The Week Ahead Global Economy

Zimbabwe elections, UK bank earnings, US monetary policy

Your FT guide to this week's big events

YESTERDAY

Monday

ZIMBABWE ELECTIONS

Zimbabweans are set to go to the polls in the first presidential election since Robert Mugabe, who ran the country for more than three decades, was ousted. The election will be the most important since the south African nation gained independence in 1980. Emmerson Mnangagwa, who succeeded Mr Mugabe and is a veteran of the ruling Zanu-PF party, and Nelson Chamisa, the leader of the opposition Movement for Democratic Change are the frontrunners. Both have promised to bring in foreign investment, but holding a free, fair and peaceful election will be a critical first step in attracting investment to Zimbabwe, which was once a regional exporter but is now blighted by poverty and unemployment.

- Zimbabwe election: what the strongman left behind

ITALIAN PM VISITS TRUMP

US president Donald Trump is set to host Italian prime minister Giuseppe Conte at the White House, with trade and Nato likely to be on the agenda. Mr Conte last week gave his backing to the international alliance, but members of the populist coalition he leads have on occasion thrown the nature of Italy's commitment to Nato into doubt.

- Conte takes hard line on EU economic and immigration policy

HUNT VISITS CHINA

UK foreign secretary Jeremy Hunt is to visit China where he will meet Chinese premier Li Keqiang and attend the ninth UK-China Strategic Dialogue in Beijing. The visit takes place as the UK looks to tighten up on foreign investments in line with other western countries such as Germany and Australia amid growing levels of Chinese taekovers.

- Britain bares its teeth on foreign takeovers

CORPORATE EARNINGS

Caterpillar is to post second-quarter earnings with investors on the watch for comments on input costs. The company said in April that its first-quarter profits would be the "high watermark" for the year as rising raw materials costs are likely to squeeze operating profit margins in the coming quarters. Lloyd's of London insurer **Hiscox** is expected to report higher first-half pre-tax profit, helped by its retail business. Investors will look for comments on insurance premiums, which are now rising after the industry faced record bills from hurricanes, earthquakes and wildfire of more than $135bn last year.

Tuesday

Feedback

Four of Britain's banks report interim results this week and they are likely to boast of rising profits and promise increased payouts to shareholders — yet a quick glance at their share prices would suggest they are heading for trouble. The UK banks sector is down 8 per cent in the past month, underperforming the FTSE 100 index and their US rivals. Concerns about Brexit, political uncertainty and the risk of a trade war are all weighing on investor appetite and no amount of positive news will change this. **Standard Chartered** reports first, with solid Asian economic growth set to boost revenues by close to 10 per cent. Investors will watch **Lloyds Banking Group** for a potential share buy-back on Wednesday. **Barclays** is on Thursday likely to benefit from the buoyant investment banking activity that has already boosted US rivals. Investors will on Friday look to **Royal Bank of Scotland** to firm up plans to pay its first dividend in a decade.

- Financial world doomed to repeat bad behaviour

CORPORATE EARNINGS

Apple is expected to report a rise in revenue and profit for the third quarter, helped by resilient sales of its iPhones. Investors will be keen to hear how the top-end iPhone X performed while global smartphone sales are falling. Apple forecasts revenue of between $51.5bn and $53.5bn, with a gross margin of between 38 per cent and 38.5 per cent. Higher sales of beauty and homecare products are set to help **Procter & Gamble** report a rise in fourth-quarter revenue. Chinese online search giant **Baidu** is expected to post a rise in its second-quarter profit, driven by growth in its advertising business.

- Move over Faangs, make way for Maga

Wednesday

US MONETARY POLICY

The US Federal Open Market Committee is expected to leave interest rates unchanged. Analysts expect two more 25-basis-point rate rises this year, one in September and another in December and investors will watch for signs on the implications of yield curve flattening and how the level of the "neutral" federal funds rate could determine how far the committee will actually raise the federal funds rate before it begins to restrain the economy. Also, a re-evaluation of the appropriate size of the "normal" balance sheet could affect the amount of securities the Fed will redeem over the next few years, according to HSBC Global Research.

- How should the Federal Reserve engage with the public?

CORPORATE EARNINGS

Capita posts first-half results. The UK outsourcer is undergoing an overhaul after several profit-warnings and a share issue. **BAE Systems** reports half-year results after winning a big contract to build new warships for Australia in June. **FMC Corporation**, which is spinning out its lithium division as a publicly traded company later this year, is set to report quarterly results. **Prudential Financial** is expected to report on a strong quarter driven by performance in its variable annuity division and international businesses. **Tesla** discloses second-quarter results about a month after announcing it met its target of building 5,000 Model 3s per week, as part of its long-delayed ramp-up of its latest vehicle. Analysts, on average, expect the company to post a loss of more than $600m after a period of intense spending on the Model 3, spending that has generated more questions on its cash position

Feedback

Thursday

UK MONETARY POLICY

The Bank of England is widely expected to raise interest rates from the record lows to which they were cut after the financial crisis. Investors expect the Monetary Policy Committee to increase the base rate to 0.75 per cent, from 0.5 per cent. This will be the highest interest rates have been in the UK since 2009. While recent data have come in lower than expected and there are not yet many signs of a sustained increase in domestic inflation, Bank of England officials have argued that labour productivity will not grow as fast as in the past and, with unemployment at record lows, eventually wage pressure will return.

The interest-rate decision will be accompanied by the latest edition of the central bank's inflation report, which sets out its forecasts for the future of the UK economy and the pressures upon it. Governor Mark Carney will also give a press conference after the announcement.

- Will BoE look through weak core inflation? Analysts debate

CORPORATE EARNINGS

Austria's **OMV** posts second-quarter results with investors looking for an updated outlook and details regarding the maintenance at its Romanian refinery. **Siemens** will publish third-quarter results and unveil an updated strategy amid talk that the group plans to trim its industrial divisions to three from five. Half-year results will come from British engineer **Rolls-Royce**, which is under pressure to meet forecasts despite rising costs from planes being grounded as parts are not lasting as long as expected on its Trent 1000 engine. India's state-owned **Oil and Natural Gas Corporation** is expected to report a rise in profit, helped by rise in domestic gas price and lower operating costs. French bank **Natixis** releases results for the second quarter and discusses performance and outlook. **AIG** investors will watch for signs of a turnround in second-quarter results. Chief executive Brian Duperreault who took charge of AIG just over a year ago, has vowed to boost returns and expand the company.

Friday

US JOBS DATA

Data are expected to show that hiring cooled in July with the US economy creating 195,000 jobs, compared with 213,000 in June. The unemployment rate is expected to edge back down to 3.9 per cent, while average hourly earnings are expected to heat up, rising 0.3 per cent month on month in July, compared with a 0.2 per cent increase in June.

- Booming US labour market draws new jobseekers

CORPORATE EARNINGS

Brazil's **Petroleo Brasileiro SA** reports its second-quarter results, after a national crisis over diesel prices in May led to government interference in the state-controlled oil company's fuel prices, which drove the chief executive to resign and continues to weigh on planned refinery sales. Canadian pipeline company **Enbridge** reports second-quarter results with investors focused on whether the company still seeks to sell assets and an update on plans to rebuild the Line 3 oil pipeline.

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Feedback