



While a milder than expected earnings recession is ongoing in the US and global geopolitical risks have been evident, the lower oil along with the weaker dollar and the milder bond yields have been in-line with resilient equity market sentiment year to date.

According to the initial estimate, **US** GDP increased on annualised quarterly basis by 1.1% in the first quarter (4th quarter 2022: 2.6%). On year over year basis, GDP increased by 1.6%, which is lower than the 30-year average (2.5%). The consumer confidence index dropped in April at a low (101.3) since July 2022. Today (28/4), the **inflation** measure of **PCE** deflator is expected year over year in March at the mildest (median of estimates: 4.1%, February: 5%) since May 2021 and the PCE core deflator measure may have been stable at the same rate on year over year basis (median of estimates: 4.6%), while both still considerably above long-term averages (30-year at around 2%).

Despite the recent pull-back, the S&P 500 **equity** index remains above (27/4: 4,135) the support area of 4,030 (30/3 low, 50-day average) and 3,950-3,960 (28/3 low, 200-day average). Resistance is at 4,195 (intraday high of 2/2) and at 4,290-4,300. Almost half of the S&P 500 index companies have reported quarterly results, with almost eight out of ten of these reported to have exceeded estimates in terms of adjusted **earnings** per share, while the estimate for year over year single digit percentage drop of adjusted EPS (around -5%, initial expectation: -6% to -7%), indicates that a mild earnings recession is ongoing. For equities, as the seasonally strong periods of November-April and the month of April conclude, equity market **volatility** may increase at some point in the second half of the second quarter, which seasonally tends to be weak on average. This along with the mild earnings recession and the geopolitical uncertainty can be arguments in favour of maintaining **defensives** at the core of the equity exposure. It is noted that, at the 3-month time interval, the defensive **sector** of S&P 500 consumer staples (6.1%) had the third higher total return. Two other sectors have benefited by the milder **bond yields**, namely technology (10.2%) and communication services (8.1%). The US 10-year yield has moderated (28/4: 3.52%, year to date average: 3.60%). After recovering a part of the drop of 2022, the aggressive technology sector index has one-year total return mildly positive (6.7%), however it has retreated in April (31/3-27/4: -0.6%).

Eurozone economic confidence index slightly increased and it is above (99.3) the 12-month average (98.5). **German** IFO business climate index increased in April for the sixth consecutive month at a high (93.6) since February 2022, while GDP was flat on quarterly basis in the first quarter and below the expected. The German **10-year bond yield** is milder (2.36%) compared to late 2022 (2.57%).

The week ahead

Eurozone inflation (2/5) is expected at 7% in April from 6.9% in March and the core stable at 5.7%. The **ECB** is expected to increase (4/5) its benchmark rate by 0.50%, while a smaller hike (0.25%) may not be excluded.

In the **US**, the ISM manufacturing (1/5) may have slightly recovered in April, but still at contraction of the sector level, while the ISM services (3/5) is expected at expansion of the sector level. The **Fed** (3/5) is expected to increase its benchmark rate by 0.25% and then will most probably pause, in order to examine the effect of monetary tightening conducted since January 2022. Non-farm payrolls (5/5) may have been in April at the lowest level (median estimate: 175,000, March: 236,000) since late 2020, but above the historic average (124,000). The unemployment may have slightly risen at 3.6% from 3.5%. In **Japan**, the consumer confidence index (1/5) is expected higher in April.

“Quote of the Week”

The member of the ECB (Panetta) said: “Geopolitics may trigger persistent output and inflation volatility, with multiple spillover effects”.

In parallel, the Stoxx 50 Eurozone **equity** index has risen at the end of the last week at the highest close since late 2007. The MSCI Europe **large cap** index has higher three-month total return (4.3%), as large cap is expected to be more resilient in an environment of slower economic activity.

The S&P **Global 1200** index has 12-month **earnings** per share estimate, which is mildly lower (around -4%) compared to mid-June 2022, however the global index has recovered (12%) in the 10-month period since June 2022, indicating that equity market sentiment has been relatively resilient despite the risks such as geopolitics. The EPS 12-month forward estimate of the global consumer staples **sector** and utilities are at multi-year highs. Global consumer staples (6.7%) and utilities (2.6%) have posted the third and fourth higher three-month total return. The global technology sector has eps 12-month forward estimate by almost -12% below the highest in June 2022, however it has the first 3-month total return (7.8%) as equity market sentiment has been resilient, favouring along some aggressive sectors such as technology along with the defensives at the core. The financial sector index has eps 12 month forward estimate of around -12% versus mid-March. Overall, the two defensive sectors of consumer staples and utilities have almost no downward revision, healthcare has mild revision (-5%), while aggressive sectors have downwards revisions close to or in some cases double-digit percentage terms.

This highlights, that the slowdown of economic activity and the mild earnings recession have impacted more the aggressive sectors in terms of eps estimates revisions. The core global **defensive** exposures may

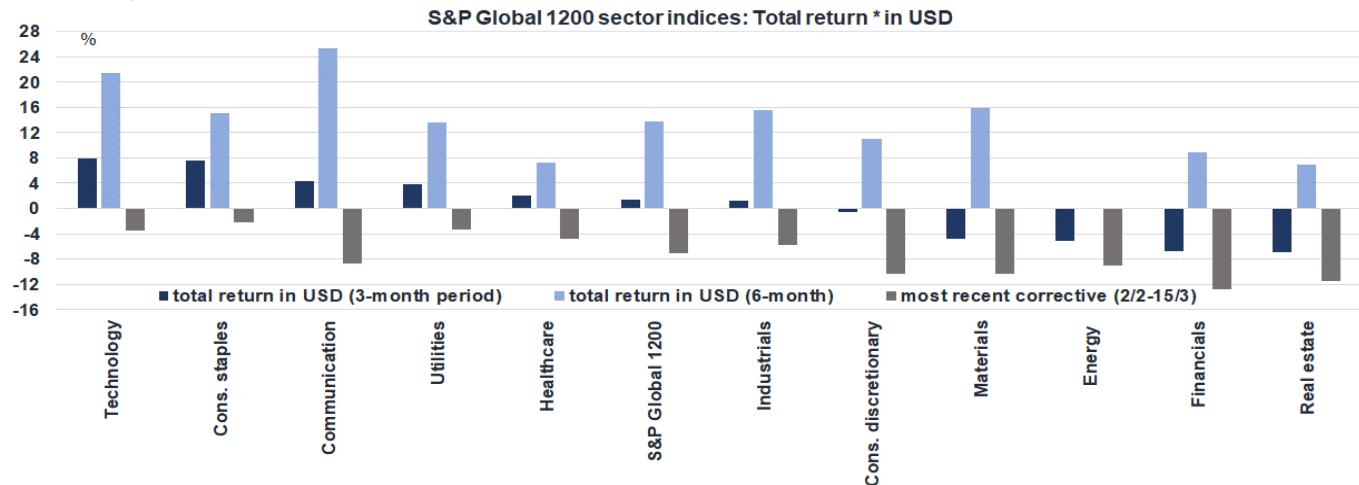
remain quite resilient and some aggressive sectors may retain their recent bounce. In **Japan**, the Nikkei index increased at the highest close (28,856) since August 2022. The Bank of Japan maintained (28/4) its accommodative policy. However, it did not give guidance for the forward path of policy.

Despite that the the MSCI **emerging** equity index is slightly lower in April (31/3-27/4: -1.7%), it holds above (27/4: 972) the 200-day average (965). The MSCI **China** index has corrected by almost -16.4% in the period of January 27 to April 25, however it maintains slightly positive one-year total return (1.8%). The geopolitical tensions weigh on market sentiment, however it is possible for the chinese index to recover, as the economy has strengthened and the USD/CNY is still milder (6.93) than the area above which (around 7.00) equity turbulence had been evident in some periods in the past.

In **FX**, the **EUR/USD** increased at a high (\$1.1095) since the end of March 2022, almost in parallel with the rise of the German - US 2-year yield at a high (24/4: -1.11%) since October 2021. Resistance is at the area of \$1.1185-\$1.1275, while support is at \$1.0830. The **Euro** has appreciated versus the **JPY** at a high (28/4: ¥149.51) since September 2008, as the Bank of Japan currently maintains accommodative policy.

The WTI crude **oil** price dropped at a low (\$74/barrel) since the end of March and it has been below the 200-day average (\$82/barrel) continuously since August 2022. Although a bounce cannot be excluded if geopolitics worsen, the weaker economic activity is expected to weigh on the demand for oil.

Some defensive sectors maintain positive return at the 3-month time interval



* S&P Global 1200 sector indexes (Bloomberg): total return three-month (27/1-27/4), six-month (27/10/22-27/4/23) and most recent corrective interval (2/2-15/3)

Global Markets Minesweeper
Event Risk Calendar, 1-5 May 2023

Date Time	Country	Event	Period	Survey	Prior	*
1/5 03:30	JN	Jibun Bank Japan PMI Mfg	Apr F		49.5	
1/5 08:00	JN	Consumer Confidence Index	Apr	34.8	33.9	
1/5 16:45	US	US Manufacturing PMI	Apr F	50.4	50.4	
1/5 17:00	US	ISM Manufacturing	Apr	46.8	46.3	*
Corp. Results	US	Berkshire Hathaway, Loews				
		May Day holiday celebrated in many countries including UK, Germany, China				
Date Time	Country	Event	Period	Survey	Prior	*
2/5 02:50	JN	Monetary Base (YoY)	Apr	-1.30%	-1.00%	
2/5 10:55	GE	Germany Manufacturing PMI	Apr F	44	44	
2/5 11:00	EC	Eurozone Manufacturing PMI	Apr F	45.5	45.5	
2/5 11:00	EC	M3 Money Supply (YoY)	Mar	2.30%	2.90%	
2/5 11:30	UK	UK Manufacturing PMI	Apr F	46.6	46.6	
2/5 12:00	EC	CPI (MoM)	Apr P	0.80%	0.90%	*
2/5 12:00	EC	CPI Estimate (YoY)	Apr	7.00%	6.90%	*
2/5 12:00	EC	CPI Core (YoY)	Apr P	5.70%	5.70%	*
2/5 17:00	US	JOLTS Job Openings	Mar		9931k	
2/5 17:00	US	Factory Orders (MoM)	Mar	0.80%	-0.70%	*
2/5 17:00	US	Durable Goods Orders (MoM)	Mar F		3.20%	
Corp. Results	US	Pfizer, Marriott International, Ford				
Date Time	Country	Event	Period	Survey	Prior	*
3/5 12:00	EC	Unemployment Rate	Mar	6.60%	6.60%	*
3/5 15:15	US	ADP Employment Change	Apr	143k	145k	*
3/5 16:45	US	US Services PMI	Apr F	52	53.7	
3/5 16:45	US	US Composite PMI	Apr F		53.5	
3/5 17:00	US	ISM Services Index	Apr	52	51.2	*
3/5 21:00	US	FOMC Rate (Up Bound)	3-May	5.25%	5.00%	*
3/5 21:00	US	FOMC Rate (Low Bound)	3-May	5.00%	4.75%	*
Eco Event	US	Fed Chair holds press conference following FOMC meeting (21:30)				*
Corp. Results	US	Kraft, Starbucks				
Thursday 4/5						


 April 28, 2023

Date Time	Country	Event	Period	Survey	Prior	•
4/5 04:45	CH	Caixin China PMI Mfg	Apr	50.3	50	•
4/5 09:00	GE	Trade Balance SA (EUR)	Mar	17.0b	16.1b	
4/5 10:55	GE	Germany Services PMI	Apr F	55.7	55.7	
4/5 10:55	GE	Germany Composite PMI	Apr F	53.9	53.9	
4/5 11:00	EC	Eurozone Composite PMI	Apr F		54.4	
4/5 11:00	EC	Eurozone Services PMI	Apr F	56.6	56.6	
4/5 11:30	UK	UK Services PMI	Apr F	54.9	54.9	
4/5 11:30	UK	UK Composite PMI	Apr F	53.9	53.9	
4/5 12:00	EC	PPI (MoM)	Mar		-0.50%	
4/5 12:00	EC	PPI (YoY)	Mar		13.20%	
4/5 15:15	EC	ECB Main Refinancing Rate	4-May	4.00%	3.50%	•
4/5 15:15	EC	ECB Marginal Lending Facility	4-May	4.25%	3.75%	•
4/5 15:15	EC	ECB Deposit Facility Rate	4-May	3.50%	3.00%	•
4/5 15:30	US	Trade Balance	Mar	-\$68.9b	-\$70.5b	
4/5 15:30	US	Initial Jobless Claims	29-Apr		230k	
Eco Event	EC	ECB President Christine Lagarde holds press conference (15:45)				•
Corp. Results	US	Apple, QUALCOMM, ConocoPhilips, Motorola				•
		Friday 5/5				
Date Time	Country	Event	Period	Survey	Prior	•
5/5 04:45	CH	Caixin China PMI Composite	Apr		54.5	
5/5 04:45	CH	Caixin China PMI Services	Apr	57.3	57.8	
5/5 12:00	EC	Retail Sales (YoY)	Mar	-3.30%	-3.00%	•
5/5 15:30	US	Change in Nonfarm Payrolls	Apr	175k	236k	•
5/5 15:30	US	Change in Private Payrolls	Apr	152k	189k	
5/5 15:30	US	Unemployment Rate	Apr	3.60%	3.50%	•
5/5 15:30	US	Average Hour. Earnings (YoY)	Apr	4.20%	4.20%	

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