

The global equity index increased above the level of January 2022, at historic high. The recent rise of the US 10-year yield may trigger profit-taking in stocks, but the most likely outcome is that “buying into the dips” will reemerge.

The main **US, european** equity indexes and the two main **world** equity indexes have risen at historic high as the profitability of most sectors and particularly of the US technology sector has risen. The results of Nvidia were better than expected and the company revised upwards the estimate for the quarterly revenues.

Why the US 10-year bond yield has recently risen and what are the implications for US stocks?

The rise of the **US 10-year bond yield** at 4.30% area in February 2024 from 3.80% area in late 2023, is a retracement of the prior significant drop from 5% in late October 2023. The recent rise appears as **a short-term upwards reaction for the yield. In the mid-term, the US 10-year bond yield can be milder** towards the area of 3.7%-3.8% if the economy is weaker and the Fed cuts rates as expected.

In more detail, retail sales dropped on monthly basis in January by the most since March 2023 and the Atlanta Fed **GDP** estimate for the first quarter was revised lower at annualized quarterly rise of 2.9% from 3.4% previously.

Regarding the **implications for the US stock market**, if the US 10-year yield maintains its recent increase and trades at the area of 4.3% or above for some time, it is possible that a mild correction may happen in stocks.

The S&P 500 index has one-year total return of 29%, significantly higher than the historic average (9.5%), which may trigger some profit taking. The **earnings 12-month forward estimate of the index is at historic high** (\$245) but at the **current high level of the index** (5,087), this **corresponds to forward earnings yield** of 4.8% **which is low compared** to the 4.3% level of the **US 10-year yield**.

The spread (forward earnings yield gap: a measure of equity risk premium) **is at the lowest** (0.5%) **in 23 years, which may imply that the stock market is vulnerable to mild profit-taking.**

However, if the rise of the earnings 12-month forward estimate continues and if the US 10-year bond yield becomes milder in the mid-term towards 3.7%-3.8%, then the equity risk premium will improve and the **mid-term upwards trend of the US stock market may continue. Aggressive sectors such as technology and growth investment style are favored in the mid-term.**

The week ahead

In the **US**, the **consumer confidence** index (27/2) is expected stable in February above the 12-month average, **signaling resilient activity**. The yearly rise of the PCE deflator and the core deflator (29/2) may have been less in January versus February, highlighting that **inflation** is easing. The ISM manufacturing index (1/3) may have slightly increased.

In the **Eurozone**, the **economic confidence** (28/2) is expected in January at a level below the 10-year average, suggesting relatively weak economic activity. The economy of the Eurozone is expected to be supported by the rate cuts of the **ECB**. The **inflation** estimate for February will be released on March 1.

In **Japan**, industrial production (29/2) may have dropped on monthly basis in January. The weak macroeconomic figures support the case for continued policy support. In **China**, the official manufacturing index (1/3) may signal contraction, while the services PMI index may signal expansion of the sector.

Quote of the Week

The President of San Francisco **Fed** (Daly) said that: “three rate cuts in 2024 is a reasonable baseline”.

In the short-term, the **defensive sectors and the value investment style can be a hedge in case of a correction**. The S&P 500 **utilities** sector has P/E 12-month forward ratio at 15 times more attractive compared to the 10-year average (17.5) and it is supported by the rise of its earnings 12-month forward at historic high. The MSCI world **value** has attractive P/E ratio of 13 times.

What has contributed to the rise of the european equity index and what could happen next?

In **Europe**, the Stoxx 600 index increased above the level of early January 2022, at a new historic high. It has been supported by the rise of its **12-month forward earnings estimate**, which is currently near the multi-year high of October 2023. Furthermore, the **P/E 12-month forward ratio of the european index is attractive** at 13.5 times versus 10-year average of 14.5 times. Another positive element is that **bond yields**, mainly in the Eurozone, are mild. The German 10-year yield is below its 200-average, which is positive for Eurozone stocks. The relatively low level of the **EUR/USD** (\$1.0850), which appears in range (\$1.0700-\$1.1000), enhances the attractiveness of the Eurozone economy. The Stoxx 600 Europe **ESG** index has one-year total return of almost 11% and P/E 12-month forward ratio attractive at 13.5 times.

Is the recent rise of the global equity index fundamentally supported? The S&P Global 1200 index increased at historic high. The rise of the global equity index is supported fundamentally by the increase of its profitability. The 12-month forward earnings estimate has risen at historic high. Furthermore, the P/E 12-month forward ratio of the

global equity index is not excessive. It is elevated at 17.5 times but less than the area of 20 times in 2021.

Among the top five global **sectors** in terms of total return year to date, have been the aggressive sectors of technology, consumer discretionary and financials. The technology sector is favored, as its earnings 12-month forward estimate is at historic high. The financial sector has mild P/E 12-month forward ratio of 12 times. The other two sectors are the defensive sector of healthcare and communications, which has blend characteristics. The defensive to blend characteristics have been positive for healthcare and communications, as investors are looking to couple aggressive exposures with hedges against a short-term correction.

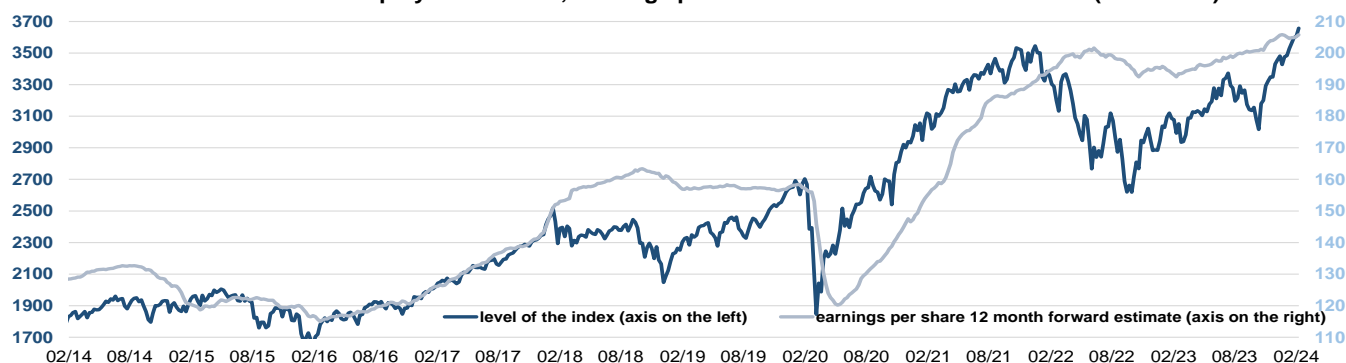
What about the Japanese market?

In **Japan**, the Nikkei index has risen at historic high. Despite that profit-taking is possible in the short term, the mid-term upwards trend may continue as the monetary policy is accommodative. Furthermore, the japanese 10-year bond yield is low, the earnings 12-month forward estimate is at historic high and JPY is weak, supporting exports.

Which are the recent developments in emerging markets? The MSCI **India** index has risen at historic high in parallel with its 12-month forward earnings estimate. Profit-taking may happen due to elevated P/E 12-month forward ratio, but the strength of the indian economy supports stocks. The upwards trend in **Greece** continues. The ASE index is at a high since 2011, while its P/E 12-month ratio is mild (8.5). A contrarian case can be China. The MSCI **China** index recovered by almost 10% in February.

The S&P Global 1200 equity index is at historic high, in line with the historic high of its estimated 12-month forward earnings.

S&P Global 1200 equity index: level, earnings per share 12-month forward estimate (2014-2024)













Source: Bloomberg

February 23, 2024

Global Markets Minesweeper

Event Risk Calendar, 26 February- 1 March 2023

		Monday 26/2				
Date Time	Country	Event	Period	Survey	Prior	
26/2 17:00	US	New Home Sales	Jan	684k	664k	
26/2 17:30	US	Dallas Fed Manf. Activity	Feb		-27.4	
		Tuesday 27/2				
Date Time	Country	Event	Period	Survey	Prior	
27/2 01:30	JN	Natl CPI (YoY)	Jan	1.90%	2.60%	
27/2 11:00	EC	M3 Money Supply (YoY)	Jan	0.40%	0.10%	
27/2 15:30	US	Durable Goods Orders (MoM)	Jan P	-4.50%	0.00%	
27/2 15:30	US	Durables Ex Transportation (MoM)	Jan P	0.30%	0.50%	
27/2 16:00	US	FHFA House Price Index (MoM)	Dec		0.30%	
27/2 16:00	US	S&P CS 20-City (YoY) NSA	Dec		5.40%	
27/2 17:00	US	Richmond Fed Manufact. Index	Feb		-15	
27/2 17:00	US	Conf. Board Consumer Confidence	Feb	114.8	114.8	
27/2 17:30	US	Dallas Fed Services Activity	Feb		-9.3	
Eco Event	US	Federal Reserve Vice Chair for Supervision Michael Barr speaks (16:05)				
Corp. Results	US	Lowe's, eBay				
		Wednesday 28/2				
Date Time	Country	Event	Period	Survey	Prior	
28/2 07:00	JN	Leading Index CI	Dec F	110	110	
28/2 07:00	JN	Coincident Index	Dec F	116.2	116.2	
28/2 12:00	EC	Consumer Confidence	Feb F	-15.5	-15.5	
28/2 12:00	EC	Economic Confidence	Feb	96.8	96.2	
28/2 15:30	US	GDP Annualized (QoQ)	4Q S	3.30%	3.30%	
28/2 15:30	US	Advance Goods Trade Balance	Jan	-\$88.1b	-\$87.9b	
28/2 15:30	US	Wholesale Inventories (MoM)	Jan P		0.40%	
Eco Event	US	Atlanta Fed President Raphael Bostic speaks (19:00)				
	US	Boston Fed President Susan Collins speaks (19:15)				
	US	New York Fed President John Williams speaks (19:45)				
Corp. Results	US	HP, Monster beverage				
		Thursday 29/2				
Date Time	Country	Event	Period	Survey	Prior	
29/2 01:50	JN	Retail Sales (YoY)	Jan	2.00%	2.30%	
29/2 01:50	JN	Industrial Production (YoY)	Jan P	-1.80%	-1.00%	
29/2 15:00	GE	CPI (YoY)	Feb P	2.60%	2.90%	

February 23, 2024

29/2 15:00	GE	CPI (MoM)	Feb P	0.40%	0.20%	🌟
29/2 15:30	US	Personal Income	Jan	0.50%	0.30%	
29/2 15:30	US	Personal Spending	Jan	0.20%	0.70%	
29/2 15:30	US	PCE Deflator (MoM)	Jan	0.30%	0.20%	🌟
29/2 15:30	US	PCE Deflator (YoY)	Jan	2.40%	2.60%	🌟
29/2 15:30	US	PCE Core Deflator (MoM)	Jan	0.40%	0.20%	🌟
29/2 15:30	US	PCE Core Deflator (YoY)	Jan	2.80%	2.90%	🌟
29/2 15:30	US	Initial Jobless Claims	24-Feb		201k	
29/2 16:45	US	MNI Chicago PMI	Feb		46	
29/2 17:00	US	Pending Home Sales (MoM)	Jan	1.00%	8.30%	
29/2 18:00	US	Kansas City Fed Manf. Activity	Feb		-9	
		Friday 1/3				
Date Time	Country	Event	Period	Survey	Prior	🌟
1/3 02:30	JN	Jibun Bank Japan PMI Mfg	Feb F		47.2	
1/3 03:30	CH	Manufacturing PMI	Feb	49.1	49.2	🌟
1/3 03:30	CH	Non-manufacturing PMI	Feb	50.8	50.7	🌟
1/3 03:45	CH	Caixin China PMI Mfg	Feb	50.7	50.8	🌟
1/3 10:55	GE	Germany Manufacturing PMI	Feb F	42.3	42.3	
1/3 11:00	EC	Eurozone Manufacturing PMI	Feb F	46.1	46.1	
1/3 11:30	UK	UK Manufacturing PMI	Feb F		47.1	
1/3 12:00	EC	CPI Estimate (YoY)	Feb	2.50%	2.80%	🌟
1/3 12:00	EC	CPI (MoM)	Feb P	-0.4	-0.40%	🌟
1/3 12:00	EC	CPI Core (YoY)	Feb P	3.00%	3.30%	🌟
1/3 12:00	EC	Unemployment Rate	Jan	6.40%	6.40%	
1/3 16:45	US	US Manufacturing PMI	Feb F	51.5	51.5	
1/3 17:00	US	U. of Mich. Sentiment	Feb F	79.6	79.6	
1/3 17:00	US	ISM Manufacturing	Feb	49.2	49.1	🌟
1/3 17:00	US	U. of Mich. 1 Yr Inflation	Feb F		3.00%	
1/3 17:00	US	U. of Mich. 5-10 Yr Inflation	Feb F		2.90%	

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.