The Week Ahead World

Italy budget, Brexit summit, China GDP

Your FT guide to this week's big events

YESTERDAY

Monday

ITALY BUDGET

It's deadline day for countries to submit draft 2019 budgets to the European Commission, with Italy likely to garner the most attention from investors.

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Rome proposes running budget deficits far higher than previously agreed with the EU and this has pushed government bond yields to their highest levels in four years. Brussels is unlikely to take kindly to Italy's fiscal plans, and the expected war of words is likely to affect bond spreads further, particularly with Moody's and S&P ratings reviews due later this month.

CORPORATE EARNINGS

Bank of America reports third-quarter earnings and investors will be looking at what the bank plans to do next after hitting its cost-cutting and efficiency targets. **Charles Schwab** also reports third-quarter results.

ECONOMIC DATA

US retail sales, which edged up 0.1 per cent in August, the smallest rise since February, are expected to record a gain of 0.6 per cent in September, led by automobile sales. "Control group" sales, which exclude automobiles, gasoline, building materials and food services, are forecast to rise 0.3 per cent.

Tuesday

MAN BOOKER PRIZE

The winner of the Man Booker Prize will be announced. Women dominate the shortlist this year, accounting for four out of the six writers vying for the £50,000 fiction prize. The shortlisted authors are Anna Burns, Esi Edugyan, Daisy Johnson, Rachel Kushner, Richard Powers and Robin Robertson.

- Man Booker Prize shortlist 2018

CORPORATE EARNINGS

BlackRock, the world's largest asset manager, is expected to post an eighth straight quarter of year-over-year revenue growth after a volatile three months for markets that featured a wide gap in performance between booming US stocks and flatlining international stocks as well as continued pressure on bonds. Domino's Pizza is forecast to report a rise in third-quarter sales as it benefits from its digital investments in digital delivery services. However, this has brought high labour costs and expenses. New chief executive David Solomon will have a chance to begin making his mark when **Goldman Sachs** reports third-quarter results. Trading revenue at Morgan Stanley will help decide if increased volatility can sustain growth, or if geopolitical concerns are tempering volume when it posts third-quarter results. IBM, which had warned of headwinds in the second half of the year from a strong dollar, is expected to report a dip in their third-quarter revenue. **Johnson & Johnson** is expected to report a higher third-quarter profit helped by sales of its cancer and immunology drugs. As one of the first big US drugmakers to report for the quarter, investors will focus on comments about drug pricing, the impact of generic drug competition and updates on

Feedback

newer products. **Netflix** is expected to post a rise in non-US subscribers in the third quarter after spending to expand its portfolio of original content across different languages and to strengthen its international presence. **Omnicom** is forecast to report a fall in their third-quarter revenue as more US clients put their marketing dollars in digital media.

ECONOMIC DATA

China CPI (Sep): Analysts forecast 2.5 per cent year on year in September, up from 2.3 per cent by the same measure for August. Food prices are forecast to have risen faster, reflecting the delayed impact of weather disruptions and swine fever.

UK labour market (Aug) Regular pay growth, excluding bonuses, rose to 2.9 per cent in the three months to the end of July. The single month figure, which is volatile, rose to 3.1 per cent, the highest since the financial crisis, so the three-month average could go higher in August. One interesting feature of late has been the pick-up in public sector pay — rising to 2.4 per cent in July against 2.9 per cent for the private sector.

US industrial production (Sep) Production is likely to have risen 0.2 per cent in September, according to a Reuters survey of economists, lower than its August reading, when it increased 0.4 per cent. The NAHB Housing Market Index is also due.

Wednesday

EUROPEAN COUNCIL SUMMIT

EU leaders meet to discuss Britain's withdrawal agreement over a working dinner, ahead of the next day's summit where Brexit, migration and the eurozone will be on the agenda. Diplomats will hope to have a draft version of a "political declaration" on the EU-UK's future relationship ready for Thursday's gathering. The sensitive issue of the Irish backstop is likely to be high on the agenda as EU leaders try to thrash out a final agreement in time for November's special summit. Leaders will also work on implementing the ideas on reforming the EU's asylum system and protecting external borders agreed at June's marathon summit. France's President Emmanuel Macron has also called for leaders to be updated on progress in completing the bloc's banking union.

- Finance chiefs warn on disruption of a no-deal Brexit

CORPORATE EARNINGS

Alcoa is expected to report a rise in third-quarter revenue, helped by higher alumina prices. However, the Pittsburgh-based aluminium producer has been hurt by US president Donald Trump's tariffs on imported steel and aluminium. UK online fashion retailer **Asos** reports full-year results. In July it warned full-year sales growth will be at the "lower end" of a 25-30 per cent range, but investors will watch to see if the warm summer boosted sales. UK education publisher Pearson reports third-quarter results. First-half numbers in July were better than some had expected, but there was no change to the full-year outlook and chief executive John Fallon admits there is "still much to do".

ECONOMIC DATA

UK inflation (Sep) Inflation in the UK rose more sharply than expected in August, because of higher travel fares and more expensive clothes. Inflation, measured by the consumer price index, increased to 2.7 per cent from an already strong rate of 2.5 per cent in July. Most economists were expecting prices to fall and it remains to be seen if the boost was just a combination of one-off factors and the weakness in the pound over the summer or something more fundamental.

Fed Minutes The US Federal Reserve publishes minutes from its September meeting and investors will be looking for any information about possible changes in policy for balance sheet reduction. A drift upward in the federal funds rate within the Fed's target range suggests that bank reserves are becoming less abundant, raising questions about how long it can go on reducing its balance sheet.

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Thursday

CORPORATE EARNINGS

Bank of New York Mellon third-quarter earnings are expected to rise on the back of lower corporate tax rates and rising interest rates. Investors will be watching out for the income fees the bank has generated in the quarter that saw the effects of rising tensions between US and China over trade. Analysts expect Blackstone's private equity holdings to have benefited from the rising public equity marketwhen it posts third-quarter earnings. FTSE 100 consumer goods maker **Unilever** reports third-quarter results hot on the heels of being forced into an embarrassing relocation U-turn earlier this month after a backlash from leading institutional investors.

Recommended

ECONOMIC DATA

Japan trade balance (Sep) Japan posted a trade deficit of ¥444.6bn in August. Exports rose 6.6 per cent year on year on strong semiconductor exports to China, while imports growth accelerated further at 15.4 per cent year on year primarily due to increasing oil prices. Japan's trade balance with the US also continued to decline on the back of weakening auto exports and increasing aircraft and LNG imports. Japanese Trade is expected to post a deficit mainly due to bad weather and earthquakes, with exports expected to be up 2.5 per cent year on year, while imports are likely to continue to run at a robust 14 per cent year on year, boosted by energy prices.

UK retail sales (Sep) Sales were strong over the summer, with growth of 2 per cent over the three months to August, but the warm weather and football World Cup are over and inflation rose again in August. Even if the overall consumer price inflation rate headed lower in September, the real feel of higher petrol prices may have hit spending a little. Analysts expect a fall back in retail sales volumes in September but for the year-on-year rate to remain relatively healthy.

Friday

CORPORATE EARNINGS

US industrial conglomerate Honeywell is expected to report higher profit and revenue for the third quarter, as commercial jet orders boom amid strong demand for air travel. Investors will look for comments on potential impact from trade tariffs and how they could affect the company's financial performance in 2019. Procter & Gamble is expected to post a fall in first-quarter sales, hurt by lower pricing and weak demand for its baby, feminine and family care products. Investors will watch for signs of improvement in the company's gross margins which has been under pressure from rising freight and commodity costs and lower pricing. Hotel chain **InterContinental** is expected to post a rise in third-quarter revenue, bolstered by robust global travel demand on the back of growth its China and Continental Europe markets. London Stock Exchange Group is expected to report higher third-quarter revenue as its clearing, capital markets and information services businesses grew strongly. In what will be the first set of results under chief executive David Schwimmer. Rising interest rates and lower corporate taxes are expected to help custodian bank State Street to post an increase in net income. Increasing trade tensions between the US and China are also expected to affect fee revenue growth, a key metric for investors.

ECONOMIC DATA

Investors and analysts will be on the watch for any signs of weakness stemming from Beijing's escalating trade war with Washington when **China's third-quarter gross domestic product** figures are released. The US imposed tariffs on Chinese exports worth $50bn annually in July, before targeting another $200bn in September. As a result, about half of all Chinese merchandise goods exports are now subject to punitive tariffs. The dispute has so far had little impact on the world's second-largest economy and Chinese officials are confident they can survive even a full-blown trade war with the US. But with investment and economic growth already slowing because of a government crackdown on risky lending practices, and devaluation pressures building on the renminbi, President Xi Jinping's administration has little room for manoeuvre.

Feedback

Japan Consumer price index (Sep) Higher food and energy prices pushed up headline inflation in August to 1.3 per cent year on year from 0.9 per cent in July. September headline consumer inflation is forecast to edge up to 1.3 per cent year on year, but core inflation is expected to stay subdued and well below the Bank of Japan price target of 2.0 per cent.

Saturday

AFGHAN ELECTIONS

Afghanistan heads to polls as a much-delayed parliamentary election gets under way. The run-up to the vote, which is seen as a dry run for presidential elections next year, has seen an increase in violence, with militants vowing to disrupt it. Preparations have been chaotic, with allegations of fraud rife. More than 2,500 candidates are reportedly standing in the election.

- Mattis in Afghanistan as US pushes for Taliban deal

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