

The US non-farm payrolls of February signaled that moderate growth continues. The S&P 500 equity index is near the historic high. A mild correction cannot be excluded, while the mid-term upwards trend may continue.

Why are the main equity markets supported in the mid-term and how to treat a potential short-term correction?

In the **US**, the S&P 500 **equity** index is around its recent historic high, in parallel with the rise of the earnings 12-month forward estimate at historic high. Additionally to the strong **profitability**, the **US macroeconomics are moderate**, supporting the equity market in the mid-term.

According to the Atlanta Fed, the annualized quarterly **GDP growth** in the first quarter is estimated at 2.3%, slightly below the 30-year average (2.5%), signaling **mild economic activity**.

The **inflation** increased in February at 3.2% from 3.1% in January. The **core inflation** dropped at 3.8% from 3.9%, however it was above the expected (3.7%).

Based on the developments mentioned above, the upwards trend of the **US** equity market is expected to continue in the mid-term. The main downside risk is related to geopolitics.

If geopolitics worsen and WTI crude oil price rises further, then inflation could be higher than expected and US government bond yields could surprise to the upside and stocks may correct. A correction cannot be excluded in the short term, as the one-year total return of the S&P 500 index is almost four times the historic average. **Adding equity exposure during a potential mild short-term correction will most probably have positive effect in the mid-term.**

The S&P **Global 1200** equity index has risen by 7% year to date. Most of this rise has come from valuation multiple expansion, namely the P/E 12-month forward ratio is currently at 18 times from 17 times at the end of 2023. While a mild short-term correction can happen due to rich valuations, the upwards mid-term trend of the index may continue as its 12-month forward earnings estimate is at historic high.

The aggressive **sector** of global technology has been supported by rising profitability and has the highest total return year to date. Mild correction for technology cannot be excluded. Rising profitability also supports the MSCI **growth** index, which has almost double total return year to date (9%) compared to the **value** index. Some exposure to value as a defensive hedge, can be useful in case of a correction. The MSCI value index has attractive P/E 12-month forward ratio (13.4 times).

The week ahead

In the **Eurozone**, trade balance (18/3) for January will be released.

The PMI manufacturing and services indexes will be released on March 21.

In **Germany**, the ZEW indices will be announced on March 19.

The Bank of Japan may conclude the negative rates policy at the meeting of March 19.

However, the overall policy stance of the Bank of Japan will most probably remain supportive for the economy.

Japanese exports (21/3) have probably increased on yearly basis in February. The PMI manufacturing index for March will be released on March 21.

In the **US**, the Fed will most probably keep its benchmark rate unchanged (20/3).

The Fed may decide to start rate cuts soon, as the pace of economic growth is decelerating and inflation drops. The leading economic index (21/3) may have dropped for the 24th month.

“Quote of the Week”

The member of the **ECB** (Kazimir) said that: “the ECB should not rush to cut rates before June”.

What do the most recent US macroeconomics signal for the government bond market?

The US non-farm payrolls increased on monthly basis in February by more (275,000) than the historic average (125,000). However, the year over year rise of the total level of employment in February 2024 versus in February 2023 was mildly below (1.8%) the historic average of 2%, signaling weaker growth.

Mild growth may translate into moderate government bond yields in the mid-term. However in the short term, the **US 10-year government bond yield** has risen at 4.28% from 4.25% at the end of February, after the recent inflation releases, which signaled that some inflation pressure is still evident.

What about Eurozone bond markets and equities?

The **German** 10-year yield is near the 200-day average (2.49%). The relatively attractive P/E 12-month forward of the Eurozone index (14 times) has supported the Stoxx 50 equity index, which increased at a high since late 2000.

The Stoxx 600 **Europe** index increased at historic high, as its earnings 12-month forward estimate is near multi-year high. A correction cannot be excluded in European equity markets, as the one-year total return of both the Eurozone 50 index (23%) and the Stoxx 600 Europe index (17%) are above the historic averages.

In **Japan**, the Nikkei index has increased at historic high in early March. Then, the Japanese index

retreated. A correction may happen after the significant increase of the previous time interval, especially if the Bank of Japan tightens its policy.

However, the Japanese index is supported in the mid-term as the economy is expected to exhibit mild growth, the earnings 12-month forward estimate is solid.

The MSCI **emerging** markets index recently increased at a high since July 2023. The earnings 12-month forward estimate of the emerging index has been recovering since October 2023.

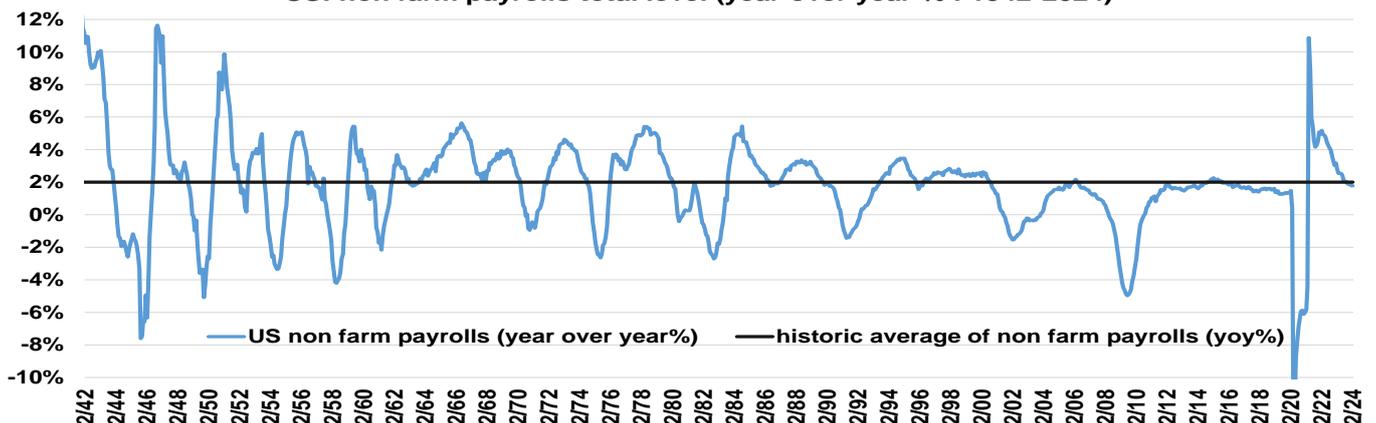
Its P/E 12-month forward ratio is mild at 12 times, which can support the index in the mid-term, if **US bond yields** are mild. If the generally risk-on sentiment continues, the emerging index may rise due to cheap valuations. Among upwards trending markets are **India** and **Greece**. In more detail, the MSCI **India** index has 12-month forward earnings estimate at historic high and its level has increased at historic high on March 7. A country, which is recovering, is China, supported by the expectation that policy stimulus will support its economy.

The MSCI **China** index has risen by 14% since January 22 and could continue recovering in the mid-term.

In **fx**, the **EUR/USD** is currently above the 200-day average. As US bond yields have probably more room to drop compared to German bond yields, the EUR/USD may move closer to the area of \$1.1050-\$1.1140 in the mid-term, while in the short term it is corrective with support at \$1.0700-\$1.0800.

The year over year rise of the total level of US non-farm payrolls was in February slightly below the historic average, signaling a mild slowdown of growth.

US: non farm payrolls total level (year over year % : 1942-2024)



March 15, 2024

Global Markets Minesweeper
Event Risk Calendar, 18 - 22 March 2024

Monday 18/3						
Date Time	Country	Event	Period	Survey	Prior	
18/3 12:00	EC	CPI (YoY)	Feb F	2.60%	2.60%	
18/3 12:00	EC	CPI (MoM)	Feb F	0.60%	0.60%	
18/3 12:00	EC	CPI Core (YoY)	Feb F	3.10%	3.10%	
18/3 12:00	EC	Trade Balance SA (EUR)	Jan		13.0b	
18/3 16:00	US	NAHB Housing Market Index	Mar	48	48	
Tuesday 19/3						
Date Time	Country	Event	Period	Survey	Prior	
19/3	JN	BOJ Policy Balance Rate	19-Mar	-0.10%	-0.10%	
19/3	JN	BOJ 10-Yr Yield Target	19-Mar	0.00%	0.00%	
19/3 12:00	GE	ZEW Survey Expectations	Mar	21	19.9	
19/3 12:00	GE	ZEW Survey Current Situation	Mar	21	-81.7	
19/3 12:00	EC	ZEW Survey Expectations	Mar		25	
19/3 14:30	US	Building Permits	Feb	1500k	1470k	
19/3 14:30	US	Housing Starts	Feb	1430k	1331k	
Wednesday 20/3						
Date Time	Country	Event	Period	Survey	Prior	
20/3 03:15	CH	5Y Loan Prime Rate	20-Mar	3.95%	3.95%	
20/3 03:15	CH	1Y Loan Prime Rate	20-Mar	3.45%	3.45%	
20/3 09:00	GE	PPI (MoM)	Feb	0.00%	0.20%	
20/3 09:00	UK	CPI (MoM)	Feb	0.70%	-0.60%	
20/3 09:00	UK	CPI (YoY)	Feb	3.50%	4.00%	
20/3 09:00	UK	CPI Core (YoY)	Feb	--	5.10%	
20/3 11:30	UK	House Price Index (YoY)	Jan	--	-1.40%	
20/3 17:00	EC	Consumer Confidence	Mar P	-15	-15.5	
20/3 20:00	US	FOMC Rate Decision (Up. Bound)	20-Mar	5.50%	5.50%	
20/3 20:00	US	FOMC Rate Decision (Low. Bound)	20-Mar	5.25%	5.25%	
Eco Event	EU	ECB's Lagarde speaks in Frankfurt (10:45)				
	US	Fed Chair Powell holds post-meeting press conference (20:30)				
		Vernal Equinox Day in Japan				
Thursday 21/3						
Date Time	Country	Event	Period	Survey	Prior	
21/3 01:50	JN	Trade Balance Adjusted	Feb	-¥850.3b	¥235.3b	
21/3 02:30	JN	Jibun Bank Japan PMI Mfg	Mar P		47.2	
21/3 02:30	JN	Jibun Bank Japan PMI Services	Mar P		52.9	
21/3 10:30	GE	Germany Manufacturing PMI	Mar P	43.8	42.5	

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21/3 10:30	GE	Germany Services PMI	Mar P	48.8	48.3	
21/3 10:30	GE	Germany Composite PMI	Mar P	47	46.3	
21/3 11:00	EC	Eurozone Manufacturing PMI	Mar P	47.2	46.5	🌟*
21/3 11:00	EC	Eurozone Services PMI	Mar P	50.5	50.2	
21/3 11:00	EC	ECB Current Account SA (EUR)	Jan		31.9b	
21/3 11:30	UK	UK Manufacturing PMI	Mar P	47.8	47.5	🌟*
21/3 11:30	UK	UK Services PMI	Mar P	54.2	53.8	
21/3 14:00	UK	Bank of England Bank Rate	21-Mar	5.25%	5.25%	🌟*
21/3 14:30	US	Current Account Balance	4Q	-\$209.5b	-\$200.3b	
21/3 14:30	US	Philadelphia Fed Bus. Outlook	Mar	-4	5.2	
21/3 14:30	US	Initial Jobless Claims	16-Mar		209k	
21/3 15:45	US	US Manufacturing PMI	Mar P	51.8	52.2	🌟*
21/3 15:45	US	US Services PMI	Mar P	52	52.3	
21/3 16:00	US	Leading Index (MoM)	Feb	-0.20%	-0.40%	🌟*
21/3 16:00	US	Existing Home Sales	Feb	3.92m	4.00m	
Eco Event	EU	ECB publishes Economic Bulletin (11:00)				
Corp. Results	EU	BMW, Porsche, Enel				
	US	NIKE, FedEx				
		Friday 22/3				
Date Time	Country	Event	Period	Survey	Prior	🌟*
22/3 01:30	JN	Natl CPI (YoY)	Feb	2.90%	2.20%	🌟*
22/3 01:30	JN	Natl CPI Ex Fresh Food (YoY)	Feb	2.80%	2.00%	
22/3 02:01	UK	GfK Consumer Confidence	Mar	-20	-21	
22/3 11:00	GE	IFO Business Climate	Mar	86	85.5	🌟*
22/3 11:00	GE	IFO Current Assessment	Mar		86.9	
22/3 11:00	GE	IFO Expectations	Mar		84.1	

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