

In the US, the S&P 500 index increased at historic high as its estimated earnings for the next twelve months are at historic high. Soft landing scenario still remains the most possible.

What the most recent macroeconomic releases in the US have shown?

In the **US**, the **consumer confidence** index (University of Michigan) increased in January at a high since July 2021, **signaling resilient economic activity**. The 1-year **inflation expectations index** **moderated** at almost three-year low, **signaling expectation for lower inflation pressures**.

According to the initial estimate, **GDP** has risen on annualized quarterly basis in the fourth quarter by 3.3% and on yearly basis by 3.1%. The average of yearly GDP growth in 2023 was 2.5%, equal to the 30-year average. **which signals continued economic growth**.

What are the conditions in the US government bond market?

The **US 10-year government bond yield** is currently higher than at the end of 2023, but milder compared to three months ago. **This highlights the expectation for lower economic growth and lower inflation, which will eventually translate into rate cuts by the Fed**.

While the recent upwards reaction of the US 10-year yield could continue towards the area of 4.3%, in the mid-term it appears more probable that will drop towards 3.7%-3.8%, as some leading indicators continue to signal lower growth.

What the most recent macroeconomic releases in the Eurozone have shown?

In the **Eurozone**, the manufacturing PMI increased in January at a high since March 2023, while the services PMI decreased slightly. Both are at levels, which signal contraction of the sectors.

The **ECB** maintained its rates stable, noting that monetary policy will remain restrictive until it is ensured that inflation will drop to around 2%. There was no signaling of when cutting rates will start.

The **German 10-year bond yield** is currently above where it ended 2023, but it is still mild compared to the level it was in October.

As **German bond yields** may have less room to drop compared to **US bond yields**, which are higher, it is possible that the **EUR/USD** may rise on average in the mid-term. Resistance is at the area of \$1.1050-\$1.1140, while support is at \$1.0770 - \$1.0720.

The week ahead

In the **US**, the **economic confidence** index (30/1) may have mildly risen in January.

The **Fed** meeting is on January 31. The Fed may keep its benchmark rate stable and will possibly not clarify when the rate cuts will start. It appears that the benchmark rate will remain stable for some time and then, probably at some point in the second quarter the Fed may start cutting the benchmark rate.

The ISM **manufacturing** index (1/2) may have slightly increased in January. The non-farm payrolls (2/2) are expected in January lower than in December but still above the historic average. The unemployment rate is expected stable at 3.7%.

In the **Eurozone**, GDP (30/1) may have slightly dropped (-0.1%) in the 4th quarter. The economic confidence index (30/1) will be released. The inflation estimate for January is expected (1/2) at 2.8%. In **Japan**, the industrial production (31/1) may have risen on monthly basis in December. In **China**, the manufacturing and services PMI will be released (31/1).

“Quote of the Week”

The President of the **ECB** said: “Consensus was that rate cut debate was premature”.

January 26, 2024

What have been the returns of main equity indexes in the last three months?

The S&P Global 1200 **equity** index has risen by 15.8% in the last three months, as its 12-month forward earnings estimate has increased at historic high, almost 7% higher than its bottom in February 2023.

In the **US**, the S&P 500 index has risen at historic high and its total return in the last three months stands at 17.4%. A correction cannot be excluded, as the P/E 12-month ratio of the S&P 500 index is at 20 times, the highest in almost two years. However, the rise of its 12-month forward **earnings** estimate at historic high almost 8% higher than its bottom in February 2023, supports the index in the mid-term. Almost eight out of ten companies that have reported quarterly results have exceeded estimates.

The Stoxx 600 **Europe** index is almost flat year to date, however it maintains positive three-month total return of 10.4%. The P/E 12-month forward ratio of the european index stands at almost 13 times, attractive compared to the 10-year average. The index is at a level lower (478) than the historic high of January 2022 (494) and has some room to rise if government bond yields remain mild. Its 12-month forward earnings estimate is near the historic high of October 2023.

In **Japan**, the Nikkei index increased at the highest since 1990, as the japanese 10-year yield is significantly lower (0.75%) than two months ago (1%). A correction cannot be excluded if the JPY strengthens. The MSCI **emerging** equity index has three-month total return of almost 8%. The emerging index has lagged vs the developed index which has risen by almost 16% in the last three months. The P/E

12-month ratio of the emerging index is relatively attractive at 11 times. The MSCI **India** index is near its recent historic high, as the earnings 12-month forward estimate of the indian index has risen at historic high.

The chinese market has significantly lagged. The MSCI **China** index declined by -32% in the period from January 27, 2023 until January 19, 2024. If geopolitical relations between US-China worsen and the chinese currency remains weak versus the USD, pressure on China may continue. As the most recent macroeconomics of China signaled some stabilization and the authorities may take measures of \$278 bn. to support markets, it cannot be excluded that the chinese market may recover. It's P/E 12-month forward ratio is mild (8.5 times).

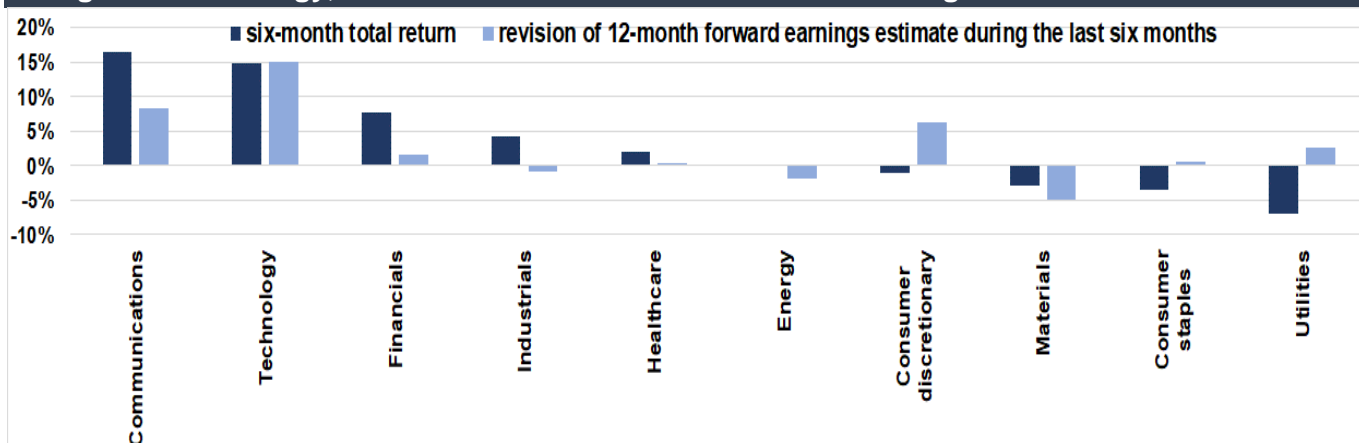
Which sectors have risen the most?

During the last six months, the S&P Global 1200 communications and the technology **sectors** have the highest total returns. The earnings 12-month forward estimate of the communications index increased at a high since October 2021 and the **earnings** 12-month forward estimate of the technology increased at historic high. The global financials have the third higher total return and quite attractive P/E 12-month forward ratio at 11.5 times.

The defensives have lagged in the last six months. Some exposure to defensives such as utilities can improve diversification, as during corrective intervals defensives can be resilient. The geopolitics remain uncertain, which can trigger corrections.

In commodities, the **oil** price has risen near its 200-day average, as geopolitics are tense.

The global technology, communications and financials have the highest six-month total returns.








Source: Bloomberg

January 26, 2024

Global Markets Minesweeper

Event Risk Calendar, 29 January - 2 February 2023

		Monday 29/1				
Date Time	Country	Event	Period	Survey	Prior	
29/1 16:30	US	Dallas Fed Manf. Activity	Jan		-9.3	
Eco Event	EC	ECB Vice President Luis de Guindos speaks (14:00)				
		Tuesday 30/1				
Date Time	Country	Event	Period	Survey	Prior	
30/1 11:00	GE	GDP SA (QoQ)	4Q P	-0.30%	-0.10%	
30/1 12:00	EC	Consumer Confidence	Jan F	-16.1	-16.1	
30/1 12:00	EC	Economic Confidence	Jan	96	96.4	
30/1 12:00	EC	GDP SA (QoQ)	4Q A	-0.10%	-0.10%	
30/1 12:00	EC	GDP SA (YoY)	4Q A	0.20%	0.00%	
30/1 16:00	US	S&P 20-City (MoM) SA	Nov		0.64%	
30/1 17:00	US	Conf. Board Consumer Confidence	Jan	112.5	110.7	
30/1 17:00	US	JOLTS Job Openings	Dec		8790k	
30/1 17:30	US	Dallas Fed Services Activity	Jan		-8.7	
Corp. Results	US	Alphabet, Microsoft, Pfizer, Starbucks, General Motors				
		Wednesday 31/1				
Date Time	Country	Event	Period	Survey	Prior	
31/1 01:50	JN	Retail Sales (YoY)	Dec	4.90%	5.40%	
31/1 01:50	JN	Industrial Production (YoY)	Dec P	0.10%	-1.40%	
31/1 03:30	CH	Manufacturing PMI	Jan	49.2	49	
31/1 03:30	CH	Non-manufacturing PMI	Jan	50.6	50.4	
31/1 15:00	GE	CPI (YoY)	Jan P	3.00%	3.70%	
31/1 15:00	GE	CPI (MoM)	Jan P	0.40%	0.10%	
31/1 15:15	US	ADP Employment Change	Jan	150k	164k	
31/1 16:45	US	MNI Chicago PMI	Jan	48.1	47.2	
31/1 21:00	US	FOMC Rate Decision (Up Bound)	31-Jan	5.50%	5.50%	
31/1 21:00	US	FOMC Rate Decision (L. Bound)	31-Jan	5.25%	5.25%	
Eco Event	US	Fed Chair holds press conference following FOMC meeting (21:30)				
Corp. Results	US	QUALCOMM, Mastercard, Boeing				
		Thursday 1/2				
Date Time	Country	Event	Period	Survey	Prior	
1/2 03:45	CH	Caixin China PMI Mfg	Jan	50.9	50.8	
1/2 10:55	GE	Germany Manufacturing PMI	Jan F	45.4	45.4	
1/2 11:00	EC	Eurozone Manufacturing PMI	Jan F	46.6	46.6	

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1/2 11:30	UK	UK Manufacturing PMI	Jan F	47.3	47.3	
1/2 12:00	EC	CPI Estimate (YoY)	Jan	2.80%	2.90%	🌟
1/2 12:00	EC	CPI (MoM)	Jan P	-0.30%	0.20%	🌟
1/2 12:00	EC	CPI Core (YoY)	Jan P	3.20%	3.40%	🌟
1/2 12:00	EC	Unemployment Rate	Dec	6.50%	6.40%	
1/2 14:00	UK	Bank of England Bank Rate	1-Feb	5.25%	5.25%	🌟
1/2 15:30	US	Initial Jobless Claims	27-Jan		214k	
1/2 16:45	US	US Manufacturing PMI	Jan F	50.3	50.3	
1/2 17:00	US	ISM Manufacturing	Jan	47.5	47.4	🌟
Corp. Results	US	Apple, Meta Platforms, Amazon, Merck				🌟
		Friday 2/2				
Date Time	Country	Event	Period	Survey	Prior	🌟
2/2 15:30	US	Change in Nonfarm Payrolls	Jan	185k	216k	🌟
2/2 15:30	US	Unemployment Rate	Jan	3.70%	3.70%	🌟
2/2 15:30	US	Average Hourly Earnings (MoM)	Jan	0.30%	0.40%	
2/2 15:30	US	Average Hourly Earnings (YoY)	Jan	4.10%	4.10%	
2/2 17:00	US	U. of Mich. Sentiment	Jan F	78.8	78.8	
2/2 17:00	US	U. of Mich. 1 Yr Inflation	Jan F		2.90%	
2/2 17:00	US	U. of Mich. 5-10 Yr Inflation	Jan F		2.80%	
2/2 17:00	US	Factory Orders (MoM)	Dec	0.50%	2.60%	
2/2 17:00	US	Durable Goods Orders (MoM)	Dec F	0.00%	0.00%	
Corp. Results	US	Exxon Mobil, Chevron, Bristol- Mayers Squibb				

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