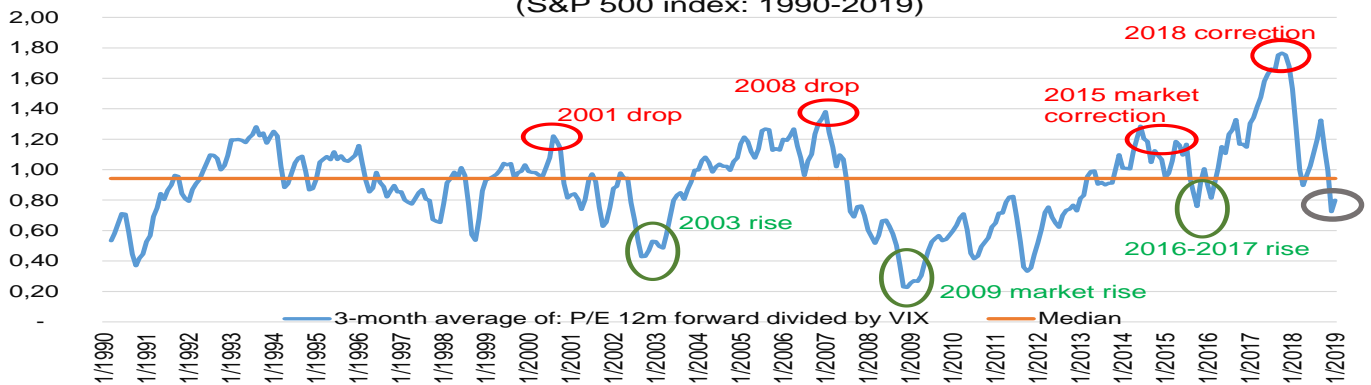


**In the current week**, risk sentiment was mixed. **US** employment figures for January announced at the end of the last week (1/2) were strong. In contrast, **Eurozone** Sentix investor confidence index for February (4/2) and **UK** PMI services index for January (5/2) were weak. Government bond yields remain at low level as main Central Banks are relatively accommodative. **US** President made the annual speech in Congress (State of the Union address). He referred to border security and building a wall in the border with Mexico. Furthermore, he said that US-China trade deal negotiations are continuing and that the US is withdrawing from the 1987 nuclear treaty (INF), accusing Russia for violations. However, he mentioned that the US would like to negotiate a new nuclear deal with Russia and China. The S&P 500 index posted two-month high (5/2: 2,739) around the level of the 200-day average (2,740).

The P/E 12-month forward ratio of the S&P 500 index dropped at 14.5 at the end of December 2018, while the VIX index (options implied volatility %) was elevated at 25.4. The ratio of the two was at a low (0.57) since August 2015. After the recovery of the S&P 500 index and the drop of VIX in January, the ratio of the two increased to 0.95 (31/1). However, the 3-month average of this ratio was at the end of January at 0.8 versus median of 0.94 (1990-2019). In the cases that the 3-month average mentioned above has been below its median, the S&P 500 index tended to have higher median 3-month ahead and 12-month ahead price returns versus in the opposite cases. When the S&P 500 index is relatively cheaper (P/E 12-month forward: lower) and market environment is "fearful" (VIX higher), returns ahead may be higher (on median) versus when S&P 500 index is relatively more expensive (P/E 12-month ratio: higher/"greedy" conditions) and market environment is complacent (VIX: lower).

3-month average of: P/E 12m forward divided by VIX  
 (S&P 500 index: 1990-2019)



**If P/E 12-month forward divided by VIX is below its median:  
 then the median 3-month ahead price return of S&P 500 index tends to be higher by 2.1% versus the opposite case.  
 The median 12-month ahead price return of S&P 500 index may be higher by 4.2% versus the opposite case.**

Source: Bloomberg

The above is supportive for equity exposure (focus in the US) in balanced portfolios with mid-term horizon, but not for trading purposes. Short term trading currently faces many obstacles, including uncertainties around US-China trade deal (current deadline: 1/3, US-China Presidents meeting in doubt), uncertainty around building a wall in the border with Mexico (Congress deal? or National emergency/new partial government shutdown: deadline 15/2) and Brexit (current deadline: 29/3).

**The week ahead:**

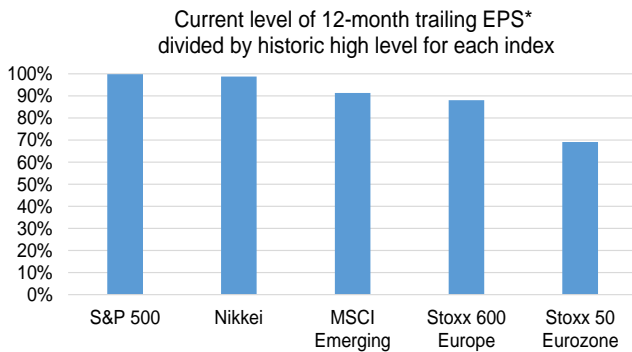
**US** inflation figures for January will be announced on February 13 and industrial production on February 15. **Eurozone** industrial production for December is expected on February 13 and 4<sup>th</sup> quarter GDP on February 14. UK Parliament may debate and vote again (14/2) on alternatives to Brexit deal. According to the press, UK has asked the EU for a time-limit to the backstop agreement, while the EU rejected that. **It cannot be excluded that some profit-taking may happen in the short term, if one of the existing risks materialises into negative outcome. Remaining uncertainties have pushed government bond yields at relatively low level. Low government bond yields are supporting the relative attractiveness of main equity indices for the mid-long term horizon.**

**Quote of the Week:**

**US President referred to border security at the annual State of the Union speech (5/2).  
 Regarding the wall in Mexico he said: "I will get it built".**

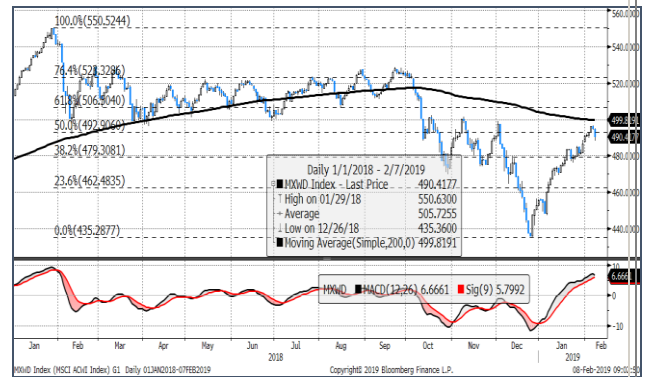
Global Markets in Charts

- The earnings per share 12-month trailing of the S&P 500 index is at the historic high and that of the Nikkei at the 99% of its historic high. The corresponding figure for the MSCI emerging markets index is currently at 91% of its historic high, for the Stoxx 600 Europe is at 88% and for the Stoxx 50 Eurozone is at 69% of its historic high. The EPS of the MSCI all countries **world** may have risen by almost 4% yearly in 2019, however this has been revised lower (expected at the start of 2019: 7%). Since the start of 2019, negative revisions of expectations for EPS are widespread in major markets, but the level of EPS is already high, mainly in the US (followed by Japan, emerging markets index).

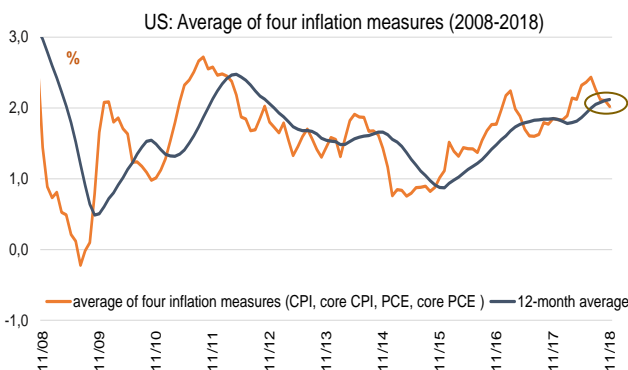


\*12-month Earnings per share (diluted) from continuing operations.

- The MSCI All countries **world** index has risen at a two-month high (6/2/19: 496,5) as strong profitability and low government bond yields have recently supported the equity asset class. Resistance is at 500 (200-day average), at 523 (Fibonacci retracement 76.4%: 551-436), at 530 (27/2/18 high) and at 551 (historic high of 29/1/18). Support is at 475 area (17/1/19 low) and 447 (4/1/19 low).

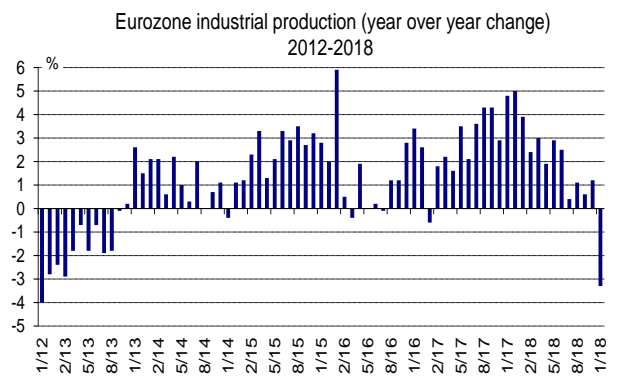


- In the **US**, headline inflation (13/2) may have dropped in January at a low (1.5%) since September 2016 and the core inflation has likely declined at 2.1% from 2.2% in December 2018. The average of four inflation measures (headline, core inflation and headline, core PCE) has already dropped (11/18: 2%) below 12-month average: 2.1%). Mild inflation provides the justification for unchanged Fed rate at the meeting of March.












Source: Bloomberg

- In the **Eurozone**, industrial production for December will be released on February 13. The yearly change of industrial production in November was the worst (-3.3%) in six years. German industrial production dropped on yearly basis in December for the fourth in the last five months. German 10-year government bond yield posted low (8/2: 0.10%) since November 2016. European Commission revised its forecast for Eurozone growth at 1.3% from 1.9% previously.



**Global Markets Minesweeper**
**Event Risk Calendar, 11 - 15 February, 2019**

Monday 11/2						
Date Time	Country	Event	Period	Survey	Prior	
11/2 09:30	SZ	CPI (YoY)	Jan	0.50%	0.70%	
11/2 11:30	UK	GDP (QoQ)	4Q P	0.30%	0.60%	
11/2 11:30	UK	GDP (YoY)	4Q P	1.40%	1.50%	
11/2 11:30	UK	Trade Balance	Dec	-£3000m	-£2904m	
11/2 11:30	UK	Industrial Production (MoM)	Dec	0.30%	-0.40%	
Tuesday 12/2						
Date Time	Country	Event	Period	Survey	Prior	
12/2 01:50	JN	Money Stock M3 (YoY)	Jan	2.10%	2.10%	
12/2 06:30	JN	Tertiary Industry Index (MoM)	Dec	-0.10%	-0.30%	
12/2 13:00	US	NFIB Small Business Optimism	Jan	103	104.4	
<b>Eco Event</b>	US	Fed Chairman Jerome Powell speaks (19:45)				
<b>Corp. Results</b>		EC: Kering , thyssenkrupp, JN: Nissan Motor, US: Occidental Petroleum				
Wednesday 13/2						
Date Time	Country	Event	Period	Survey	Prior	
13/2 01:50	JN	PPI (YoY)	Jan	1.00%	1.50%	
13/2 11:30	UK	CPI (YoY)	Jan	2.00%	2.10%	
13/2 11:30	UK	RPI Ex Mort Int.Payments (YoY)	Jan	2.70%	2.70%	
13/2 11:30	UK	PPI Output NSA (YoY)	Jan	2.10%	2.50%	
13/2 12:00	EC	Industrial Production SA (MoM)	Dec	-0.20%	-1.70%	
13/2 12:00	EC	Industrial Production WDA (YoY)	Dec	-2.70%	-3.30%	
13/2 15:30	US	CPI (YoY)	Jan	1.50%	1.90%	
13/2 15:30	US	CPI Ex Food and Energy (YoY)	Jan	2.10%	2.20%	
13/2 21:00	US	Monthly Budget Statement	Dec	-\$10.5b	-\$204.9b	
<b>Eco Event</b>	US	Cleveland Fed President L. Mester speaks on Economic Outlook (15:50)				
<b>Corp. Results</b>		EC: Amundi, Heineken, ABN AMRO, US: Cisco Systems, AIG				
Thursday 14/2						
Date Time	Country	Event	Period	Survey	Prior	
14/2	CH	Trade Balance	Jan	\$32.00b	\$57.06b	
14/2 01:50	JN	GDP SA (QoQ)	4Q P	0.40%	-0.60%	
14/2 01:50	JN	GDP Annualized SA (QoQ)	4Q P	1.40%	-2.50%	
14/2 02:01	UK	RICS House Price Balance	Jan	-20%	-19%	

February 8, 2019

14/2 09:00	GE	GDP SA (QoQ)	4Q P	0.20%	-0.20%	🌩️
14/2 09:00	GE	GDP WDA (YoY)	4Q P	0.80%	1.10%	
14/2 12:00	EC	GDP SA (QoQ)	4Q P	0.20%	0.20%	🌩️
14/2 12:00	EC	GDP SA (YoY)	4Q P	1.20%	1.20%	
14/2 15:30	US	PPI Final Demand (YoY)	Jan	2.30%	2.50%	
14/2 15:30	US	Initial Jobless Claims	9-Feb	--	234k	
14/2 15:30	US	Retail Sales Advance (MoM)	Dec	0.10%	0.20%	🌩️
14/2 15:30	US	Retail Sales Ex Auto (MoM)	Dec	0.00%	0.20%	
<b>Eco Event</b>	UK	The U.K. Parliament votes on alternatives to Prime Minister Theresa May's Brexit deal				🌩️
<b>Corp. Results</b>		EC: Commerzbank, Airbus, Credit Agricole, NN, Credit Suisse, Nestle, Renault, AstraZeneca, Vivendi, US: Coca-Cola, Duke Energy, Applied Materials, NVIDIA				
		<b>Friday 15/2</b>				
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	🌩️
15/2 03:30	CH	CPI (YoY)	Jan	--	1.90%	
15/2 06:30	JN	Industrial Production (YoY)	Dec F	--	-1.90%	
15/2 11:30	UK	Retail Sales Inc Auto Fuel (MoM)	Jan	0.00%	-0.90%	🌩️
15/2 11:30	UK	Retail Sales Inc Auto Fuel (YoY)	Jan	3.20%	3.00%	
15/2 12:00	EC	Trade Balance SA	Dec	--	15.1b	
15/2 15:30	US	Empire Manufacturing	Feb	7.5	3.9	
15/2 15:30	US	Import Price Index (MoM)	Jan	-0.20%	-1.00%	
15/2 16:15	US	Industrial Production (MoM)	Jan	0.10%	0.30%	🌩️
15/2 17:00	US	U. of Mich. Sentiment	Feb P	94	91.2	🌩️
15/2 23:00	US	Net Long-term TIC Flows	Dec	--	\$37.6b	
<b>Eco Event</b>	US	US government may partially shutdown again, If no deal is reached				🌩️
<b>Corp. Results</b>		EC:Allianz, Eni, RBS, US: Kraft Heinz, Moody's, PepsiCo, Deere & Co				

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