ALPHA BANK

Global Markets Minesweeper

March 29, 2024

Global Markets Analysis
Advisory and Products

The main equity markets are supported by strong profitability, while a short-term correction cannot be excluded as equity indexes are near overbought area. Mild conditions support equities and government bonds in the mid-term.

What the most recent macroeconomics suggest?

The most recent macroeconomics suggest that **mild economic conditions continue in the main economies.**

In the **US**, the **consumer confidence** index dropped in March at a level (104.7) below the 12-month average (106), but still above the historic average (95.8) suggesting moderate conditions. The durable goods orders increased on monthly basis in February by more than the expected.

According to the final reading, **GDP** increased on annualized quarterly basis in the fourth quarter by 3.4%. Consumption contributed positively (2.2%), along private investment spending (0.15%), government spending (0.8%) and net exports (0.25%). On year over year basis, GDP increased by 3.1% in the 4th quarter.

The average of the yearly rise of GDP in the four quarters of 2023 was 2.5%, the same as the 30-year average, signalling moderation of economic conditions. Regarding the first quarter of the current year, the Atlanta Fed estimates (26/3) **annualized quarterly GDP growth** of 2.1%, which is **milder than the 30-year average**.

In the **Eurozone**, the **economic** confidence index increased in March above (96.3, February: 95.5) the 12-month average (95.5), signalling mild economic activity. In **Japan**, the leading economic index was in January at a level slightly above the 12-month average. The latest macroeconomics signal stabilization of economic activity and mild growth in Japan.

What do the latest macroeconomics signal for the policy of the main central banks?

The recent macroeconomics suggest moderate conditions, which can imply that the main central banks will wait for some months and then they will start cutting rates at a gradual relatively slow pace.

The **Fed** may cut rates three times in the current year, probably starting from June. The **ECB** may start rate cuts from June and could continue cutting but at a slow pace. The Bank of **Japan** has recently increased its benchmark rate at slightly positive territory from slightly negative, however the monetary policy will remain supportive for some time.

The week ahead

In the **US**, the ISM **manufacturing** index is expected (1/4) slightly higher in March, but still at contraction area.

The ISM **services** index (3/4) may have slightly increased in March and will signal expansion of the services sector for 15th consecutive month.

The non-farm payrolls (5/4) are expected at 203,000 in March from 275,000 in February, but still above the historic average of 125,000, signalling that mild economic growth continues. The unemployment rate is expected stable at 3.9%, below the historic average of 5.7%.

In the **Eurozone**, the 1 year and 3 year inflation expectations survey for February will be released on April 2 and the inflation estimate for March on April 3. The final reading of the manufacturing and the services PMI indexes for March will be released on April 4.

In **China**, the Caixin manufacturing PMI is expected on April 1 and the Caixin services PMI on April 3.

“Quote of the Week”

The member of the **ECB** (Muller) said that “by June, there might be enough confidence so that the ECB starts reducing rates”.

What do the macroeconomics and the policy of central banks signal for government bonds, equities and fx markets?

The expected rate cuts by the **Fed** and the **ECB** may help keep bond yields mild. The **US 10-year bond yield** is at 4.20%, slightly milder compared to the end of February (4.25%). The moderation of bond yields in the mid-term is likely, as economic conditions are mild and the growth pace in the first quarter is currently estimated by the Atlanta Fed lower than the long-term average.

If US yields remain moderate, then **US stocks** can continue higher in the mid-term, also supported by strong profitability. The quarterly **earnings** per share of the S&P 500 index in the second quarter may have risen on yearly basis (area of 4%-5%). The earnings 12-month forward estimate is at historic high, supporting the mid-term trend of the US equity index.

The current economic conditions support **sectors** with blend to aggressive characteristics. The global communications sector has blend characteristics and its 12-month forward earnings estimate is near the recent 3-year high. It has milder P/E 12-month forward ratio (18) compared to global technology sector (27 times).

The technology sector has risen considerably in the last 3 months and may can continue higher in the mid-term. In the short term, technology may correct due to its elevated P/E 12-month forward ratio and as its one-year total return is almost four times the historic average. The other aggressive sector which has high 3-month total return and may continue rising in the mid-term, is the financials sector. The global financials have attractive P/E 12-month forward ratio at 12.5 times. From the defensives, the global utilities have risen by 1% compared to 9% of the overall global market in the last three months but could be resilient if a short-term correction happens. The global utilities sector has P/E 12-month forward attractive at 14 times versus 10-year average of 16 times.

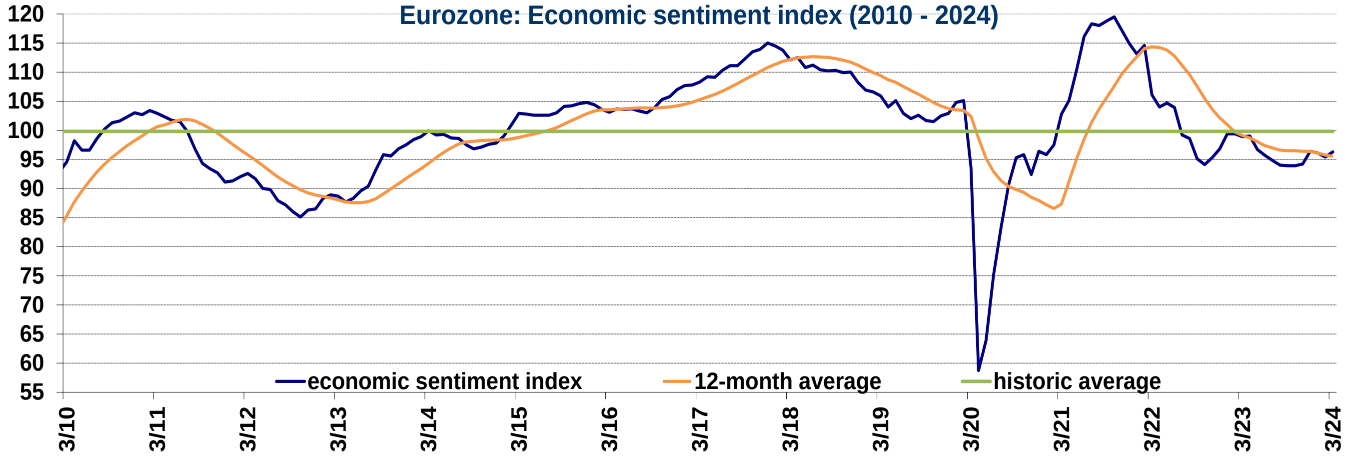
The **global growth** investment style can continue higher in the mid-term, as its aggressive characteristics are favoured in a risk-on environment. In the short-term, exposure to **global value** can be resilient, if correction happens. The MSCI global value index has relatively attractive P/E 12-month forward ratio of 13.5 times (10-year average: 13) versus 25 times of the growth index.

In the **Eurozone**, the **German** 10-year bond yield has dropped at two-week low, supporting the Stoxx 50 Eurozone equity index, which has risen at a high since 2000. The Stoxx 50 Eurozone and the Stoxx 600 Europe index have attractive P/E 12-month forward ratio of around 14 times.

The MSCI **emerging** markets index has recovered recently, while still its three-month total return is lower than that of the developed index. Its P/E 12-month forward ratio is relatively attractive at 12 times.

In **fx**, the **EUR/USD** dropped at 5-week low ($1.0768) as German bond yields declined. In the short-term, support is at $1.0700 and at $1.0650. In the mid-term, the EUR/USD could rise towards the area of $1.1000-50 if US yields drop by more than German yields.

In the Eurozone, the economic sentiment index increased in March above the 12-month average, signalling stabilization and mildly improved economic activity.



Source: Bloomberg

Global Markets Minesweeper

Event Risk Calendar, 1 - 5 April 2024

		Monday 1/4				
Date Time	**Country**	**Event**	**Period**	**Survey**	**Prior**	💣
1/4 02:50	JN	Tankan Large Mfg Index	1Q	10	12	
1/4 03:30	JN	Jibun Bank Japan PMI Mfg	Mar F		48.2	
1/4 04:45	CH	Caixin China PMI Mfg	Mar	51	50.9	💣
1/4 16:45	US	US Manufacturing PMI	Mar F	52.5	52.5	
1/4 17:00	US	ISM Manufacturing	Mar	48.4	47.8	💣
Eco Event	Easter Monday in Australia, New Zealand, Hong Kong, UK and much of Europe					
		Tuesday 2/4				
Date Time	**Country**	**Event**	**Period**	**Survey**	**Prior**	💣
2/4 10:55	GE	Germany Manufacturing PMI	Mar F	41.6	41.6	
2/4 11:00	EC	Eurozone Manufacturing PMI	Mar F	45.7	45.7	
2/4 11:00	EC	ECB 1 Year CPI Expectations	Feb		3.30%	💣
2/4 11:00	EC	ECB 3 Year CPI Expectations	Feb	2.40%	2.50%	💣
2/4 11:30	UK	UK Manufacturing PMI	Mar F	49.9	49.9	
2/4 15:00	GE	CPI (YoY)	Mar P	2.20%	2.50%	💣
2/4 15:00	GE	CPI (MoM)	Mar P	0.50%	0.40%	💣
2/4 17:00	US	JOLTS Job Openings	Feb	8770k	8863k	
2/4 17:00	US	Factory Orders (MoM)	Feb	1.00%	-3.60%	💣
2/4 17:00	US	Durable Goods Orders (MoM)	Feb F	1.40%	1.40%	
Eco Event	US	New York Fed President Williams speaks (19:00)				
	US	Cleveland Fed President Mester speaks (19:05)				
	US	San Francisco Fed President Daly speaks (20:30)				
		Wednesday 3/4				
Date Time	**Country**	**Event**	**Period**	**Survey**	**Prior**	💣
3/4 03:30	JN	Jib. Bank Japan PMI Composite	Mar F	52.3	52.3	
3/4 03:30	JN	Jibun Bank Japan PMI Services	Mar F	54.9	54.9	
3/4 04:45	CH	Caixin China PMI Services	Mar	52.7	52.5	
3/4 12:00	EC	CPI Estimate (YoY)	Mar	2.50%	2.60%	💣
3/4 12:00	EC	CPI (MoM)	Mar P	0.90%	0.60%	💣
3/4 12:00	EC	CPI Core (YoY)	Mar P	3.00%	3.10%	💣
3/4 12:00	EC	Unemployment Rate	Feb	6.40%	6.40%	
3/4 15:15	US	ADP Employment Change	Mar	150k	140k	💣
3/4 16:45	US	US Services PMI	Mar F	51.7	51.7	
3/4 17:00	US	ISM Services Index	Mar	52.8	52.6	💣
Eco Event	US	Fed Chair Jerome Powell speaks at Stanford's Forum (19:10)				

		Thursday 4/4				
Date Time	Country	Event	Period	Survey	Prior	
4/4 10:55	GE	Germany Services PMI	Mar F	49.8	49.8	
4/4 10:55	GE	Germany Composite PMI	Mar F	47.4	47.4	
4/4 11:00	EC	Eurozone Services PMI	Mar F	51.1	51.1	
4/4 11:00	EC	Eurozone Composite PMI	Mar F	49.9	49.9	
4/4 11:30	UK	DMP 1Y CPI Expectations	Mar	3.20%	3.30%	
4/4 11:30	UK	UK Services PMI	Mar F	53.4	53.4	
4/4 11:30	UK	UK Composite PMI	Mar F	52.9	52.9	
4/4 12:00	EC	PPI (MoM)	Feb	-0.60%	-0.90%	
4/4 12:00	EC	PPI (YoY)	Feb	-8.50%	-8.60%	
4/4 15:30	US	Trade Balance	Feb	-$66.0b	-$67.4b	
4/4 15:30	US	Initial Jobless Claims	30-Mar		210k	
Eco Event	EC	ECB Publishes Account of March rate decision (14:30)				
	US	Philadelphia Fed President Patrick Harker speaks (17:00)				
	US	Chicago Fed President Goolsbee (19:45)				
		Friday 5/4				
Date Time	Country	Event	Period	Survey	Prior	
5/4 08:00	JN	Leading Index CI	Feb P	111.6	109.5	
5/4 08:00	JN	Coincident Index	Feb P	110.9	112.1	
5/4 12:00	EC	Retail Sales (MoM)	Feb	-0.30%	0.10%	
5/4 12:00	EC	Retail Sales (YoY)	Feb	-0.60%	-1.00%	
5/4 15:30	US	Change in Nonfarm Payrolls	Mar	203k	275k	
5/4 15:30	US	Unemployment Rate	Mar	3.90%	3.90%	
5/4 15:30	US	Average Hourly Earnings (MoM)	Mar	0.30%	0.10%	
5/4 15:30	US	Average Hourly Earnings (YoY)	Mar	4.10%	4.30%	
Eco Event	US	St. Louis Fed President Alberto Musalem speaks (02:20)				
	US	Richmond Fed President Thomas Barkin speaks (16:15)				

Global Markets Analysis +30 210-3268410 marketanalysis@alpha.gr

Konstantinos Anathreptakis, CFA konstantinos.anathreptakis@alpha.gr

Maria Koutouzi maria.koutouzi@alpha.gr

Ioannis Kouravelos, CFA ioannis.kouravelos@alpha.gr

Nikolaos Sakarelis nikolaos.sakarelis@alpha.gr