

The recent macroeconomics suggest mild economic growth mainly in the US. Inflation has moderated, the Fed is pivoting towards rate cuts, government bond yields are milder and equity markets have risen.

The recent **macroeconomics** in the **US**, which supported sentiment in **government bond** and **equity markets**, included **mild employment and moderation of inflation**.

What the recent employment announcements suggest for economic activity?

The non-farm payrolls were in November higher than the historic average. However, the year over year rise of the total level of employment was at 1.8%, milder than the historic average of 2%, indicating that employment growth is slightly slowing on yearly basis. **The slowdown of yearly employment growth** is reflected into **moderate economic growth in the 4th quarter**, as estimated by the Atlanta Fed at annualized quarterly pace of 2.6%.

What the recent inflation releases indicate?

The **inflation** moderated in November at 3.1%, which was the lowest since June. Inflation is mostly evident in services (3.16%) and food (0.40%), while energy has moderating impact (-0.43%) on inflation. The **core inflation** remained at 4%, above the 30-year average of 2.4%. The University of Michigan inflation expectations index for one year declined at the lowest since March 2021, adding to the evidence that inflation pressures are easing.

What the Fed has said?

The **Fed** maintained its rate unchanged. However, the median forecast of Fed members suggests that the **benchmark rate will possibly be reduced three times in 2024**. The Fed expects **slowdown of economic growth** to 1.4% in 2024 from 2.6% in 2023 and a mild rise of the unemployment rate. It **expects inflation to drop** further with year over year increase of core PCE deflator at 2.4% in 2024.

What are the conditions in the US government bond market?

The **US 2-year bond yield dropped at a low since May and the US 10-year bond yield at almost four-month low**. It cannot be excluded that in the short-term the US 10-year yield may retrace some of the recent drop with strong resistance for the yield at the area of 4.25%, where the 21-day average is. However in the mid-term, the US 10-year yield may continue moderating with support at 3.70% area.

The week ahead

In **Germany**, the **IFO** index for December will be released on December 18.

In the **Eurozone**, the final reading of inflation for November will be released (19/12).

According to the initial estimate, Eurozone inflation has moderated in November at a low (2.4%) since July 2021 and the core inflation at a low (3.6%) since April 2022.

In the **US**, the consumer confidence index (20/12) may have recovered, but it is still expected lower than the 12-month average. This, along with other indicators, suggest resilient economic growth but below average.

The Bank of **Japan** may maintain its benchmark rate unchanged (19/12), but it is possible that will modify its wording to indicate less supportive monetary policy in the mid-term.

“Quote of the Week”

The President of the Fed said that the Central Bank may “reduce rates before getting to 2% inflation”.

What are the conditions in the US equity market?

The S&P 500 **equity** index increased at the highest close since January 2022. The rise of the US equity index is supported by the increase of the earnings 12-month forward estimate at historic high. In the last six months, **sectors** with aggressive characteristics have risen the most. The S&P 500 financials sectors has risen by 14.2% and the technology sector index increased by 10.8% in the six-month period.

What has the ECB said?

The ECB maintained its rates unchanged and said that it did not consider rate cut. The wording of the ECB indicates stable rates for some months and a few rate cuts, possibly in the second half of 2024.

The **EUR/USD** increased at a high (\$1.1009) since late November, as after the Fed meeting the **US bond yields** continued declining. The spread of **German-US 2-year bond yield** increased at five-month high, which is consistent with the rise of the Euro. Resistance is at \$1.1070 and at \$1.1150, while support is at \$1.0830.

What are the conditions in the Eurozone government bond market and equity market?

The **German 10-year yield** is at the lowest of almost nine months. The mild level of bond yields and the earnings estimate near the recent multi-year high, have supported the rise of the Stoxx **Eurozone 50 equity** index at the highest close since July 2007. The **Stoxx 600 Europe** index increased at the highest close since February 2022. Its P/E 12 month forward is milder at 12.8 times than the 10-year average at 14.5 times.

What the returns of global investment style indexes suggest?

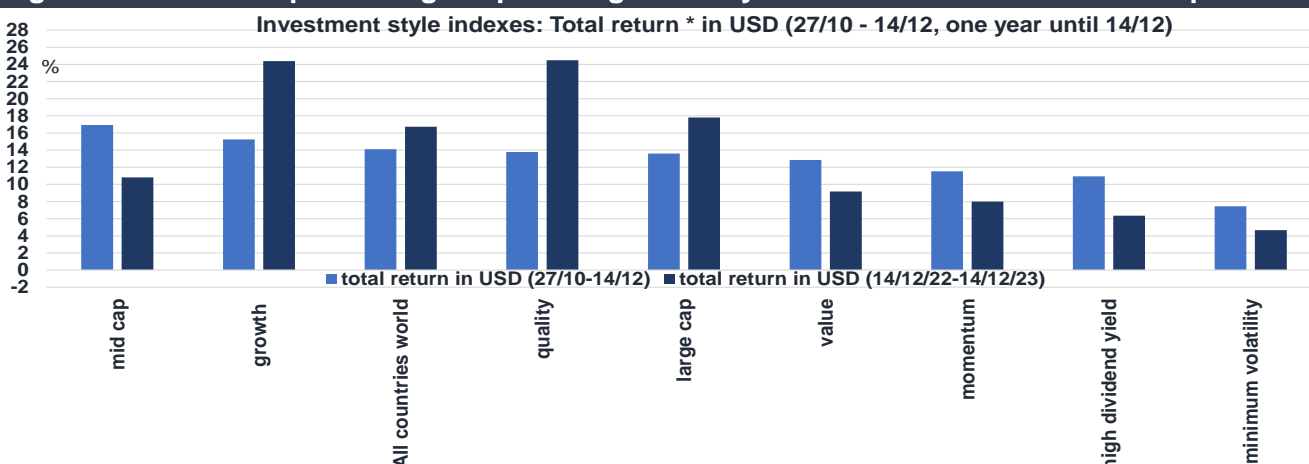
Since the bottom of the most recent correction on October 27 until December 14, the MSCI all countries **world growth** index has total return of 15.2% versus total return of almost 12.8% of the **world value** index. The world **mid-cap** index has total return of almost 16.9%, higher than the total return of the **large cap** of 13.6%. The higher rise of growth and mid-cap is consistent with the risk-on environment of the recent six months.

In other developments, the COP 28 summit committed \$7 billion for **climate** fight, related to **food** production and committed in reducing fossil fuel. Reducing the overconsumption of animal-based foods in the developed world, curbing food waste, fertilizers use and capturing carbon in soil is recommended. The MSCI world ESG index has six-month total return of 7.6% versus 6.5% of the MSCI all countries world.

In other developed markets, the Bank of **Japan** may apply less supportive policy starting from December 19. The Nikkei index is slightly lower in December in JPY but mildly higher in euro. The Japanese 10-year yield is low at 0.7%, supporting sentiment.

In **emerging** markets, the MSCI **India** index has risen at historic high, along with its 12-month forward earnings estimate. In **Greece**, the ASE increased at the highest close since early September. Its expected 12-month forward dividend yield is higher (4.7%) than its 10-year average (3.3%), supporting its attractiveness.

The aggressive tilt in markets since late October is evident in the higher total returns of world growth and mid-cap. The large-cap has higher one-year total return than the mid-cap index.



*The order is in terms of total return of MSCI indexes in the period 27/10-14/12 (Source: Bloomberg)

December 15, 2023

Global Markets Minesweeper

Event Risk Calendar, 18 - 22 December 2023

		Monday 18/12				
Date Time	Country	Event	Period	Survey	Prior	🔒🌐
18/12 11:00	GE	IFO Business Climate	Dec	87.8	87.3	🔒🌐
18/12 11:00	GE	IFO Current Assessment	Dec	89.8	89.4	
18/12 11:00	GE	IFO Expectations	Dec	86.0	85.2	
18/12 17:00	US	NAHB Housing Market Index	Dec	38	34	
Eco Event	EC	ECB's Chief Economist Lane speaks (17:00)				
		Tuesday 19/12				
Date Time	Country	Event	Period	Survey	Prior	🔒🌐
19/12	JN	BOJ Policy Balance Rate	19-Dec	-0.10%	-0.10%	🔒🌐
19/12	JN	BOJ 10-Yr Yield Target	19-Dec	0.00%	0.00%	🔒🌐
19/12 12:00	EC	CPI (YoY)	Nov F	2.40%	2.40%	
19/12 12:00	EC	CPI (MoM)	Nov F	-0.50%	-0.50%	
19/12 12:00	EC	CPI Core (YoY)	Nov F	3.60%	3.60%	
19/12 15:30	US	Building Permits (MoM)	Nov	-2.50%	1.80%	
19/12 15:30	US	Housing Starts (MoM)	Nov	-0.90%	1.90%	
Eco Event	US	Atlanta Fed President Raphael Bostic speaks (19:30)				🔒🌐
Corp. Results	US	FedEx				
		Wednesday 20/12				
Date Time	Country	Event	Period	Survey	Prior	🔒🌐
20/12 01:50	JN	Trade Balance Adjusted	Nov	-¥734.9b	-¥462.0b	
20/12 03:15	CH	5Y Loan Prime Rate	20-Dec	4.20%	4.20%	
20/12 03:15	CH	1Y Loan Prime Rate	20-Dec	3.45%	3.45%	
20/12 09:00	GE	PPI (YoY)	Nov		-11.00%	
20/12 09:00	UK	CPI (MoM)	Nov		0.00%	
20/12 09:00	UK	CPI (YoY)	Nov	4.40%	4.60%	🔒🌐
20/12 09:00	UK	CPI Core (YoY)	Nov		5.70%	
20/12 11:00	EC	ECB Current Account SA (EUR)	Oct		31.2b	
20/12 15:30	US	Current Account Balance	3Q	-\$196.5b	-\$212.1b	
20/12 17:00	US	Existing Home Sales (MoM)	Nov	-0.50%	-4.10%	
20/12 17:00	US	Conf. Board Consumer Confidence	Dec	103.4	102	🔒🌐
Corp. Results	US	General Mills, Micron Technology				
		Thursday 21/12				
Date Time	Country	Event	Period	Survey	Prior	🔒🌐
21/12 15:30	US	GDP Annualized (QoQ)	3Q T	5.20%	5.20%	🔒🌐

December 15, 2023

21/12 15:30	US	Initial Jobless Claims	16-Dec		202k	
21/12 15:30	US	Philadelphia Fed Bus. Outlook	Dec	-3	-5.9	
21/12 17:00	US	Leading Index (MoM)	Nov	-0.40%	-0.80%	🌟
21/12 18:00	US	Kansas City Fed Manf. Activity	Dec		-2	
Corp. Results	US	NIKE				
		Friday 22/12				
Date Time	Country	Event	Period	Survey	Prior	🌟
22/12 01:30	JN	Natl CPI (YoY)	Nov	2.70%	3.30%	🌟
22/12 01:30	JN	Natl CPI Ex Fresh Food (YoY)	Nov	2.50%	2.90%	🌟
22/12 09:00	UK	GDP (QoQ)	3Q F	0.00%	0.00%	
22/12 09:00	UK	GDP (YoY)	3Q F	0.60%	0.60%	
22/12 15:30	US	PCE Deflator (MoM)	Nov	0.00%	0.00%	🌟
22/12 15:30	US	PCE Deflator (YoY)	Nov	2.80%	3.00%	🌟
22/12 15:30	US	PCE Core Deflator (MoM)	Nov	0.20%	0.20%	🌟
22/12 15:30	US	Durable Goods Orders (MoM)	Nov P	2.60%	-5.40%	🌟
22/12 15:30	US	PCE Core Deflator (YoY)	Nov	3.40%	3.50%	🌟
22/12 17:00	US	New Home Sales (MoM)	Nov	1.30%	-5.60%	
22/12 17:00	US	U. of Mich. Sentiment	Dec F	69.4	69.4	

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

Disclaimer: The information herein is believed to be reliable and has been obtained from sources believed to be reliable, but we make no representation or warranty, express or implied, with respect to the fairness, correctness, accuracy or completeness of such information. In addition we have no obligation to update, modify or amend this communication or to otherwise notify a recipient in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. We are not acting and do not purport to act in any way as an advisor or in a fiduciary capacity. We therefore strongly suggest that recipients seek their own independent advice in relation to any investment, financial, legal, tax, accounting or regulatory issues discussed herein. Analyses and opinions contained herein may be based on assumptions that if altered can change the analyses or opinions expressed. Nothing contained herein shall constitute any representation or warranty as to future performance of any financial instrument, credit, currency rate or other market or economic measure. Furthermore, past performance is not necessarily indicative of future results. This communication is provided for information purposes only. It is not an offer to sell, or a solicitation of an offer to buy, any security, nor to enter into any agreement or contract with Alpha bank or any affiliates. In addition, because this communication is a summary only it may not contain all material terms, and therefore this communication in and of itself should not form the basis for any investment decision. Financial instruments that may be discussed herein may not be suitable for all investors, and potential investors must make an independent assessment of the appropriateness of any transaction in light of their own objectives and circumstances, including the possible risks and benefits of entering into such a transaction. By accepting receipt of this communication the recipient will be deemed to represent that they possess, either individually or through their advisers, sufficient investment expertise to understand the risks involved in any purchase or sale of any financial instrument discussed herein. Any duplication, copy, reprint or transmission of this document is prohibited without the prior written permission of the issuer.