For professional clients only
Research & Strategy Insights

Holidays over for policymakers

58 – 7 September 2020

Key points

- The announcement of more fiscal stimulus contrasts with the emergence of disciplinarian noises here and there. The debate on tax hikes in the UK reflects idiosyncratic stress as the probability of no-deal Brexit is rising.
- The debate within the European Central Bank on its policy stance in the face of currency appreciation and signs of deflationary pressure is also heating up, even if we don't expect hard decisions this week.
- Within emerging markets, we look at Turkey with particular concern.

By and large the dataflow continues to point upward for the global economy but as we expected the spectacular rebound of early summer is not sustained, with private sector job creation slowing down in the US and the Euro area PMI moderating. It is not surprising in this context to hear more on fiscal stimulus beyond the emergency response of the last few months, and France last week unveiled its own pluri-annual support package.

Some "disciplinarian noises" are emerging though. While Jens Weidmann's fiscally hawkish speech last week probably does not have immediate consequences on policy-making, the debate on tax hikes is heating up in the UK and becoming more tangible. This is probably idiosyncratic to this country though, as it reflects unease in some segments of the British leadership with the status of the UK in international markets post-Brexit. On this front, the news-flow is concerning and unfortunately the probability of "no deal" is rising.

The ECB – through the voice of its chief economist – clearly welcomes additional fiscal support. Still, we continue to think that the central bank will have to extend in size and duration the Pandemic Emergency Purchase Programme, although we expect such announcement only by year-end. This week, we think Christine Lagarde will echo Philip Lane's comments and acknowledge the euro appreciation as another headwind but without taking immediate action. The next steps will be politically delicate for the central bank.

During the Great Financial Crisis of 2008-2009, central banks in emerging countries had not been able to immediately engage in monetary easing along the Fed and their other DM counterparts. This time they did, and the "risk on" mood of the spring, bringing a measure of capital flows back to EM, has seemingly validated their approach. Risks continue to abound though, even irrespective of the pandemic, while capital flows have been plateauing for some time now. We continue to look at Turkey with particular concern.

Fiscal debate arising

When looking at the recent dataflow, optimists will probably take comfort in the fact that it is still pointing upwards, without any sense of a relapse into recession. Pessimists will focus on the "second derivative" and note that the pace of improvement has been slowing down relative to early summer. For our part, we merely see it as a confirmation of our long-held view: as long as the major economies do not need to get into generalised lockdown, the economy should continue to mend, but cannot sustain the spectacular rebound seen upon re-opening businesses a few months ago. **A "V shape" was never our scenario. The hard part starts now.**

The latest US payroll release provides a timely illustration of a "swoosh" trajectory. The headline number was in line with expectations but boosted by a government one-off hiring of census agents. Private payrolls rose – below expectations – by 1.027mn in August, down from 1.48mn in July and the swooping +4.7mn seen in June. Half of the jobs lost in March and April are still gone. The labour market is mending, but more slowly. On the European side, the latest batch of Purchasing Managers Index suggests a similar pattern. The composite index is still above the "50" threshold between contraction and expansion, but it has retreated from 54.9 in July to 51.9 in August.

Nothing really alarming here – especially if the pandemic can continue to be kept in check with only limited curtailment to mobility – but the slower momentum in the recovery calls for sustained policy support. On the US side, the political situation creates an uncertainty on the quantum and form of fiscal stimulus into next year, while also creating friction on the continuation of emergency action, but at least in Europe we have started to see the building-blocks of a long-term strategy falling into place. After the political decision to go ahead with the Recovery and Resilience Fund at the EU level, France last week has joined Germany in laying out a fiscal support package beyond the emergency reaction of last spring. But before we get more into the details on this, **we want to draw some attention to the "return of the fiscal vigilantes".**

We found it quite interesting that just a few days after the German government announced a prolongation throughout next year of its very generous – and costly – part-time unemployment scheme **Bundesbank President Jens Weidmann chose to deliver a very fiscally hawkish speech.** He resorted to a staple of supply-side economics: focusing on the adverse side-effects: "*the government needs to examine the scope and duration of its assistance programmes (…) this examination should also take into account whether the aid is on target or rather creates misguided incentives, as policy measures are equally quite capable of having unintended effects which may ultimately worsen the situation"*. Turning to the European schemes, he cautioned against the illusion that shifting the burden of public debt to the EU budget would make it "magically disappear". Europeans will still have to pay.

Jens Weidmann is probably in his role as Bundesbank President, and there is no reason to think his views could materially influence Berlin – at least in the short term – since the resolve of the Finance Minister Olaf Scholz to support a Keynesian approach on both the domestic and European fronts seems strong. Yet, the speech should be seen as the hawks warning that there are limits to monetary accommodation of expansionary fiscal policy (more on this later).

Developments in the UK on this front are probably more immediately relevant for policymaking. The treasury "tested the waters" last week with leaks in the press purporting that a series of significant tax hikes targeting the wealthiest was being readied. This would obviously collide with the post-Brexit project of attracting to the UK more entrepreneurs as well as firmly anchoring the financial industry in London, and unsurprisingly triggered immediately heavy criticism from some segments of the conservative party. In any case, if the British government is serious about replenishing its purse, targeting the wealthy would not suffice: tax hikes affecting the bulk of the population would be needed. The treasury is probably focusing on the top end of income distribution at this stage, but they also have ideas for broader action (e.g. curtailing the rise in state pension benefits). In any case, the Chancellor of the Exchequer is publicly calling for "realism" on these issues thus telegraphing future tax hikes. According to the "Sunday Times" on 6 September, a "deal" has been struck between the Chancellor and Boris Johnson. Some tax hikes would be implemented from next year onward, thus affirming the Conservatives' traditional commitment to fiscal prudence, before cutting tax just before the next general elections.

This would be the wrong sequence in our view. **Extraordinary support from monetary policy has for now put the issue of public finances sustainability on the backburner and discussing the need for future fiscal consolidation may dent the efficiency of the current fiscal stimulus.** It is even probably easier from an institutional point of view in the UK than in the Euro area since the monetary policy committee of the Bank of England (BoE) – although divided from time to time – at least does not need to cater for different national cultures when it comes to the imbrication of monetary and fiscal policy. Fiscal consolidation will have to come but discussing it now could backfire.

Perfect storm ahead for the UK?

For now, it seems idiosyncratic to the UK (contrary to 2010 when an internationally coordinated fiscal austerity drive was agreed at the G20). We are tempted to read this surprising debate on fiscal policy in the light of the specific position of the UK in the global cycle ahead of a potential no-deal Brexit. Looking at real-time indicators, it seems UK GDP will follow the same pattern as in the rest of developed economies, with a spectacular rebound in the third quarter (Q3) from the collapse in Q2, before moderating in the last part of the year as the emergency fiscal support starts fading. Given the magnitude of the springtime contraction (among the big European countries only in Spain did GDP fall more than in the UK through the first half of 2020), optically the British summer recovery may even look particularly impressive. Moreover, over the last few weeks the relative position of the UK in global economic dynamics has improved, since it has for now avoided the steep re-acceleration in the pandemic observed in the US at the beginning of the summer and more recently in continental Europe.

However, as we discussed last week it is plausible that this British exception on the Covid front merely reflects the very slow pace of mobility normalisation so far, as the population deals with the trauma of the mortality spike of the spring. In other words, the UK is lagging the rest of Europe on the resurgence in Covid mainly because it is lagging on mobility. But more fundamentally on top of the pandemic threat, the UK needs to contend with the specific headwind of Brexit, as the discussions with Brussels are stuck. Paradoxically, while the challenge of the pandemic should have mollified the UK's approach to the negotiations, to minimise the cumulated economic shock, **the massive loss in Boris Johnson's political capital on his handling of the pandemic and the numerous U-turns he had to perform lately may incentivise him to stay true to a "hard Brexit" stance to re-assert his authority in the UK**.

The Covid crisis exacerbates the tension within the Tory party on its overall economic strategy in the context of Brexit. Logically, protecting the Single Market from "unfair" British competition post-Brexit is the main concern of the European Union. But such competition could take two very different forms. The UK could choose to pursue aggressive supply-side policies and price out its EU competitors thanks to a steep relaxation in social or environmental standards. Alternatively, the British government could focus on providing public support to UK-based businesses. The first approach was probably the one the EU feared most, given Boris Johnson's "libertarian" economic instincts. **It probably came as a surprise to Brussels that one of the thorniest bones of contention in the current discussions is actually on the subject of state aid**. London's insistence on the possibility to provide more government support to businesses than what the EU rules allow reflects the victory, within the UK political leadership, of the interventionist school of thought.

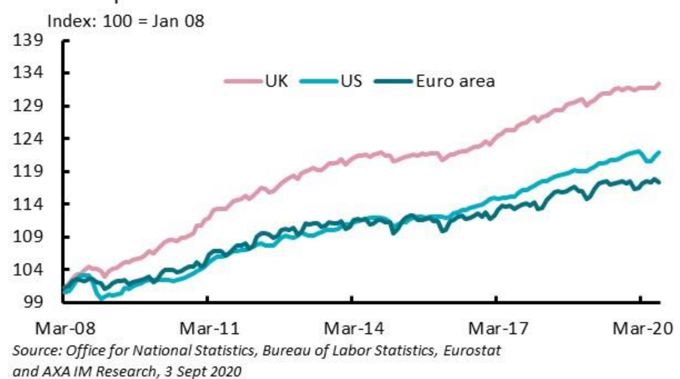
This is probably a natural consequence of the electoral pivot of the ruling party towards formerly Labour, working-class strongholds in the North of the country. This makes it very difficult for the Tories to adopt the deregulationist, fiscally-conservative platform which has been theirs since the late 1970s. The Covid crisis makes it obviously even more difficult, as people demand more economic protection from the government. **However, the "traditional" wing of the British government has not completely given up, and this was reflected in a very recent debate on fiscal policy**.

They may be paying a lot of attention to the "status" of the UK on international markets. International investors exposed to UK assets need to stomach i) a very depressed economy, as the contraction in GDP this year will probably be higher than in the US and the Euro area; ii) the probability of a "hard Brexit" adding another shock to the economy by year-end; (iii) uncertainty on the growth model the UK would pursue post-Brexit; (iv) constitutional uncertainty with the possibility of Scotland parting ways. While the BoE's monetary policy at the moment is not

materially different from that of the European Central Bank (ECB) or the Federal Reserve (Fed), these additional risks could warrant another depreciation in sterling.

Many countries would probably relish a depreciation in their currency at the moment, but the equation is not that simple for the UK. As a very open economy specialising on exports (mainly services) with a low price-elasticity, the benefits of a currency depreciation can be very limited in the UK. A weak currency coupled with a high import content of consumer goods probably explain why inflation has been higher in the UK than in the US and the Euro area since the Great Financial Crisis of 2008 (Exhibit 1). If imported inflation eats into already weakened household income, then the UK would face another headwind.

Exhibit 1 - UK's inflation outperformance



Source: Office for National Statistics, Bureau of Labor Statistics, Eurostat and AXA IM Research, 3 Sept 2020

In this difficult configuration, the only lever on which the UK has significant room for manoeuvre is Brexit. However, political conditions are pushing towards conflict, rather than cooperation with Brussels. Indeed, since the beginning of the Covid crisis the government has performed a high number of U-turns on sanitary issues, or more recently on handling the school system, which have significantly dented its standing in public opinion. "Getting Brexit done" by year-end with a minimum of concessions to the EU is probably now a matter of political survival for Boris Johnson. Yielding on state aid now to secure a deal would be costly at this stage. **So, the probability of a "no deal" Brexit continues to increase, unfortunately.**

The stakes are so high that we continue to hope the British government will choose compromise at the last minute, under pressure from the business community and parts of the tory party, but the new parliamentary intake has profoundly changed the terms of the debate within the majority. The "Brexit-sceptic" brigade has been decimated. This allows Boris Johnson to maintain a hard approach to the negotiations, with the risk of an accident ultimately, with minimum pressure from his parliamentary peers.

There is very little time left. The British negotiating position is implicitly driven by the belief that a "last minute deal" is possible until the end of the transition period on 31 December. An issue though is that any deal will need to be endorsed by the end of the year by the European parliament – and potentially by national parliaments if the scope of the future partnership between the EU and the UK is wide. The end of October seems to be a more realistic deadline. The Institute of Government published in July a paper listing the potential options for *de facto* prolonging the transition period beyond 31 December (*de jure* this possibility has disappeared at the end of June), e.g. by adding an "implementation period" to the Free Trade Agreement, but for this, a modicum of cooperation is needed. At the moment, we don't have it.

The French fiscal stimulus: the message, the content and the size

No such government infighting on fiscal policy in France. To assess the recovery package announced last week we need to consider three effects: first, "signalling", i.e. how fiscal policy can support confidence; second, "multiplier", i.e. by how much growth can be boosted in the short-run by the stimulus and finally the long-term impact on potential growth.

We are quite positive on the first effect. Only a minority of developed countries have put together a cogent plan on how public expenditure and tax policy would provide support beyond the powerful emergency programmes hastily cobbled up at the peak of the crisis last spring. This is key to providing a modicum of confidence to businesses and households from next year onward.

We are more circumspect on the size of the programme and hence its final impact on GDP growth. The headline number is big – EUR 100bn, i.e. 4% of French GDP – and is probably calibrated to emulate the German plan from the spring (same order of magnitude as a percentage of GDP) but this includes quite a bit of "repackaging".

Out of the 100bn, roughly a third were either part of previous programmes (EUR14bn for employment support, including the downscaled long-term part-time unemployment scheme) or would have happened anyway (the EUR 20bn of the cuts in business production tax). The disbursement timeline is unclear, but most items seem to have a two-year lifetime at least (2021-2022 in most cases, some schemes starting earlier, e.g. the youth employment plan). Moreover, the French plan is not totally additive to the European Recovery and Resilience Fund agreed at the beginning. 40% of the 100bn will be financed by the European Recovery and Resilience Fund (ERRF).

So strictly speaking, the "new new money" to be spent is closer to 1.4% of GDP per year if one includes the ERRF contribution, and 0.8% if we exclude it. Assuming a multiplier effect of 0.7, this would boost GDP growth between 0.6 and 1.0% each year. This is decent, but no game changer given the magnitude of this year's recession.

Finally, we are quite positive on the content of the plan from the potential growth point of view. We made the point last week that the supply-side of the economy still deserves some support, and this package caters for this. Even if it was already in the pipeline, the cut in production tax is welcome. Even some of the demand-side aspects of the programme – such as new investment transfers to local authorities – will have a supply-side tinge since it will be earmarked to develop infrastructures. The Green element (a third of the total programme) suggests a shift from steering the transition to a decarbonised economy mainly through relative prices (i.e. tax) to focusing on investment, which is more protective of growth.

Now, some of the promising ideas in the programme won't be supported by a lot of public money. For instance, encouraging institutional investors to take equity stakes in SMEs to offset the current reliance on debt is very positive, but it comes with only EUR3bn of government support. Financial constraints probably come into play. While Paris is very far from the discussion already starting in London on public debt sustainability, the French government probably wants to avoid "pushing the envelope" too far.

ECB: debates re-starting

Unlike Jens Weidmann, Philip Lane, the ECB's chief economist clearly welcomes strong – and lasting – fiscal support. In his speech in Jackson Hole he explicitly saluted the emergence of the ERRF and concluded that *"an ambitious, high-quality and coordinated fiscal stance is central to securing a strong recovery across the euro area and constitutes a vital complement to the support provided by monetary policy"*. Through this unambiguous statement we can feel the ECB's concerns over its capacity to deliver on its target alone.

The heart of his argument is that the pandemic – without policy reaction – shifts the inflation trajectory downward. The recent dataflow on this front unfortunately confirms the deflationary impact of the crisis, with consumer prices even falling in negative territory in August in the Euro area. Accepting this downward shift would create risks of a self-fulfilling deflationary spiral, with (i) real interest rates remaining too high and (ii) ultra-low inflation becoming entrenched in the expectations of economic agents. This calls for a two-step approach from the ECB. First, the Pandemic Emergency Purchase Programme is described as a temporary but "*intense"* phase of additional monetary stimulus to offset the pandemic shock. Then, to quote Lane's exact words, *"once the negative shock has been sufficiently offset, the second stage is to ensure that the post-pandemic monetary policy stance is appropriately calibrated in order to ensure timely convergence to our medium-term inflation aim. To these ends, the ECB*

Governing Council stands ready to adjust all its instruments, as appropriate". **We would interpret this as a signal that quantitative easing would be boosted and remain in place long after the end of.**

A thorny issue though is that while the ECB has explicitly taken "liberties" with its usual limits with the pandemic emergency purchase programme (PEPP), at least for now this does not apply to the other quantitative easing programmes. So, from a technical point of view, assuming inflation remains stuck on a slow pace, the ECB will have to either turn the PEPP into its de facto "go to" instrument or extend to the Public Sector Purchase Programme the same relaxation in limits. Understandably, this is a discussion the Governing Council would rather have later than sooner. For now, the hawks at the Governing Council would probably prefer to see as little change to the current framework as possible. Extending in time or in size PEPP could be seen as a signal it is turning into a permanent instrument.

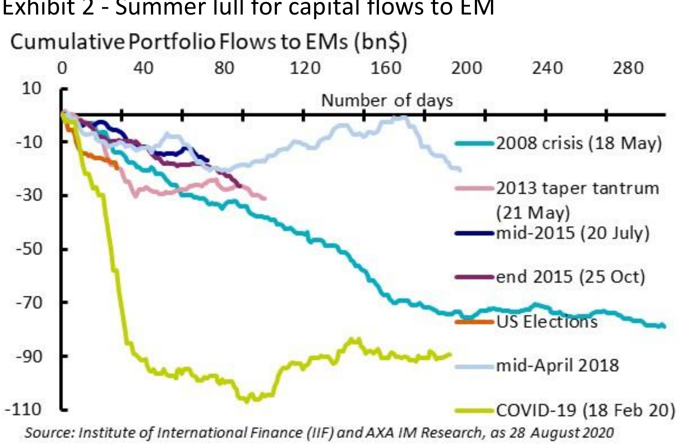
Still, the current macro trajectory may force the ECB into such debate quite quickly. We discussed in Macrocast last week how the appreciation of the euro was creating further headwinds for the Euro area. There does not seem to be a consensus yet at the ECB board on how to react to this. Philip Lane's verbal intervention, making it clear that the exchange rate "matters" to the ECB helped stop the currency's appreciation, at least for a while. But last week, Isabel Schnabel in an interview to Reuters was quite dismissive: "*At the moment I am not worrying too much about exchange rate developments",* interpreting them as a sign of confidence for the euro area and arguing that phases of dollar depreciation can coincide with a rebound in world demand.

Christine Lagarde will have to answer questions on this on Thursday. We opined last week that she would probably agree with Philip Lane, but we would be surprised if she announced hard decisions this week. There are ways for the ECB to express its concern within its current set-up, for instance by accelerating the pace of PEPP within the current envelope after a quiet summer. The "nuclear option" would be to play with the idea of taking the deposit rate down again. This might be tempting – the market clearly sees it as the perfect "FX appreciation killer" – but given the challenges facing the banking sector in the coming months it is not an easy option. We stick to our view though that by the end of the year, the ECB will have to explicitly push up the envelope of the PEPP.

Emerging markets: beyond Covid

A striking feature of the pandemic crisis is that, contrary to previous episodes of global tension, the behaviour of central banks has been quite similar in the developed and emerging markets. At the very beginning of the pandemic crisis emerging markets were at the forefront of the "risk-off" market mood, experiencing the largest and fastest capital outflows on record (Exhibit 2). A rebound came relatively early in the spring though, while the summer was marked by a standstill. The – timid – return of overseas investors allowed a decline in yields in some key markets despite a steep rise in borrowing needs, for instance in the case of South Africa, one of the emerging markets (EM)s which opted for a significant fiscal stimulus. By and large, market behaviour has for the time being validated the EM central banks' strategy of emulating their counterparts in developed markets (DM) and provide stimulus to the economy.

Exhibit 2 - Summer lull for capital flows to EM



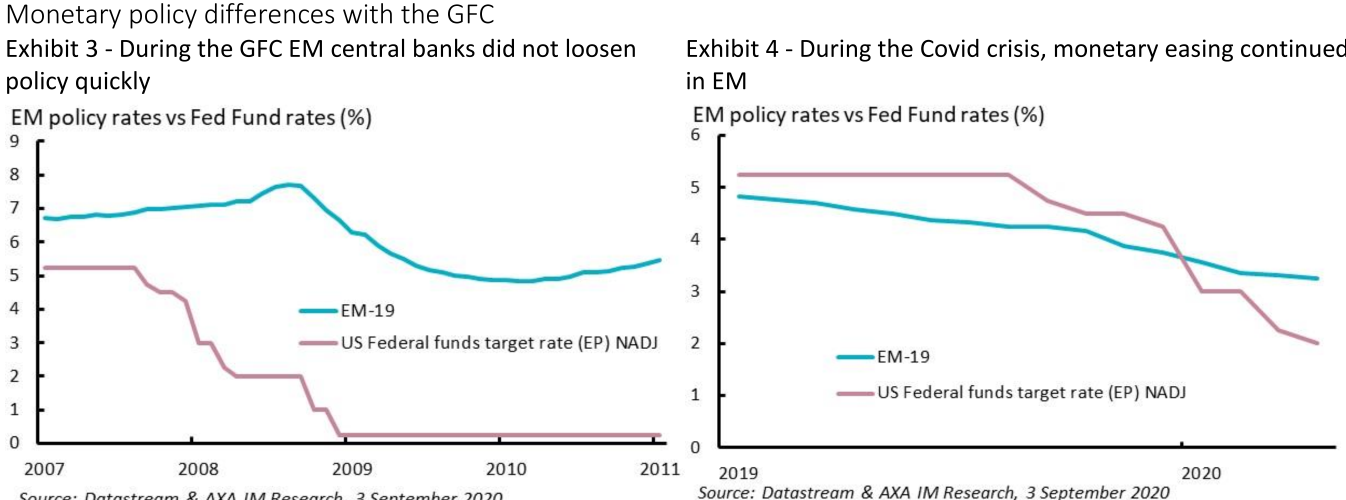
Source: Institute of International Finance (IIF) and AXA IM Research, as 28 August 2020

Indeed, this time monetary policy in most EMs broke with a familiar pattern. **During the Great Financial Crisis of 2008-2009, initially central banks in EM did not follow the Fed and other DM central banks into a monetary easing** (Exhibit 3). Actually, for almost a year, they tightened monetary policy to stem the portfolio outflows, shore up financial stability and defend their currency. Conversely, even before the pandemic crisis hit at the beginning of 2020 monetary policy was being loosened in EM (Exhibit 4), amid the tension brought about by the trade war between the US and China, and the decline in policy rates has continued at the same pace since then. Central banks there have clearly chosen to support the economy without being paralysed by financial stability concerns, and in most – but not all – cases this seems to have been the right choice.

Monetary policy differences with the GFC

Exhibit 3 - During the GFC EM central banks did not loosen policy quickly

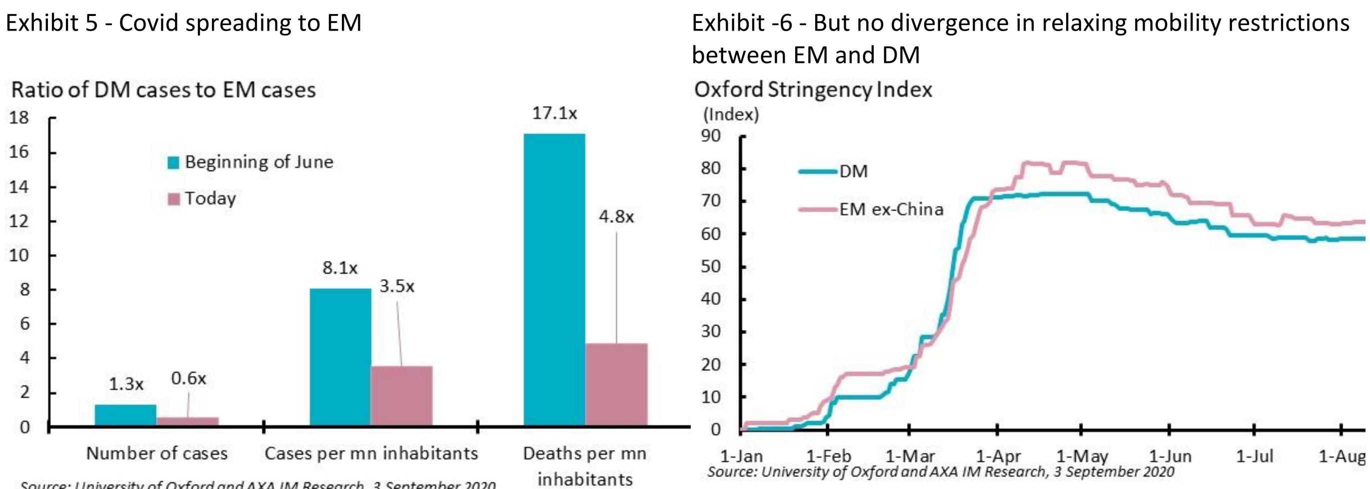
Exhibit 4 - During the Covid crisis, monetary easing continued in EM



Still, as an "asset class", EM is not out of the woods yet. First, the susceptibility to the pandemic of these countries has risen lately. Of course, we face significant measurement issues. Capacity and willingness to test the population, as well as the precision of mortality causes differ across countries, and under-reporting is probably more prevalent in EM than in DM, but assuming these "biases" are broadly constant, it seems the pandemic has been recently shifting towards EM (Exhibit 5). Initially, Latin America was the epicentre of the pandemic among EM, but unfortunately this is also spreading to the other EM regions. This acceleration of the pandemic would normally warrant at least a pause on relaxing mobility restrictions, but no difference in the direction of travel on this has appeared between DM and EM on this front according to the Oxford Stringency Index (Exhibit 6).

Exhibit 5 - Covid spreading to EM

Exhibit -6 - But no divergence in relaxing mobility restrictions between EM and DM



A plausible explanation behind this is that quite simply that some EMs consider they cannot afford to shut down their economy any more irrespective of the sanitary situation. In the short run, this would be consistent with limited additional economic damage to EM, or at least not much more than in DM countries, but with a higher

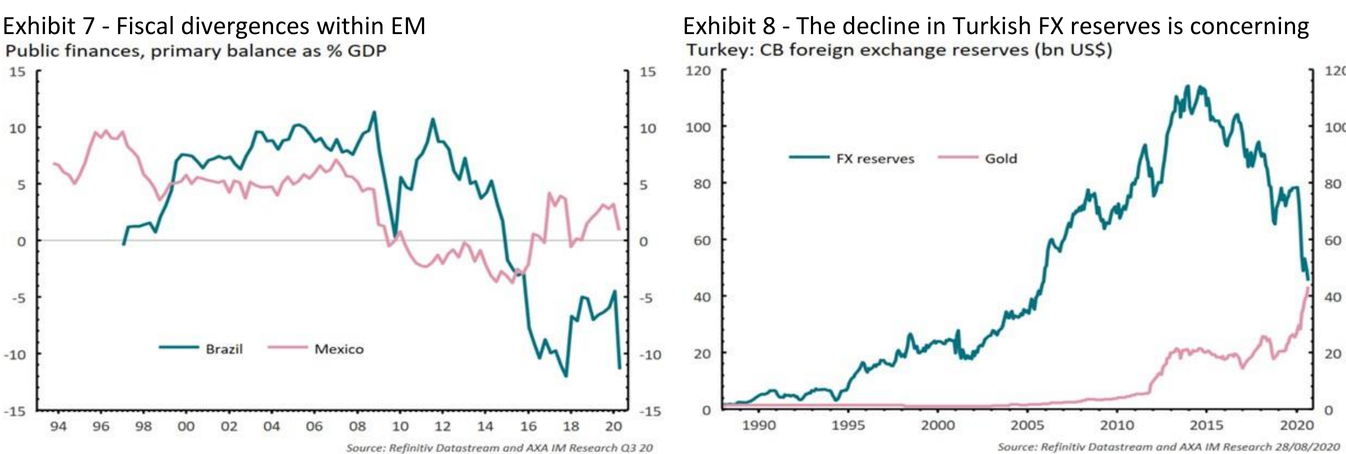
probability of a “tail risk” materialising, i.e. reaching a point at which the pandemic spreads so much that “systemic failures” start occurring in already fragile countries.

Still, beyond this general overview, as always, the overall EM picture hides massive idiosyncratic elements. Interestingly, the **fiscal response to the crisis proved quite unexpected in many ways**. Available resources at the start of the crisis varied among countries but governments reacted also in different manners. Brazil delivered very strong fiscal support delivered (so far 11.5% of GDP according to the International Monetary Fund) while the new administration in Mexico chose quite the opposite (Exhibit 7) by maintaining a very tight fiscal policy despite the crisis (fiscal measures are estimated to about 1.2% of GDP, among the lowest worldwide). Probably as a consequence of strong fiscal support, Brazilian industrial output was only 5ppts below the pre-crisis level in July, while retail sales are already above the pre-crisis level as of June, despite a sprawling Covid epidemic. Quite the opposite, the prudent fiscal policy in Mexico makes us see downside risks to our growth forecast (at present at -6.8%).

But our focus remains monetary policy and whether adopting a dovish stance is sustainable across *all* emerging economies. From this point of view, Turkey remains our key concern. The Turkish administration continues to stimulate the economy massively and we see upside risks to our forecasted -5.6% GDP growth for 2020, significantly above the Euro area. The government spent some 10.8% of GDP in fiscal measures post- Covid-19. **While Turkey is certainly less constrained by debt than its Latin American peers, it is surely more pressured by the double digit and sticky inflation rate** (11.8% printed in August) which in turn pressures the central bank for a swift adjustment in monetary policy terms. To fight the Turkish lira’s new bout of weakness the central bank continues to intervene on the FX market while the pace of depletion of FX reserves (Exhibit 8) becomes problematic (even though gold reserves have benefited from the repricing to the higher gold price). The central bank stayed on hold at the last monetary policy meeting (President Erdogan is vocally opposing rate hikes), but in fact the monetary tightening started with interbank rates creeping higher. Rising odds of a typical balance of payments crisis may end up seeing a similar sequencing of events as in 2018, with the central bank ultimately forced to hike aggressively interest rates as market pressures intensify. This would impair economic growth next year offsetting the current outperformance.

Exhibit 7 - Fiscal divergences within EM

Exhibit 8 - The decline in Turkish FX reserves is concerning



Country/Region	What we focused on last week	What we will focus on this week
US	• US Aug payrolls rose 1.37mn, with unemployment falling to 8.4%. • US ISM rose to 56.0 from 54.2, services fell to 57.0 from 58.2 • No progress on stimulus, Tsy Sec Mnuchin & Pelosi appear to agree to avoid shutdown • Biden's lead over Trump in polls softens • Trade deficit posted 16-year high of $63bn • Mortgage apps posted 3rd weekly drop, -2.0%	• CPI and PPI inflation for August with headline inflation expected firmer • Weekly jobless claims expected to resume improving trend • Further declines in mortgage approvals in light of tighter lending standards • Polling ahead of election • Stimulus talks
Euro Area	• EA core inflation dropped to a record low of 0.4%yoy in August, headline to -0.2%yoy • Euro area retail sales surprised to the downside at -1.3%mom in July, a signal that pent-up demand is losing steam • German factory orders disappointed in July, up only 2.8%mom, dragged down by weak bulk orders	• IP data to post solid rises in July • Strong Euro, weak August inflation and Fed's switch to average inflation targeting imply that ECB communication will be in focus. We expect a dovish tone (door still open for rate cuts, more to come in December) and some acrobatics on forecasts as factors push in different directions
UK	• Virus cases appear on gentle upward trend • Mortgage approvals rebound in July, house prices gain 2% in Aug – a 16-year high • BoE Gov Bailey and Dep Gov Ramsden reiterate BoE has scope for more stimulus • BRC shop price index falls to -1.6%yoy in August from -1.3%	• Monthly UK GDP for July, we expect bigger rise (8%) than consensus forecast (6%) • BRC retail sales monitor for August, guide to retail activity – expected strong • RICS housing survey, best guide to housing activity – expected strong • Next round of UK-EU negotiations
Japan	• Y. Suga is likely to become the next PM after getting the support of 5 of the 7 LDP factions. • July IP improved but is still weak: -15.7%yoy • Retail sales slowed down at -2.8%yoy. Consumer confidence is stable but at low level • Unemp. rate and jobs/applic. ratio worsens a bit • Aug Services PMI remains in contraction at 45	• Bank lending should remain dynamic • Q2 GDP revision should be down as investment has already been revised down • August Economy Watchers poll may point • July machinery orders may improve a bit but remains far from 2019 level (-20%). • Q3 Business survey will improve
China	• Manufacturing PMI moderates a touch in August, while services gauge points to continued solid growth	• August trade may show slower growth in exports of medical and electronic products but offset by shipment of normal goods.
Emerging Markets	• Central Bank of Chile continue expansionary policy stance maintaining the policy rate at 0.5%. • Emerging Markets PMIs releases still in recession territory at 49.4 despite the	• Central Bank meetings: Peru, Malaysia. • Russia Q2 GDP. Mexico and Brazil August Inflation.

Upcoming events		
	US:	Tue: NFIB optimism index, consumer credit, MBA mortgage apps; Wed: JOLTS job openings, Redbook; Thu: PPI, weekly jobless; Fri: CPI, core CPI
	Euro Area:	Mon: Ge industrial production (IP); Tue: final Ez Q2 GDP, Ge trade balance; Thu: Fr, It IP, ECB announcement, press conference; Fri: Sp IP, final Ge, SP HICP
	UK:	Mon: Halifax HPI, round 8 of UK/EU negotiations; Tue: BRC retail sales monitor: Thu: RICS housing survey; Fri: July monthly GDP, services, mfg, construction output, trade balance
	Japan:	Mon: prel. leading index; Tue: final Q2 GDP, trade balance, Economy Watchers Survey; Thu: private core machinery orders; Fri: Q3 business survey
	China:	Mon: trade balance, FX reserves; Wed: CPI, PPI

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