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This week key data from the Euro Zone - Will stronger than expected data stay the ECB's hand?

Next week we shall be seeing key data on growth in the Euro Zone, with expectations of an improvement in the performance of France - the weaker partner in the Franco – German axis. A stronger than expected growth may induce prudence with regard to embarking on further monetary measures.

US accent shall be on retail sales - Consumption seventy per cent of the economy?

In the US, the accent shall be on retail sales. This is seen as a harbinger of the “State of the Nation” of the other seventy per cent of the US economy. Will the apparent strengthening of the labor market lend a significant boost to consumption notwithstanding scant wage growth?

Stock markets in a cautious mood - OECB warning on global growth

Stock markets are in a cautious mood as the OECD joins the chorus of those foreseeing a further slowing in the global economy. The weakness is seen as stemming from the emerging markets and from more modest prospects for the Euro Zone. We have foreseen these developments for some time and expect that further downward revisions are on the way.

OECD analysis – inconsistencies across GDP estimates

There are still some inconsistencies apparent when doing a horizontal analysis across the GDP growth / contraction rates, with a slightly lower GDP decrease in China alongside a + 3 per cent contraction in Brazil. In the light of China's massive use of commodities, the two numbers are out of synch. We expect that Chinese rates shall be corrected down.

Markets gearing up for two “mammoth” central bank meetings

As concerns monetary policy, the ultimate market driver, we see markets as starting to gear up for two “mammoth” meetings next month. Expectations are currently that the US shall proceed to raise rates and that the Euro Zone shall ease further.

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ECB shall likely announce further measures

With inflation nowhere to be seen, we see the ECB as signaling further measures and possibly further expanding its “buyable” bonds range. This shall limit any – for the time being, scant upside – to the Euro, should the Federal Reserve not move.

Non- Euro European economies shall continue to be cautious

We expect further caution among the non-Euro European economies, with the Bank of England in the lead in the non-aggression front. With opposition to the EU building and the business world broadly pro- EU, the UK central bank shall be remiss to risk triggering any economic slowing or housing collapse.

Growth versus economic reality***Are we seeing a growing divergence between the financial and the real economy?***

Are we seeing a growing divergence between the financial economy and the real economy? The CEO of Maersk - which carries 15 per cent of global trade – views the IMF’s forecasts, albeit revised downwards – as still too optimistic. This is based on a bottom up analysis, comparing global trade volumes with 2015 growth expectations. This has been corroborated by a 6.9 per cent fall in Chinese exports in October.

We are not surprised and continue to expect further downward revisions, with the Euro Zone and emerging markets bearing the brunt of increasing caution.

Still see exports as critical to China meeting its GDP targets

The take on the Chinese situation seems to be that the Chinese government shall resort to further measures to stimulate the internal economy, as opposed to boosting exports via devaluation. While domestic demand may be strengthening as the re-balancing continues, we still view exports as key to reaching the 6 ½ per cent target deemed the basis for growth.

Has the Federal Reserve signed off on economic mediocrity at best?

With regard to the Federal Reserve, the head of the San Francisco Federal Reserve is waxing enthusiastically about the US economy. The Federal Reserve leading officials appear to have accepted the “brute” metrics of the labor market, focusing on employment and not wages. This does not bode well for the strength of the business cycle going forward.

Saudi Arabia is nothing but persistent! Will keep pumping!

Last but not least, Saudi Arabia shall maintain its production strategy. We are confirmed in our view that the recent S+P downgrading has had scant effect on a country with a minimal external debt load and still massive FX reserves. The assumptions underlying the Saudi strategy are a return to market equilibrium by late 2016. The Saudi strategy will lead to further scrapping of capital investment impacting the energy value chain.

On the FX front, we are seeing US Dollar strength across a broad front and expect this to continue. Emerging market currencies shall continue to bear the brunt of this trend.

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