

***The Stoxx 600 Europe increased at historic high, supported by the mild valuation multiples and by the relatively moderate government bond yields, mainly in the Eurozone. A short-term correction cannot be excluded.***

**The upwards trend of stocks has widened in terms of regions.  
What does this suggest?**

The main **developed equity** indexes have risen at historic high, supported by rising profitability. Furthermore, **economic activity** is resilient and **inflation** has decreased, which both are supportive for the mid-term trend of the main equity indexes.

In the **US**, the S&P 500 index is at historic high, almost 6% higher than the previous historic high of January 2022. The rise of the index has been in parallel with the rise of the earnings 12-month forward estimate at historic high. Its P/E 12-month forward ratio is elevated at 20.5 times, but less than in early January 2022, when it was at 21 times.

The MSCI **developed** index has also risen at historic high, along with the Nikkei index in **Japan**. Its earnings 12-month forward estimate is at multi-year high, the Japanese 10-year yield is mild, supporting the rise of the Japanese equity index. The supportive monetary policy continues, as the macroeconomic data have recently been weak.

The **broadening of the rise of the main equity markets**, which additionally to the US includes Europe and Japan currently suggests that the **mid-term upwards trend of the equity market is solid and can continue**. Aggressive investments such as technology and world growth can benefit by strong appetite for risk-taking.

However, this **broad rise of the main developed country indexes at historic highs, also carries the risk of a correction simultaneously** for all the main equity markets. This could hurt investors with concentrated positions in aggressive investments.

A way to hedge against a correction of all main equity markets at the same time, some defensive sectors can be used. The S&P Global 1200 **utilities** index has P/E 12-month forward ratio of 13.8 times, attractive compared to the 10-year average of 16 times. Furthermore, the MSCI world **value** index can be resilient during a correction as it has attractive P/E 12-month forward ratio of 13 and defensive characteristics.

Another way to hedge against a correction is the exposure to US and German **government bonds**. The US 10-year bond yield stands at 4.25% area, but it could moderate towards the area of late 2023 (3.7%-3.8%) as economic activity may weaken and inflation declined.

**The week ahead**

In the **US**, the ISM **services** index (5/3) may have mildly dropped, but still at an area, signaling expansion of the services sector.

Initial jobless claims are expected on March 7. The latest reading of the 4-week average of initial jobless claims signals resilient economic activity.

**Non-farm payrolls** are expected (8/3) mildly above the historic average, signaling that mild economic growth continues.

In the **Eurozone**, the ECB will probably maintain its policy rates unchanged on March 7. Rate cuts will start later in the year, to support economic activity.

According to the final reading, Eurozone GDP (8/3) may have remained stable on quarterly basis in the 4<sup>th</sup> quarter.

In **Japan**, the ECO Watchers index for February is expected on March 8. In **China**, the PMI services index (5/3) may have risen in February at expansion area.

**“Quote of the Week”**

The President of N. York **Fed** (Williams) said that:

“At some point it will be appropriate to pull-back the restrictive policy, possibly later in this year”.

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## Can the recent rise of the European equity index be sustained?

In **Europe**, the Stoxx 600 index has recently risen at historic high and its 12-month forward earnings estimate is near the multi-year high of October 2023.

The Stoxx 600 index has **mild P/E 12-month forward ratio** of 13.5 times almost at the 15-year average. The 12-month forward dividend yield is attractive at 3.5% above that of the world equity index (2.1%).

The mild P/E 12-month forward ratio and the high dividend yield can imply that the **upwards mid-term trend of the European equity index can continue**.

While economic activity in Europe has been weak, the profitability has been maintained around multi-year highs. The **German 10-year bond yield** is below its 200-day average, not hindering the upwards trend of Eurozone and European equity.

The **European sectors** with aggressive characteristics, such as technology, travel & leisure, autos and banks may maintain their strong trend. Technology is favoured as the earnings 12-month forward estimate has risen at multi-year high, travel & leisure has been supported by the recovery of the global tourism industry and the resilient consumer spending is favorable for autos. The autos sector has P/E 12-month forward ratio of 5 times. European banks have P/E 12-month forward ratio at 7 times and earnings 12-month forward estimate at a high since 2008.

A risk to the outlook for **European equities** is the likelihood that **oil** may rise due to geopolitics. However,

it is noted that at the current level of \$79/barrel, the year over year of oil is only mild at 2%, probably not hurting economic activity.

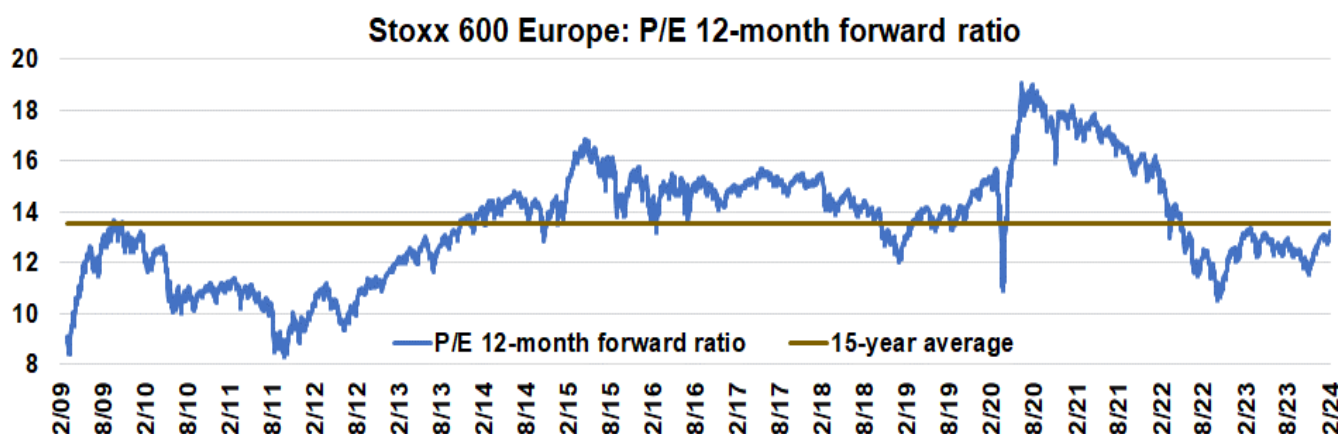
## What about emerging equity versus developed equity?

The one-year total return of the **emerging** equity index is 9% versus 25.5% of the **developed** equity. This large lag of the emerging index versus the developed in terms of total return, can be corrected somewhat and exposures to emerging equity can benefit. The MSCI **emerging** index has P/E 12-month forward ratio of 12 times almost at the 10-year average. It can be considered as attractive compared to the 18.5 times of the developed.

The MSCI **China** index recovered by almost 8.5% in February. It has attractive P/E 12-month forward ratio at 9 times, some PMI indexes indicate stabilization of activity and chinese authorities may take further policy support measures. The MSCI India is at historic high in line with the rise of its earnings 12-month estimate at historic high. The Asian index has risen year to date, while the L. America index is lower. If risk-on appetite continues L. America may recover as its P/E 12-month forward ratio is attractive at 9 times. In **Greece**, the ASE index has been supported by the rise of its 12-month forward earnings estimate at 13-year high.

In fx, the **EUR/USD** remains in range trading between \$1.0700-\$1.1000. As US bond yields may drop more than German yields in the mid-term, EUR/USD may on-average be closer to the area of \$1.1000.

**The Stoxx 600 Europe index has risen at historic high but its P/E 12-month forward ratio is relatively mild, supporting the upwards move of the index in the mid-term.**



Source: Bloomberg

Global Markets Minesweeper













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## Global Markets Minesweeper

## Event Risk Calendar, 4 - 8 March 2024

		<b>Monday 4/3</b>				
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	
4/3 01:50	JN	Monetary Base (YoY)	Feb		4.80%	
4/3 11:30	EC	Sentix Investor Confidence	Mar	-11	-12.9	
		<b>Tuesday 5/3</b>				
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	
5/3 01:30	JN	Tokyo CPI (YoY)	Feb	2.50%	1.80%	
5/3 01:30	JN	Tokyo CPI Ex-Food (YoY)	Feb	2.50%	1.80%	
5/3 02:30	JN	Jib. Bank Japan PMI Services	Feb F		52.5	
5/3 03:45	CH	Caixin China PMI Composite	Feb		52.5	
5/3 03:45	CH	Caixin China PMI Services	Feb	52.9	52.7	
5/3 10:55	GE	Germany Services PMI	Feb F	48.2	48.2	
5/3 10:55	GE	Germany Composite PMI	Feb F	46.1	46.1	
5/3 11:00	EC	Eurozone Services PMI	Feb F	50	50	
5/3 11:00	EC	Eurozone Composite PMI	Feb F		48.9	
5/3 11:30	UK	UK Services PMI	Feb F	54.3	54.3	
5/3 12:00	EC	PPI (MoM)	Jan		-0.80%	
5/3 12:00	EC	PPI (YoY)	Jan	-8.10%	-10.60%	
5/3 16:45	US	US Services PMI	Feb F	51.4	51.3	
5/3 16:45	US	US Composite PMI	Feb F		51.4	
5/3 17:00	US	Factory Orders (MoM)	Jan	-2.20%	0.20%	
5/3 17:00	US	ISM Services Index	Feb	52.9	53.4	
5/3 17:00	US	Durable Goods Orders (MoM)	Jan F		-6.10%	
<b>Corp. Results</b>	US	Target				
<b>Eco Event</b>	US	Federal Reserve Vice Chair for supervision speaks (19:00)				
		<b>Wednesday 6/3</b>				
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	
6/3 09:00	GE	Trade Balance SA (EUR)	Jan	21.0b	22.4b	
6/3 12:00	EC	Retail Sales (MoM)	Jan	0.00%	-1.10%	
6/3 12:00	EC	Retail Sales (YoY)	Jan	-1.40%	-0.80%	
6/3 15:15	US	ADP Employment Change	Feb	150k	107k	
6/3 17:00	US	JOLTS Job Openings	Jan		9026k	
6/3 17:00	US	Wholesale Inventories (MoM)	Jan F		-0.10%	
<b>Eco Event</b>	US	Fed Chairman Powell testifies before the House Committee (17:00)				
	US	San Francisco Fed President Mary Daly speaks (19:00)				
	US	Minneapolis Fed President Neel Kashkari speaks (23:15)				

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		Thursday 7/3				
Date Time	Country	Event	Period	Survey	Prior	
7/3 09:00	GE	Factory Orders (MoM)	Jan	-6.00%	8.90%	
7/3 14:30	US	Challenger Job Cuts (YoY)	Feb	--	-20.00%	
7/3 15:15	EC	ECB Main Refinancing Rate	7-Mar	4.50%	4.50%	
7/3 15:15	EC	ECB Marginal Lending Facility	7-Mar	4.75%	4.75%	
7/3 15:15	EC	ECB Deposit Facility Rate	7-Mar	4.00%	4.00%	
7/3 15:30	US	Trade Balance	Jan	-\$62.5b	-\$62.2b	
7/3 15:30	US	Initial Jobless Claims	2-Mar	--	215k	
Eco Event	EC	ECB President Christine Lagarde holds press conference (15:45)				
	US	Federal Reserve Powell testifies before Senate Bank Committee (17:00)				
	US	Cleveland Fed President Loretta Mester speaks (18:30)				
	US	Federal Reserve releases Beige Book (21:00)				
		Friday 8/3				
Date Time	Country	Event	Period	Survey	Prior	
8/3 01:50	JN	Trade Balance BoP Basis	Jan	-¥1504.4b	¥115.5b	
8/3 07:00	JN	Leading Index CI	Jan P	109.7	110.2	
8/3 07:00	JN	Coincident Index	Jan P	110.2	115.9	
8/3 09:00	GE	PPI (YoY)	Jan	-6.60%	-8.60%	
8/3 12:00	EC	GDP SA (QoQ)	4Q F	0.00%	0.00%	
8/3 12:00	EC	GDP SA (YoY)	4Q F	0.10%	0.10%	
8/3 15:30	US	Change in Nonfarm Payrolls	Feb	190k	353k	
8/3 15:30	US	Change in Private Payrolls	Feb	150k	317k	
8/3 15:30	US	Change in Manufact. Payrolls	Feb	10k	23k	
8/3 15:30	US	Unemployment Rate	Feb	3.70%	3.70%	
8/3 15:30	US	Average Hour. Earnings (MoM)	Feb	0.30%	0.60%	
8/3 15:30	US	Average Hourly Earnings (YoY)	Feb		4.50%	

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