

In the current week, the focus was on the trade talks between the **US** and **China**. US said that China committed to buy more agricultural, energy and manufactured products from the US. China said that the trade talks were extensive, in-depth and detailed and laid the foundation for a resolution of the conflict. USD/CNY dropped at a low (11/1: 6.736) since July 2018. The Chairman of the Fed noted that the Central Bank will re-examine the economic figures in the period ahead, before deciding further potential adjustments of monetary policy. US government partial shutdown continues for the third week. EUR/USD posted high (10/1: \$1.1570) since October 2018. US 10-year government bond yield (2.70%) and German 10-year government bond yield (0.24%) remain at low levels. The MSCI All Countries world index has risen for five consecutive days, but remains below (10/1: 473.2) the 200 days average (503). Valuation appears as reasonable. The P/E 12-month forward of the MSCI All countries **world** index is at 13.5 times versus 10-year average of 13.8 times. The **S&P 500** index has P/E 12-month forward at 15.1 times vs 10-year average of 14.8 times (20-year average: 16 times). However, market sentiment remains fragile.

S&P 500 index: Technical picture is currently a puzzle:

Weekly prices chart since 2009, suggests upwards long term trend line still holds.

Daily chart since 2015, suggests that the previously support area of 2,500-2,670, now turned into resistance, risking mid-term downtrend.



Source: Bloomberg

Improved risk sentiment supported the rise of crude oil to almost one month high (11/1: \$53.3/barrel). On the economic data front, **Eurozone** Sentix investor confidence index dropped in January to a low (-1.5) since December 2014. US ISM non-manufacturing index declined in December at a low (57.6) since July, but remains at expansion level and above historic average (54.6).

The week ahead:

Eurozone industrial production (14/1) may have declined in November both on monthly and yearly basis. In the **UK**, a vote about the UK-E.U. withdrawal deal will likely be held on January 15. **US** housing figures for December will be announced on January 17. The President of N. York Fed (J. Williams) will speak about economic outlook on January 18. Citigroup (14/1), JPMorgan, Wells Fargo (15/1), BlackRock, Goldman Sachs, Bank of America (16/1) Morgan Stanley, Netflix (17/1) will report economic results for the 4th quarter. The EPS of the S&P 500 index may have risen in the fourth quarter by around 15% on a yearly basis. In **China**, trade balance figures for December are expected on January 14.

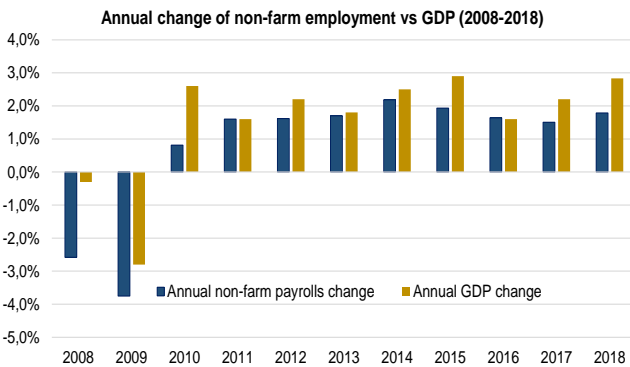
Some progress on **US-China** trade talks, supportive wording by Federal Reserve officials and strong **US** employment figures have contributed to modest improvement of market sentiment in the last few days. Fragility of sentiment remains, especially due to heavy news flow, currently focused around the pending issue of **US** partial government shutdown. Low government bond yields are attributed to hesitance by main Central Banks to restrict monetary policy, as the turbulence in markets in Q4 2018 may have some impact on economic figures.

Quote of the Week:

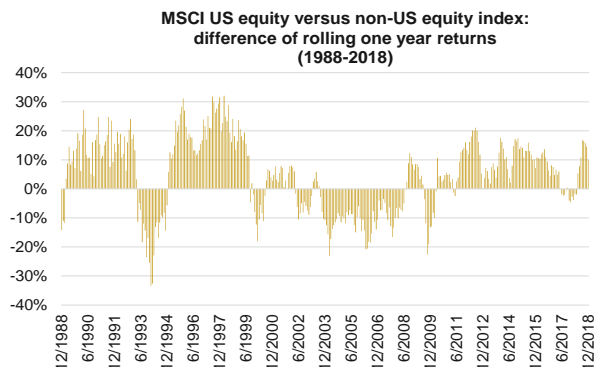
In televised speech (8/1), US President asked for \$5.7 bn. funding, in order to build a steel barrier wall in the border with Mexico, claiming that, at the southern border, there is a "growing humanitarian and security crisis".

Global Markets in Charts

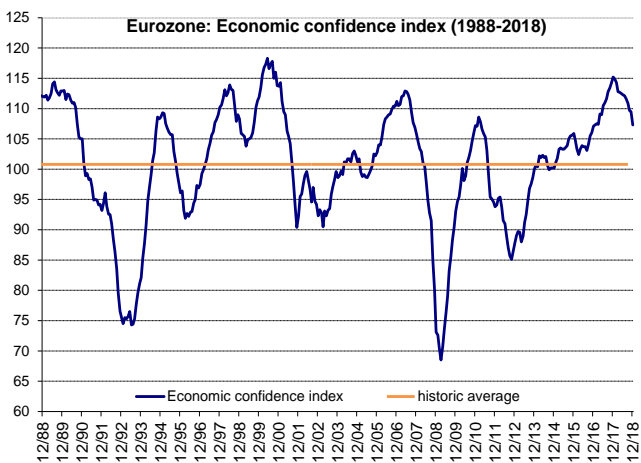
- In the **US**, non-farm payrolls posted in December the highest monthly rise (312,000) since February 2018. The total level of payrolls increased on a yearly basis in 2018 by 1.8%, the most since 2015. This coincides with annual GDP growth in 2018 around that of 2015 (2.9%). The median expectation for 2019 (Bloomberg index of estimates) is for average rise of 157,130 per month, which in total would be translated into yearly increase of around 1.2%, same as the average annual rise of payrolls in the last 30 years (average GDP growth in the last 30 years: 2.5%).



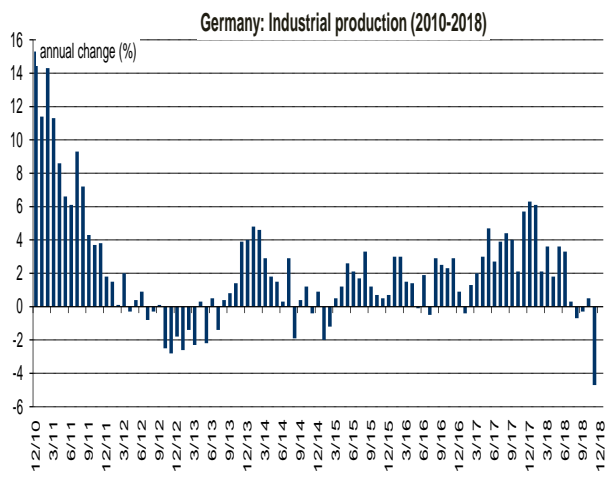
- In the last 30 years, the rolling one year price return of the MSCI **US** index has been higher versus MSCI All Countries **excluding US**, in the 65% of the cases. In December 2018, the MSCI US index has yearly price return -6.3% vs -16.4% of the MSCI All countries excluding US, this was the 8th consecutive month of yearly overperformance of US vs non-US index. In the last 30 years, the median consecutive overperformance of US vs non-US has been 12 months, while the opposite (35% of cases) has been 8 months.



- Eurozone** economic confidence index (8/1) dropped in December at a low (107.3) since January 2017, indicating slowing economic growth. The member of the ECB (F. Villeroy) said (11/1) that the ECB should wait until spring, before giving further indication for its future monetary policy. He added that the ECB should keep all options open due to economic weakness and uncertainty.










- German** industrial production posted in November the worst monthly change (-1.9%, expected: 0.3%) since July and the worst yearly drop of 4.7% since December 2009, adding to indications for slowing economic growth in the Eurozone.









Source: Bloomberg

Global Markets Minesweeper
Event Risk Calendar, 14 - 18 January, 2019

Monday 14/1						
Date Time	Country	Event	Period	Survey	Prior	
14/1	CH	Trade Balance	Dec	\$51.60b	\$44.71b	
14/1 12:00	EC	Industrial Production SA (MoM)	Nov	-1.20%	0.20%	
Corp. Results	US	Citigroup				
Tuesday 15/1						
Date Time	Country	Event	Period	Survey	Prior	
15/1 01:50	JN	Money Stock M3 (YoY)	Dec	2.10%	2.10%	
15/1 08:00	JN	Machine Tool Orders (YoY)	Dec P	--	-17.00%	
15/1 11:00	GE	GDP NSA (YoY)	2018	1.50%	2.20%	
15/1 12:00	EC	Trade Balance SA	Nov	--	12.5b	
15/1 15:30	US	Empire Manufacturing	Jan	11.5	10.9	
15/1 15:30	US	PPI Final Demand (YoY)	Dec	2.50%	2.50%	
15/1 15:30	US	PPI Ex Food and Energy (YoY)	Dec	3.00%	2.70%	
Eco Event	UK	U.K. House of Commons to vote on Brexit withdrawal agreement				
	EC	ECB President Draghi addresses the European Parliament (17:00)				
	US	Minneapolis Fed President Kashkari speaks (18:30)				
Corp. Results	US	UnitedHealth Group, JPMorgan Chase & Co, Delta Air Lines, Wells Fargo				
Wednesday 16/1						
Date Time	Country	Event	Period	Survey	Prior	
16/1 01:50	JN	Core Machine Orders (MoM)	Nov	3.00%	7.60%	
16/1 01:50	JN	PPI (YoY)	Dec	1.80%	2.30%	
16/1 01:50	JN	PPI (MoM)	Dec	-0.30%	-0.30%	
16/1 06:30	JN	Tertiary Industry Index (MoM)	Nov	-0.50%	1.90%	
16/1 09:00	GE	CPI EU Harmonized (YoY)	Dec F	1.70%	1.70%	
16/1 11:30	UK	CPIH (YoY)	Dec	2.10%	2.20%	
16/1 11:30	UK	CPI (YoY)	Dec	2.20%	2.30%	
16/1 11:30	UK	CPI Core (YoY)	Dec	1.80%	1.80%	
16/1 11:30	UK	RPI Ex Mort Int.Payments (YoY)	Dec	2.80%	3.10%	
16/1 15:30	US	Retail Sales Advance (MoM)	Dec	0.30%	0.20%	
16/1 15:30	US	Retail Sales Ex Auto (MoM)	Dec	0.20%	0.20%	
16/1 15:30	US	Import Price Index (YoY)	Dec	--	0.70%	
16/1 17:00	US	Business Inventories	Nov	0.30%	0.60%	
16/1 17:00	US	NAHB Housing Market Index	Jan	57	56	
16/1 23:00	US	Net Long-term TIC Flows	Nov	--	\$31.3b	

January 11, 2019

Eco Event	US	U.S. Federal Reserve Releases Beige Book (21:00)				
Corp. Results	US	US Bancorp, BlackRock, Charles Schwab, Bank of New York Mellon, PNC Financial Services Group, Bank of America, Goldman Sachs Group, CSX				
Thursday 17/1						
Date Time	Country	Event	Period	Survey	Prior	
17/1 02:01	UK	RICS House Price Balance	Dec	-13%	-11%	
17/1 12:00	EC	CPI Core (YoY)	Dec F	1.00%	1.00%	
17/1 12:00	EC	CPI (YoY)	Dec F	1.60%	1.90%	
17/1 15:30	US	Housing Starts (MoM)	Dec	-0.20%	3.20%	
17/1 15:30	US	Building Permits (MoM)	Dec	-3.60%	5.00%	
17/1 15:30	US	Philadelphia Fed Business Outlook	Jan	10	9.1	
17/1 15:30	US	Initial Jobless Claims	12-Jan	--	216k	
Corp. Results	US	Morgan Stanley, Netflix, American Express				
Friday 18/1						
Date Time	Country	Event	Period	Survey	Prior	
18/1 01:30	JN	Natl CPI Ex Fresh Food (YoY)	Dec	0.80%	0.90%	
18/1 11:00	EC	ECB Current Account SA	Nov	--	23.0b	
18/1 11:30	UK	Retail Sales Inc Auto Fuel (MoM)	Dec	-0.80%	1.40%	
18/1 11:30	UK	Retail Sales Inc Auto Fuel (YoY)	Dec	3.50%	3.60%	
18/1 16:15	US	Industrial Production (MoM)	Dec	0.30%	0.60%	
18/1 17:00	US	U. of Mich. Sentiment	Jan P	96.4	98.3	
Eco Event	US	New York Fed President Williams speaks (16:05)				
Corp. Results	US	Schlumberger				

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