The Macro Month Ahead
November 2024

Image source: iStock/Vjom

A month to shape the future of the global economy

A decisive election in the United States, a summit to radically change economic policies in Europe, and another stimulus package in China: the early days of November will possibly set global economic trends for the coming months and beyond. As the three major areas of the global economy are experiencing diverging dynamics, the upcoming events could help lower the elevated level of uncertainty surrounding 2025's prospects.

Adrien Pichoud,

Chief Economist

PRIVATE BANKING

Will the US shift toward a more pro-business stance coupled with trade protectionism, or vote to keep things the way they were during the Biden presidency? Equally significant, will the next US President have the support of the two chambers in the Congress to implement the most ambitious parts of her or his agenda? Will European leaders manage to overcome their national specificities and divergences to embrace the path for reforms paved by Mario Draghi's report? Will China complement the first part of its stimulus plan with a large-scale plan to support consumption? These are all key questions that will be answered in November and shape the dynamics of the global economy in 2025. Geopolitical risks will also remain prominent, with intensifying diplomatic efforts to lower the level of tensions in the Middle East, and a potential change of the US approach if Donald Trump is elected as the US President. In this heavy-loaded context, economic data release and companies' earnings publications shouldn't be forgotten. Several central banks will hold monetary policy meetings, especially the Fed, which will decide whether the result of the US election changes its plan for a continuation of the rate cut cycle initiated in September. Not to forget, Nvidia's results will be eagerly awaited as a barometer for AI and tech-related global capex. Only by then will investors know whether they can be thankful for the month of November at the Thanksgiving table.

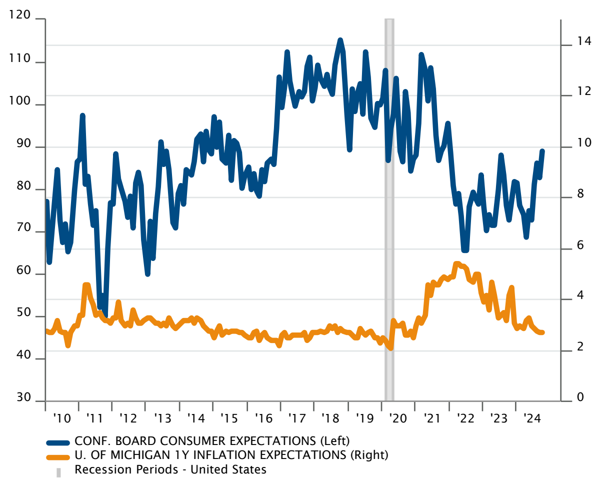
A US election and key economic policy meetings in the EU and China

The first week of November will see major political events in the world's three largest economic areas that will have important implications for economic developments in the coming months. The US Presidential and Congress election **(5/11)** will finally bring answers to questions that have increasingly influenced markets in the past weeks. The two candidates have radically different agendas, with key implications for the future of the US and the global economy. Donald Trump appears to enjoy favourable momentum in the last stretch of the campaign, but the Presidential election will depend on votes in a handful of swing states. The outcome will likely remain uncertain until the election, and uncertainty could also persist for some days or weeks in case of very close results. Additionally, the elections for the House of Representatives and the Senate will define the capacity of the new President to implement some the most emblematic measures of their agenda. While the Senate appears very likely to be held by Republicans, the uncertainty prevails on the future majority in the House of Representatives. A Trump presidency with a Republican majority in both chambers would likely be more disruptive for economic policies in the coming years than a Trump or Harris presidency with a split Congress (Republican Senate and Democrat House of Representatives). Interestingly, in the days following the US election, European and Chinese leaders will hold talks that may also have important impacts on future economic policies. EU heads of states will hold an "informal meeting" in Budapest **(8/11)** to discuss the recommendations of the Draghi report on the future of EU competitiveness. Coordinated actions and joint European financing for large investment spendings are required to improve the European growth outlook, but this debate arises in a difficult political context where recent elections have shown a diminishing popular support for European policies. The Budapest meeting will signal whether Europe is ready to radically change its economic policies going forward. At the same time, China's NPC standing Committee will gather and might announce a significant fiscal support to domestic demand, to complement the first part of the stimulus package announced in September. All those events will have important implications, especially on the public debt front as fiscal policy will likely be the dominant feature of economic policies in the years ahead.

United States: another Fed rate cut, and then?

While the aftermath of the election will likely dominate the US news flow in November, several economic data will need to be closely monitored. The Federal Reserve will hold a monetary policy meeting **(7/11)** and is expected to cut its target rate by 25bp after the 50bp cut announced in September. After this meeting, the timing and extent of the Fed's rate cut cycle will become driven by the future economic policy choices of the next US administration, but also by the evolution of growth and inflation trends. In that respect, labour market data remain key to gauge whether wage pressures continue to recede and confirm the disinflationary dynamic that allows some monetary policy easing. The October Employment Report **(1/11)**, Productivity and Labour Cost data for Q3 **(7/11)**, CPI inflation **(13/11)** and PCE inflation **(27/11)** will all provide important information for the future evolution of the US monetary policy stance. Credit conditions have been restrictive for quite some time, even if they may have eased recently as possibly shown by the release of the quarterly survey of bank lending conditions **(12/11)**. On the other hand, indications of consumer behaviour and confidence will be equally important to watch to assess whether US growth continues to be as resilient as it has been so far this year. Approaching the all-important Thanksgiving period, retail sales for October **(15/11)** and the first confidence surveys post-election will be interesting to watch: the preliminary estimate of the University of Michigan consumer confidence index for November might come too soon to capture the election impact **(8/11)**, but the final release **(22/11)** and the Conference Board survey **(26/11)** will. As inflation and inflation expectations have slowed down this year, this has supported consumer confidence and expectations, helping to support consumption. Continuing strength in those field, and potential prospects of significant fiscal support next year, could lead the Fed to downplay its rate cut intentions.

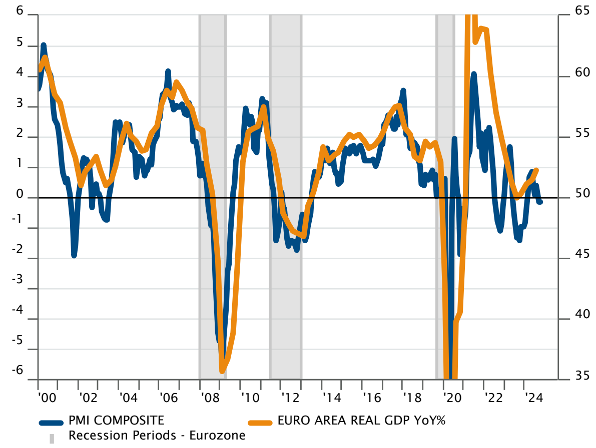
As inflation expectations have declined, consumer confidence on the outlook has improved this year



Europe: weakening growth and slowing inflation pave the way for more ECB rate cuts

While Q3 GDP growth in the Eurozone has been supported by the strength of tourism in Spain and the Olympic effect in France, underlying activity and confidence have remained weak, as pointed by the flash estimate of PMI indicators for October. The final release of this survey **(6/11)** and the flash estimate for November **(22/11)** will give precious insights on ongoing growth dynamics in the 4th quarter for the Eurozone. The ifo business confidence survey **(29/11)** will also be of importance given the fragile situation of the German economy. As the latest surveys have pointed to a deterioration of the Eurozone labour market, Q3 employment data **(14/11)** will be important to watch, along with the indicator of wage evolution followed by the ECB **(19/11).** A slowdown in the job market and an easing in wage pressures would be a combination pushing for more ECB monetary policy easing after the rate cuts already decided in the recent months. Another rate cut appears highly likely for the December meeting, but lower-than-expected inflation and activity data by then could lead the ECB to accelerate the pace and reduce its key rates by 50bp rather than the 25bp steps implemented so far in 2024. Finally, after Fitch and Moody's, Standard & Poor's will release its rating review of France **(29/11)**, in a context of rapidly deteriorating public finances and difficult domestic discussions for the 2025 budget. The S&P has already downgraded France's rating from AA to AA- in May this year.

Growth has picked up in Q3 due to seasonal factors, but the trend for Q4 is not encouraging



Banque Syz, ©FactSet Research Systems

Continuation of the Q3 earnings season

Several large companies are still due to release their Q3 earnings in November. Nvidia **(21/11)** might be the most anticipated, not only because it is now the second largest capitalisation of the US market, but also for the signal it will give on global AI-related capex. Several heavyweights are also due to report in the coming weeks: Chevron and Exxon Mobil **1/11**, Berkshire Hathaway **04/11**, Novo Nordisk **6/11**, Home Depot **12/11**, Walt Disney **14/11**, Walmart **19/11** and Salesforce **29/11.**

For further information

Banque Syz SA
Quai des Bergues 1
CH-1201 Geneva
Tel +41 58 799 10 00
syzgroup.com

Adrien Pichoud, Chief Economist
adrien.pichoud@syzgroup.com