The Week Ahead Global Economy

Saudi Arabia conference, Ireland elections, ECB meeting

Your FT guide to this week's big events



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YESTERDAY

The week starts with Saudi Arabia much in the news after it confirmed journalist Jamal Khashoggi's death after more than two weeks of strong denials. Saudi Arabia hosts an international investment conference known as 'Davos in the Desert' this week and international investors have already begun withdrawing funds from Saudi Arabia in response to the geopolitical crisis surrounding it.

Ireland goes to the polls in presidential elections on Friday that are expected to see poet and human rights campaigner President Michael D Higgins elected for a second seven-year term.

No policy changes are expected at Thursday's European Central Bank meeting, but investors and traders will be tuning in to see whether ECB president Mario Draghi voices any concern about the outlook for eurozone growth, and offers any clues about its strategy for how to reinvest maturing bonds when its quantitative easing programme ends

It has the potential to be another volatile week for Italian bonds and the country's bank shares. Rome has to respond by Monday to the EU's concern over the proposed budget, which authorities in Brussels described as an "unprecedented" challenge to its fiscal rules. Markets Questions has more on this.

Emissions regulation and trade disruption will weigh on carmakers' profits when they come to report results over the next fortnight. Renault, Ford, Peugeot owner PSA and Daimler will all report quarterly earnings this week, with the slowdown of the Chinese market and the impact of the US-Chinese trade war also weighing on performance. Electric ambitions are also likely to be in focus, following European Commission rules giving carmakers until 2030 to lower CO_2 emissions by 35 per cent. A new European certification regime, called WLTP, has seen all brands forced to re-test all models, leading to a backlog at laboratories and some vehicles not on sale during September. The result was volatile trading, with a 23.5 per cent sales drop in Europe last month but a glut in August as manufacturers flooded forecourts to shift vehicles that did not comply with the rules.

Feedback

Tech companies Microsoft, Amazon and Google owner Alphabet also post earnings this week.

Monday

ITALY BUDGET RESPONSE

Italy has a noon deadline to reply to the European Commission's response to its draft budget proposals. The commission has told Rome its 2019 budget draft is in serious breach of EU budget rules after unveiling a budget that would see net government expenditure increase by 2.7 per cent, far above the 0.1 per cent growth allowed to Italy under eurozone rules.

- Italy vows to stay in euro but stick with spending plan

US SECURITY ADVISER VISITS RUSSIA

John Bolton, US president Donald Trump's national security adviser and a hawk on Russia, is set to visit Moscow to meet senior Russian officials to discuss a Cold War nuclear treaty with Russia that bans land-based missiles that can put either country within range of the other and other subjects of contention between the two countries. Mr Trump said at the weekend that he intends to pull out of the treaty.

- Russia criticises US withdrawal from nuclear treaty

CORPORATE EARNINGS

Fuel cost headwinds are likely to be a factor when Irish budget airline Ryanair reports second-quarter results, with sales set to rise but net income expected to fall. Investors will also watch for updates on the airline's union negotiation progress.

Oilfield services group Halliburton is forecast to post a rise in third-quarter profit, helped by higher drilling activity in North America.

US toymaker Hasbro is likely to post a fall in third quarter-revenue as the Toys 'R' Us liquidation filters though.

ECONOMIC DATA

The Bank of Japan releases its twice yearly report on how monetary policy is affecting the country's banking system and whether any imbalances are building up in the economy. Investors will pay attention as several Bank of Japan policymakers have openly warned of the rising costs of prolonged easing, such as the hit of ultra-low rates on bank profits.

Tuesday

'DAVOS IN THE DESERT'

Saudi Arabia's three-day Future Investment Initiative conference is expected to kick off even as numerous global executives and politicians have withdrawn following the death of journalist Jamal Khashoggi. Media companies have also cancelled sponsorship of the conference, dubbed 'Davos in the Desert'. However, Russia's sovereign wealth fund has reaffirmed its attendance and will lead a delegation of more than 30 business executives and officials to the forum.

- International investors back away from Saudi Arabia

CORPORATE EARNINGS

Caterpillar is expected to report higher third-quarter profits, but investors will probably focus on the strength of demand in its end-markets as well as the impact of tariffs.

Verizon reports its third-quarter earning after recently launching 5G home internet in four cities, the first commercial 5G product in the US.

McDonald's is set to post a rise in third-quarter profit and comparable store sales as its low-price "value" meals drew in more customers.

Feedback



- Cafés are the real thing for Coca-Cola

Whitbread is expected to report first-half revenues have fallen 15 per cent to £1.42bn. The sale of its Costa Coffee unit to Coca-Cola has been the focus for investors, who will look out for further details on the £3.9bn cash sale

Wednesday

CORPORATE EARNINGS

Chilean miner **Antofagasta** reports third-quarter results having already cautioned in its last report that rising trade tensions are creating "considerable market uncertainty", but sentiment has improved in some quarters.

Barclays begins the UK bank reporting season with pre-tax profits of £1.1bn forecast.

Ford is expected to report a weaker third-quarter profit due to tariffs and rising steel and aluminium costs and weakening sales in China and Europe. The US carmaker also starts production of an all-new version of its Ranger mid-size pick-up truck this week at its Michigan plant, returning to a segment Detroit once gave up for dead.

Exchange operator **Nasdaq** is forecast to remain flat this quarter due to stagnant average daily volumes and muted growth in data revenues.

Microsoft is expected to post a rise in its first-quarter profit, as the technology company signed up more businesses for its Azure cloud computing services and Office 365 productivity suite.

Visa's quarterly profit is expected to rise about 28 per cent due to higher consumer spending and interest earned on overdue loans.

MONETARY POLICY

Bank of Canada is forecast to raise interest rates by 25 basis points to 1.75 per cent.

Sweden's **Riksbank** is forecast to keep interest rates on hold, but an initial rate rise is expected in December or February. The argument for a rise this year is growing now that CPI is just above target, but the dovish sentiment of many on the council means that this is no foregone conclusion.

ECONOMIC DATA

The US Federal Reserve issues its **Beige Book**, a compendium of anecdotes on the health of the economy drawn from the central bank's sources across the nation.

Markit US manufacturing sector PMI is forecast to come in at 55.4 in October.

Feedback

Thursday

CORPORATE EARNINGS

Amazon is likely to report a rise in third-quarter sales driven by cloud computing, its retail businesses and a successful Prime Day sales event. Google parent Alphabet is set to post a rise in third-quarter revenue and profit, driven by healthy mobile search traffic, soaring ad sales and higher contributions from its non-search businesses such as YouTube, Play, Cloud and its hardware initiatives.

CME Group, the world's largest futures exchange, is forecast to report rising profit, helped by its trading and investment income in a volatile quarter.

Comcast's quarterly profit is expected to rise as the US cable-TV operator gained more high-speed internet customers.

Higher crude prices are likely to lift profits at **ConocoPhillips**. Investors will also watch detail on the US energy exploration and production company's growth plans as oil prices are anticipated to hit $100 a barrel by the end of the year.

Recommended

The UK's **Lloyds Banking Group** reports third-quarter earnings. In a note ahead of the update, analysts at UBS described Lloyds as "undervalued". "Lloyds is in our view . . . a strongly capital generative bank, operating with a cost advantage in a competitive market and with decent medium term growth opportunities," UBS said. **Intel** is likely to report a rise in revenue and profit, helped by demand for its chips used in data centers and personal computers.

Merck and Co's third-quarter profit is expected to rise on demand for its blockbuster cancer drug, Keytruda.

The world's largest advertising group **WPP** reports third-quarter results, giving investors a chance to assess the impact of new CEO Mark Read. The group has already lowered its profit margin guidance for the year.

- First day for WPP's new boss proves tough sell

MONETARY POLICY

The **European Central Bank** meets to discuss what will follow on from the end of its mass bond-buying programme known as quantitative easing. The eurozone's monetary policymakers will be playing close attention to goings on in Rome, with the spread between what it costs the Italian government and the German government to borrow hitting its highest level in five years. Investors' concerns are unlikely to dissuade the ECB from its plans to end quantitative easing, however, with the bank set to call time on expanding the €2.5tn programme at the end of the year despite some Italian politicians calling for policymakers to continue buying more of the country's debt.

Norway's **Norges Bank** is expected to hold rates at 0.75 per cent after raising them in September and the bank is likely to continue to point to a further rise in March 2019 with one further increase expected by the end of 2019.

Turkey's central bank is unlikely to change rates when it meets. The lira is rallying after the release of the US pastor Andrew Brunson and it can now focus on stabilising the banking sector and hope that the economy starts to recover from the recent shocks.

ECONOMIC DATA

US pending home sales are likely to remain unchanged for September, compared with a decline of 1.8 per cent in August. **New home sales** are expected to have marginally dropped to a seasonally adjusted annual rate of 625,000 units in September from 629,000 units in the month before.

Feedback

Friday

IRELAND ELECTION

Ireland goes to the polls in a presidential election, the first time in decades that the incumbent head of state faces a contest for a new term in the largely ceremonial office. Polls suggest President Michael D Higgins, a veteran of the opposition Labour party, is on course for a comprehensive victory. Some 66 per cent of respondents to an Irish Times/Ipsos MRBI poll said they would vote the poet and human rights campaigner into a second seven-year term. Leo Varadkar, premier, supports Mr Higgins, as does the opposition Fianna Fáil party. Mr Higgins's nearest rival Seán Gallagher, who the poll gave 12 per cent of the vote, is one of three businessmen running as independents who were panellists on the *Dragons' Den* TV show. Sinn Féin's candidate is on 11 per cent. The other candidate, also an independent, is a mental health campaigner. A referendum held at the same time to delete the criminal offence of blasphemy from the constitution is likely to be carried, with 51 per cent of poll respondents supporting its removal.

CORPORATE EARNINGS

Royal Bank of Scotland reports third-quarter results with investors watching for further details on the dividend. **IAG**, which owns British Airways, posts third-quarter results with fuel costs likely to remain a significant headwind. **Glencore** posts third-quarter results, when investors are expected to be on the watch for news about share buybacks.

ECONOMIC DATA

US GDP Economic growth is expected to have expanded at a 3.3 per cent annualised rate in third quarter, slower than its second-quarter reading of 4.2 per cent.

Sunday

BRAZIL RUN-OFF

The presidential and gubernatorial run-off elections are to take place in Brazil. In the first round on October 7, a far-right candidate, Jair Bolsonaro, won the first round with 46 per cent of the vote. He will face the leftwing Workers' party candidate, Fernando Haddad, who polled 29 per cent. Mr Bolsonaro's once insignificant Social Liberal party is poised to become one of the largest forces in Congress following legislative elections held alongside the presidential vote on October 7.

- Jair Bolsonaro: Brazil's flawed agent of change

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