in many cases, larger and larger every day. It may be a source of unrest in a foreseeable future.

NEXT WEEK'S MAIN DATA AND EVENTS PAGE 1

- **The short term dynamics will be highlighted by the release of the worldwide Markit survey on the manufacturing sector (Dec 2)**
  We've recently seen negative levels in many developed countries. That was the case for the Euro Area index but also in many European countries like Germany, Italy and Spain. The rapid slowdown in the manufacturing sector is worrisome as it provokes deep adjustments notably on employment (see the Daimler announcement on jobs in Germany during the week-end)
  France remains above the 50 threshold. This is the consequence of the economic policy.
  In the UK, the flash estimate for November was at 48.3 and the index below the 50 threshold since last May.
  The important point is that in October and the flash estimates for November we've seen a kind of stabilization, no further drops Will the complete November data set confirm this short term improvement ?
  In the US the more robust Markit index (above the 50 threshold) doesn't match the drop below 50 of the ISM survey for the manufacturing sector during the last 3 months.
  In China the Markit index still shows a modest improvement. But the situation may change as the official index for November is above the 50 threshold at 50.2 versus 49.3 in October.
  These soft data are important as they mimic the hard data profile (industrial production indices). In the US the yearly change of the production index matches perfectly with the ISM.
- **On December 4, Markit will release the services survey indices and the composite indices and ISM the non manufacturing index for the US**
  Two elements to keep in mind
  1- The service sectors momentum is lower than a few months ago. These indices have been recently pulled down by the lower dynamics of the manufacturing sector. Services indices are not independent of the manufacturing sector.
  2- That why the manufacturing sector outlook will be important. A extended stabilization may postpone the risk of recession.







NEXT WEEK'S MAIN DATA AND EVENTS PAGE 2

- **External trade in China for November (Dec 8)**
  The low momentum seen in the exports will continue as China reflects the impact of the trade war.
  The short term momentum of the Chinese exports will condition the Chinese mood on a possible trade agreement with the US
  The imports rapid slowdown shows the consequence of a tight economic policy that reflects the authorities' will to control financial and banking developments.
- **The German industrial momentum is conditioned by the flows of orders (Dec 5).**
  These have followed a slow momentum in recent months notably in the capital sector. This will highlight the short term dynamics of the German economy.
  In other words, these orders will give supplementary information on the probability of a recession. The other point is that capital orders provide robust information on the OECD investment profile. As the graph shows, the short term expectations we can have on the OECD investment remain negative.
  The industrial production index will be released on December 6. This index has dramatically dropped in recent months.
- **US employment for November (Dec 6)**
  The number of jobs creation is still solid even if numbers are lower than in 2018. No fragility is expected. The unemployment rate will remain low (3.6% in October). No spike expected on the monthly wage.
- **From December 2 to December 13, the COP25 will take place in Spain.**
  Spain replaces Chile after the recent social unrest in Santiago. But we have to remember that Chile was itself replacing Brazil which didn't want to be committed on environmental questions after Bolsonaro's election.
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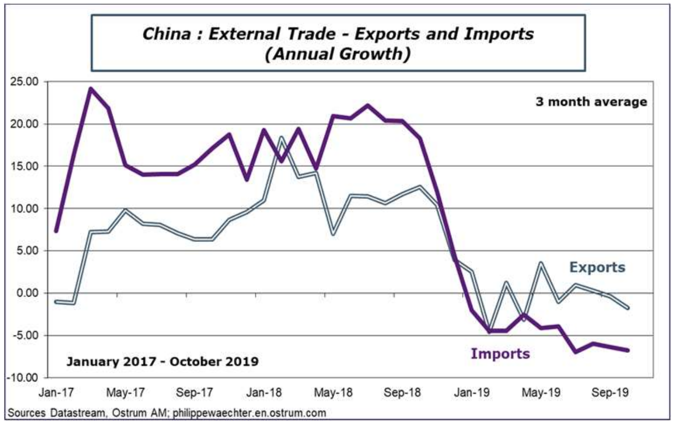

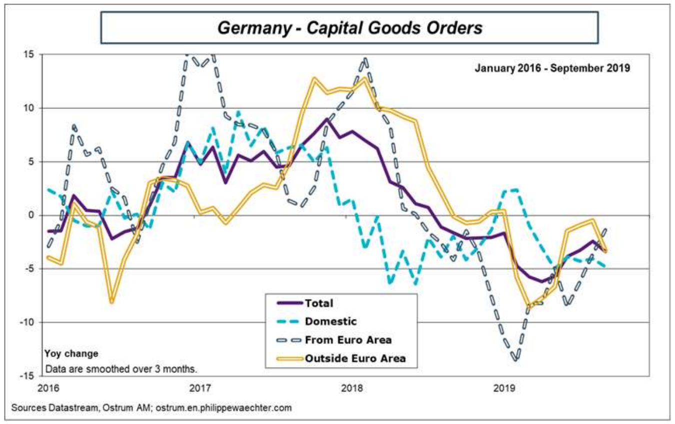

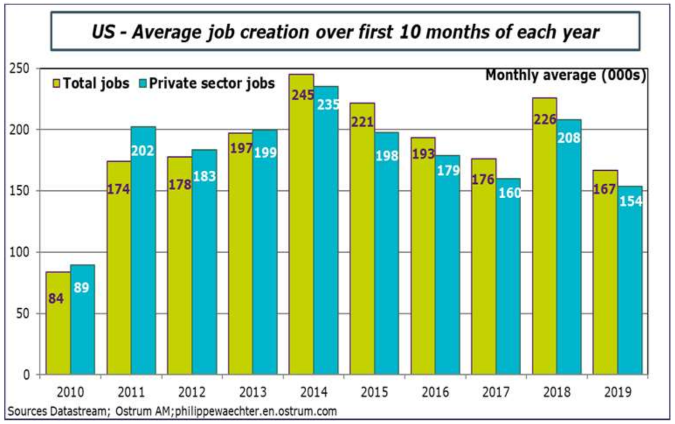

ADDITIONAL NOTES

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