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U.S. ECONOMIC DATA AND EVENT OUTLOOK

Time		(Consensus Ests. in parentheses, Green = DE Above, Red = DE Below)						
Date	(EST)	Economic Indicator	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
Mon								
2/24	3:00 PM	Mester Speech						

Global Economy and Markets

- **Reviving virus fears outside of China mounted over the weekend**, with confirmed cases and the death toll of COVID-19 surging in South Korea, Japan, Italy, and Iran. Confirmed cases in South Korea more than quadrupled in two days, whereas Italy followed the footsteps of China and locked down an area near Milan.
- **The International Monetary Fund (IMF) downgraded the forecast for Chinese growth in 2020 to 5.6% from 6% and trimmed 0.1% from the global growth forecast.** The IMF also admitted to be considering worse scenarios. The People's Bank of China (PBOC) expects the Chinese economy to recover quickly after the COVID-19 is contained and experience a "V-shaped" rebound.
- **Finance chiefs acknowledged the downside risks on the global economy posed by the COVID-19 during the G-20 meeting last weekend.** Other risks, such as trade tensions and geopolitical uncertainties, should persist in 2020. In light of the spreading novel coronavirus outbreak, finance chiefs and central bankers also agreed to prepare for stimulating policies if necessary.
- **The yield on 10-year U.S. Treasuries dropped to 1.38%**, the lowest since 2016. Gold surged above \$1680/oz at one point before the market open in the U.S., and the WTI crude oil fell 3.6% to \$51.2.
- **Global markets plunged on Monday amid spiking COVID-19 cases globally.** The Euro Stoxx 600 slashed 3.48%, the FTSE 100 tanked 3.21%, and the DAX plunged 3.72%. The Hang Seng dropped 1.79%, the KOSPI fell 3.87%, and the Shanghai Composite declined 0.28% while the Shenzhen Composite jumped 1.36% on Technology and Health Care Sectors.

Week Ahead Preview

The second release of Q4 U.S. GDP comes out this Thursday, which could be revised up slightly from the preliminary reading of 2.1% SAAR. The tight Labor Market and moderate wage growth in January support moderate increases in Personal Consumption and Personal Spending. The PCE inflation should have stayed below the Fed's 2% target in January and is likely to edge down in the next few months.

Elsewhere, China's Official PMI figures should have plunged in February. The COVID-19 took a toll on all Sectors of the Chinese economy as the government encouraged people to stay at home.

The Tokyo CPI likely decelerated in February as the impact of the virus kicked in; both the Headline and the Core gauges should have moderated.

The Bank of Korea (BOK) is likely to cut preemptively amid the sudden virus outbreak in South Korea.

India's GDP growth probably has stayed soft in Q4 amid weak Industrial Production and Household Consumption. Canada's GDP is expected to have slowed in Q4 on soft domestic demand.

U.S. AND GLOBAL REVIEW – FRIDAY

- The Flash U.S. Composite PMI plunged to the lowest reading in nearly seven years of 49.6 amid heightened anxiety about the COVID-19 outbreak in China. The Manufacturing PMI slid to 50.8 from 51.9 while the Services PMI tanked to 49.4 from 53.4.
- The sharp deterioration in the Services PMI was dragged mainly by the contraction in New Business. Total New Orders declined for the first time since 2009, partially linked to the weakened demand in Travel and Tourism Industries. Companies also cited caution about spending due to political uncertainty in an election year.
- The Flash Eurozone PMI jumped unexpectedly in February, with the Composite PMI climbing to 51.6, the Manufacturing PMI rising to 49.1, and the Services PMI edging up to 52.8. The overall business sentiment continued to improve despite the potential downside risks posed by the virus outbreak. Although the Composite gauge remained well above 50 as the Services Sector further improved, the Manufacturing Sector was still in the contractionary territory.
- Details of the Eurozone Manufacturing PMI reflected some disruptions caused by the COVID-19. Suppliers' Delivery Times was delayed considerably, especially that for the inputs. The delay is expected to persist through at least the end of Q1. The IHS report acknowledged that the PMI figures might not reflect the full impact of the coronavirus outbreak.
- The overall business sentiment was little changed in Germany, with the Flash Composite PMI edging down to 51.1 from 51.2. The Flash Germany Manufacturing PMI climbed to 47.8 from 45.3, whereas the Flash Services PMI moderated to 53.3 from 54.2. Detailed data showed that "domestic demand remained in good health."
- The Manufacturing Output rose to a 9-month high of 47.0, with improvement in New Orders and Employment. But half of the monthly gain in the Manufacturing PMI was attributed to the deterioration in the Suppliers' Delivery Times due to the COVID-19 fallout. The supply-chain disruptions have been fairly limited so far, but potential effects could be "lengthy" and sizable.
- The Flash Japan Composite PMI plunged to 47.0 in February from 50.1 in January amid sharp declines in output across Sectors. The Services PMI fell to 46.7 from 51.0, and the Manufacturing PMI slid to 47.6 from 48.8. Hopes of a swift recovery diminished with the significant deterioration in business sentiment—Japan will probably mark a technical recession in Q1 2020.