ALPHA BANK

Global Markets Minesweeper

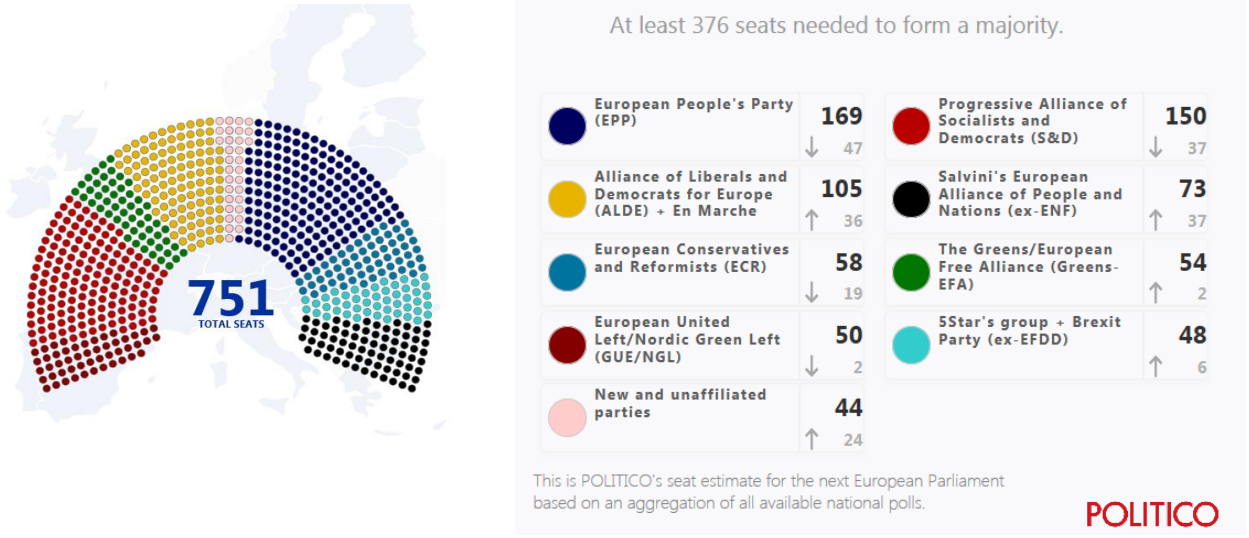
May 24, 2019

Global Markets Analysis
INVESTMENT PORTFOLIOS
MANAGEMENT DIVISION

In the current week, pending issues remained unresolved. US-China negotiations seem to have stalled. Regarding Brexit, the proposal of Prime Minister to vote in favour for the withdrawal plan, as a pre-condition for another parliamentary vote on whether a second Brexit referendum will happen, seems not to have the support of the majority. U.K.'s Prime Minister T. May announced that she will resign as leader of the conservative and unionist party on June 7. Uncertainties have pushed government bond yields to the downside. German 10-year yield remains at negative territory, close to recent $2^{1}/_{2}$ years low of -0.132% and US 10-year government bond yield hit the lowest level (23/5: 2.29%) since October 2017. The OECD downgraded its forecast for global economic growth at 3.2% for 2019 versus 3.3% previously.

European parliament elections are being held between 23 and 26 May. According to the latest polls, the result is likely to be a more fragmented European parliament. The two long dominant center-left and center-right blocs will probably be unable to form a coalition by themselves and a strengthen Eurosceptic and nationalist minority is expected to emerge. The result could have important political ramifications in some countries and it is crucial for the future of the European Union. Moreover, the result of European parliament elections may affect the market's sentiment.

Projection of the next EU Parliament
(Pro EU: 473 seats, Euroskeptic: 251 seats, Unclear: 27 seats)



The week ahead:

Eurozone economic confidence and **US** consumer confidence for May (28/5) will be the main economic announcements of the following week. The revised figure for US GDP (30/5) is expected strong at 3.1% on annualized quarterly basis (initial estimate: 3.2%). China official PMI manufacturing index for May will be released in the week ahead (31/5).

Moderate equity exposure combined with bonds/alternatives mix remains appropriate, as this could provide returns in the mid-term without excessive risk. In the short term, the mix of pending issues (US-China dispute, US-Iran uncertainty, Brexit) could bring substantial volatility spikes, with uncertain direction.

Quote of the Week:

US President D. Trump said (23/5): "It's possible that Huawei even could be included in some kind of a trade deal… Huawei is something that is very dangerous. You look at what they have done from a security standpoint, from a military standpoint, it's very dangerous".

Global Markets in Charts

Oil price is on track for the biggest weekly drop (WTI around 7%) since December 2018, mainly due to escalating trade concerns and rising US oil inventories.

Crude oil (WTI) fell on May 23 to a low ($57.33/barrel) since mid-March. The WTI is trading below its 200 DMA ($60.40/barrel) for the first time during the last three months, mainly due to US-China trade conflict, upwards move in US dollar and increasing US inventories. Support levels are found at $57.30/barrel (38.2% Fibonacci retracement: $42.36 - $66.6) and at the area of $55/barrel (lows 25-26/2 and 8/3). Middle east tensions and expectations that OPEC countries will extend their production cuts beyond June provide some support.

EUR/USD dropped at a low (23/5: $1.1107) since May 2017, mainly due to deteriorating economic data in Eurozone.

Support for the euro is placed at the area of $1.1100 (19/5/17 low) and at the area of $1.0900 (11/5/17 low and 76.4% Fibonacci retracement: $1.0341 - $1.255). Resistance is at $1.1260 (1/5/19 high), at $1.1330 (12/4/19 high) and at the area of $.1400-$1.1450 (200 days average and 20/3/19 high). EU elections results is expected to determine the short-term outlook for the euro.

** Source: Bloomberg*

Global Markets Minesweeper						
Event Risk Calendar, 27 - 31 May, 2019						
		Monday 27/5				
Date Time	**Country**	**Event**	**Period**	**Survey**	**Prior**	
27/5 04:30	CH	Industrial Profits (YoY)	Apr	--	13.90%	
27/5 08:00	JN	Leading Index CI	Mar F	--	96.3	
27/5 08:00	JN	Coincident Index	Mar F	--	99.6	
US Markets closed (Memorial Day), UK marktes closed (Spring Bank Holiday)						
		Tuesday 28/5				
Date Time	**Country**	**Event**	**Period**	**Survey**	**Prior**	
28/5 02:50	JN	PPI Services (YoY)	Apr	1.10%	1.10%	
28/5 08:45	SZ	GDP (YoY)	1Q	1.00%	1.40%	
28/5 09:00	GE	Import Price Index (MoM)	Apr	0.50%	0.00%	
28/5 09:00	GE	Import Price Index (YoY)	Apr	1.60%	1.70%	
28/5 09:00	GE	GfK Consumer Confidence	Jun	10.4	10.4	
28/5 11:00	EC	M3 Money Supply (YoY)	Apr	4.30%	4.50%	
28/5 12:00	EC	Economic Confidence	May	103.8	104	
28/5 12:00	EC	Consumer Confidence	May F	-6.5	-6.5	
28/5 16:00	US	House Price Purchase Index (QoQ)	1Q	--	1.10%	
28/5 16:00	US	FHFA House Price Index (MoM)	Mar	--	0.30%	
28/5 16:00	US	S&P CoreLogic CS 20-City (MoM) SA	Mar	0.60%	0.20%	
28/5 17:00	US	Conf. Board Consumer Confidence	May	130.5	129.2	
28/5 17:30	US	Dallas Fed Manf. Activity	May	7	2	
Eco Event	EC	EU leaders gather in Brussels to discuss candidates who could run the European Commission, the ECB and the European Council				
		Wednesday 29/5				
Date Time	**Country**	**Event**	**Period**	**Survey**	**Prior**	
29/5 02:01	UK	BRC Shop Price Index (YoY)	May	--	0.40%	
29/5 09:45	FR	Consumer Spending (YoY)	Apr	0.60%	-1.90%	
29/5 09:45	FR	CPI (YoY)	May P	1.10%	1.30%	
29/5 09:45	FR	GDP (YoY)	1Q F	1.10%	1.10%	
29/5 17:00	US	Richmond Fed Manufact. Index	May	7	3	
Eco Event	JN	BoJ Governor Kuroda and former ECB chief Trichet speak at an event in Tokyo				
	EC	ECB Vice President Guindos presents the semi-annual financial stability review				
		Thursday 30/5				
Date Time	**Country**	**Event**	**Period**	**Survey**	**Prior**	

30/5 10:00	SP	CPI EU Harmonised (YoY)	May P	1.20%	1.60%	
30/5 15:30	US	GDP Annualized (QoQ)	1Q S	3.10%	3.20%	
30/5 15:30	US	Initial Jobless Claims	25-May	--	211k	
30/5 15:30	US	Advance Goods Trade Balance	Apr	-$72.5b	-$71.4b	
30/5 15:30	US	Retail Inventories (MoM)	Apr	--	-0.30%	
30/5 17:00	US	Pending Home Sales (MoM)	Apr	1.00%	3.80%	
Eco Event	US	Fed Vice Chairman Clarida speaks to the Economic Club of New York (19:00)				
Corp. Results		US: Dollar General, Costco Wholesale				
		Friday 31/5				
Date Time	**Country**	**Event**	**Period**	**Survey**	**Prior**	
31/5 02:01	UK	GfK Consumer Confidence	May	-13	-13	
31/5 02:30	JN	Jobless Rate	Apr	2.40%	2.50%	
31/5 02:30	JN	Tokyo CPI Ex-Fresh Food (YoY)	May	1.20%	1.30%	
31/5 02:50	JN	Industrial Production (MoM)	Apr P	0.20%	-0.60%	
31/5 02:50	JN	Retail Sales (MoM)	Apr	0.60%	0.20%	
31/5 04:00	CH	Manufacturing PMI	May	49.9	50.1	
31/5 04:00	CH	Non-manufacturing PMI	May	54.3	54.3	
31/5 08:00	JN	Housing Starts (YoY)	Apr	-0.80%	10.00%	
31/5 09:00	GE	Retail Sales (MoM)	Apr	0.10%	0.00%	
31/5 09:00	GE	Retail Sales NSA (YoY)	Apr	1.30%	-2.10%	
31/5 11:00	IT	GDP WDA (QoQ)	1Q F	0.20%	0.20%	
31/5 12:00	IT	CPI EU Harmonized (YoY)	May P	1.00%	1.10%	
31/5 15:00	GE	CPI (YoY)	May P	1.60%	2.00%	
31/5 15:30	US	Personal Income	Apr	0.30%	0.10%	
31/5 15:30	US	PCE Core Deflator (YoY)	Apr	1.60%	1.60%	
31/5 16:45	US	MNI Chicago PMI	May	54	52.6	
31/5 17:00	US	U. of Mich. Sentiment	May F	101.5	102.4	

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