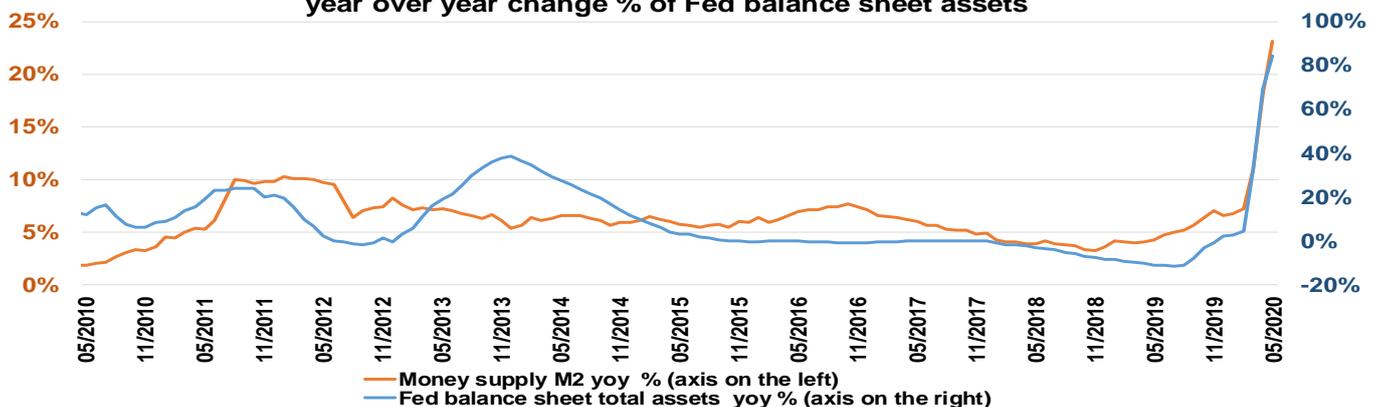


**In this week**, the OECD and the Federal Reserve described the challenges that the global and the US economy are facing. The OECD expects 6% drop of world GDP in 2020, while recovery in 2021 (5.2%). This scenario is based on the assumption that coronavirus will partially be treated. The OECD notes that there is an equally likely worse scenario, which could mean drop of 7.6% of world GDP in 2020 (2021: 2.8%), in case of a second wave of coronavirus. The median projection of the FOMC members for the Fed funds rate is to remain at almost zero (0%-0.25% range) for the years 2020-2022.

The stunning recovery in global stocks markets, especially in the US, has outpaced the monetary stimulus and government measures of fiscal stimulus introduced into the main economies. The “bets” are high, as the majority of investors foresee a rapid V-shaped economic recovery. In a “blink of an eye”, the S&P 500 index turned positive year to date, on the very same day (8/6), that the National Bureau of Economic Research announced that the US economy had entered recession for the first time in over a decade. The global stock market’s capitalization has climbed by roughly \$22 trillion from the March low. Some economists argue that “if global GDP starts recovering soon, the recession will be the deepest – but also the shortest – since World War II and that the recent upside surprises in some economic figures, point to a V- shaped recovery. Unfortunately, the road to recovery is full of “thorns and spikes” since, the disputes between the US and China over trade, regarding the responsibility about the global pandemic, technological dominance and global leadership, have now reemerged. A gradual reopening of the economy, but with some form of social distancing, may not allow for a job recovery, until a vaccine or a partial treatment is available. Despite this, equities are currently in no imminent danger, according to most market participants, and a retest of the March lows is now unlikely.

**The monetary expansion by the Federal Reserve has driven the size of the balance sheet at historic high (\$7.2 trillion, year over year: 85%) and the money supply (M2) at the highest year over year increase (23%) in the last 60 years. The year over year total return of the S&P 500 index has been positive (6.1%). The S&P 500 increased at high (8/6: 3,233) since February 25, but quickly retreated at a level (11/6: 3,002, versus 5/6: -6%) slightly below the 200-day average (3,013). The coronavirus and US-China relations are key worries.**

**US: year over year change % of Money supply (M2),  
year over year change % of Fed balance sheet assets**



Source: Bloomberg

EUR/USD increased at a high (10/6: \$1.1422) since March 10, but below the resistance area of \$1.1500-\$1.1600. In case the retreat in risky assets continues, support is at \$1.1200 and \$1.1025 (200-day average).

**The week ahead:**

The Bank of **Japan** (16/6), the **Swiss** National Bank (18/6) and the Bank of **England** (18/6) will hold monetary policy meetings during the next week.

**Taking into account the economic outlook and the current level of volatility, we believe it is too early to move decisively back into risky assets. There is room for further spread tightening among investment grade bonds and government bonds, as central banks retain zero interest rates, hence hurting depositors.**

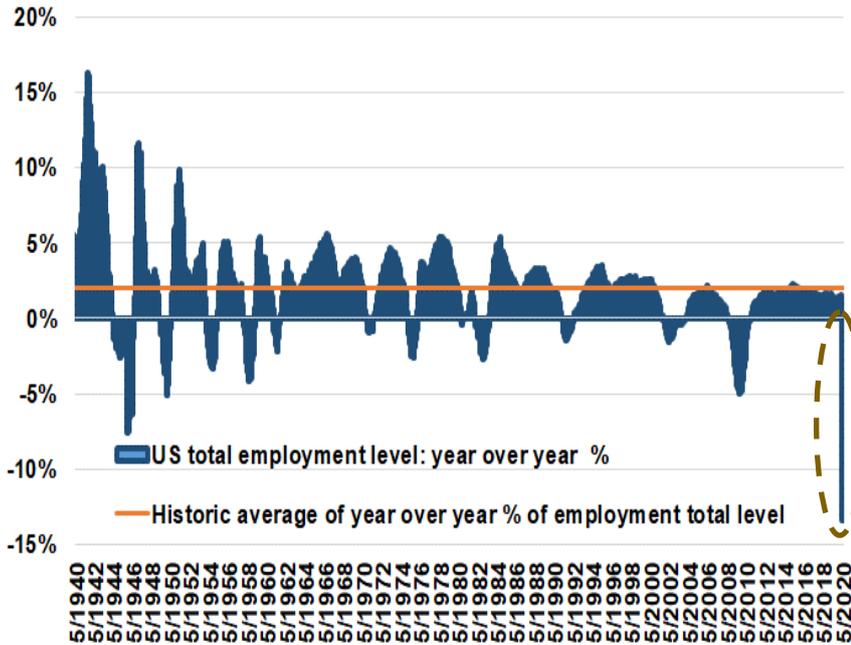
**Quote of the Week:**

The Director of the National Institute of allergy and infectious diseases (A. Fauci) said:  
 “The coronavirus infection will not burn itself out with public health measures only. A vaccine for the entire world will be needed, in billions and billions of doses.”

**Global Markets in Charts**

The yearly change of the total level of employment was -11.7% (5/20, 4/20: -13.3%), consistent with substantial retreat of economic activity.

**US: employment total level year over year %**

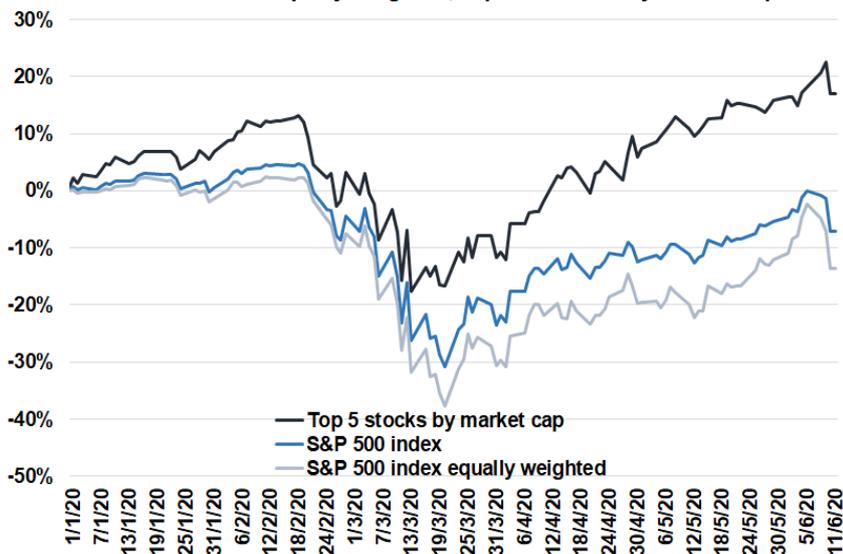


The monthly changes in US non-farm payrolls have been extreme in the last few months and may continue to be “noisy” in the months ahead, due to the coronavirus and the associated lock-downs.

More indicative of the underlying trend is probably the yearly change of the total employment level, which was -11.7% in May (4/20: -13.3%, historic average of yearly change of employment level: 2%). The scale of yearly drop in employment is consistent with substantial drop in economic activity. The gradual ease of coronavirus restrictions and the effect of economic stimulus, are expected to contribute to recovery at some point, but economic uncertainty remains elevated.

The equally weighted basket of the top five stocks in the S&P 500 index by market cap, has widely overperformed the S&P 500 index by almost 24% year to date.

**Year to date returns: S&P 500 index, S&P 500 index equally weighted, top five stocks by market cap**



The equally weighted basket of Apple, Microsoft, Amazon, Google and Facebook has year to date return of 17.3% versus -7% for the S&P 500 index. The one-year overperformance of the top 5 stocks by market cap versus the S&P 500 index is close to 35%.

The equally weighted basket of the 5 stocks trades at around 31 times P/E 12-month forward ratio, which is “pricier” vs the 21 times of the S&P 500 index. However, the gap between the two P/E forward ratios is around the usual (last 5 years average P/E 12 month forward of the basket of the 5 stocks at 27 times vs 17 times for the overall S&P 500 index).

Source: Bloomberg

**Global Markets Minesweeper**
**Event Risk Calendar, 15 - 19 June 2020**

| Monday 15/6      |         |  |        |           |           |    |
|------------------|---------|--|--------|-----------|-----------|----|
| Date Time        | Country | Event  | Period | Survey    | Prior     |    |
| 15/6 05:00       | CH      | Industrial Production (YoY)  | May    | 5.0%      | 3.9%      | 🌩️ |
| 15/6 05:00       | CH      | Retail Sales (YoY)   | May    | -2.3%     | -7.5%     | 🌩️ |
| 15/6 05:00       | CH      | Retail Sales YTD (YoY)   | May    | -13.5%    | -16.2%    | 🌩️ |
| 15/6 12:00       | EC      | Trade Balance SA   | Apr    |           | €23.5b    |    |
| 15/6 15:30       | US      | Empire Manufacturing   | Jun    | -28.8     | -48.5     |    |
| 15/6 23:00       | US      | Net Long-term TIC Flows  | Apr    |           | -\$112.6b |    |
| <b>Eco Event</b> | US      | Dallas Fed President R. Kaplan takes part in an online discussion hosted by New York University (18:00)                  |        |           |           |    |
| Tuesday 16/6     |         |  |        |           |           |    |
| Date Time        | Country | Event  | Period | Survey    | Prior     |    |
| 16/6 00:00       | JN      | BOJ Policy Balance Rate  | 16-Jun | -0.10%    | -0.10%    | 🌩️ |
| 16/6 09:00       | UK      | ILO Unemployment Rate 3Mths  | Apr    | 4.6%      | 3.9%      |    |
| 16/6 09:00       | GE      | CPI (YoY)  | May F  | 0.6%      | 0.6%      |    |
| 16/6 12:00       | GE      | ZEW Survey Expectations  | Jun    | 60        | 51        | 🌩️ |
| 16/6 12:00       | GE      | ZEW Survey Current Situation   | Jun    | -80.0     | -93.5     |    |
| 16/6 15:30       | US      | Retail Sales Advance (MoM)   | May    | 7.4%      | -16.4%    | 🌩️ |
| 16/6 16:15       | US      | Industrial Production (MoM)  | May    | 3.0%      | -11.2%    |    |
| 16/6 17:00       | US      | NAHB Housing Market Index  | Jun    | 43        | 37        |    |
| <b>Eco Event</b> | US      | Fed Chairman J. Powell delivers the semi-annual monetary policy report to the Senate Banking Committee (17:00)           |        |           |           | 🌩️ |
|                  | US      | Fed Vice President R. Clarida discusses economic and political outlook (23:00)   |        |           |           |    |
| Wednesday 17/6   |         |  |        |           |           |    |
| Date Time        | Country | Event  | Period | Survey    | Prior     |    |
| 17/6 02:50       | JN      | Trade Balance  | May    | -¥1051.8b | -¥931.9b  |    |
| 17/6 09:00       | UK      | CPI (YoY)  | May    | 0.6%      | 0.8%      | 🌩️ |
| 17/6 09:00       | UK      | CPI Core (YoY)   | May    | 1.2%      | 1.4%      |    |
| 17/6 12:00       | EC      | CPI (YoY)  | May F  | 0.1%      | 0.3%      | 🌩️ |
| 17/6 12:00       | EC      | CPI (MoM)  | May F  | -0.1%     | -0.1%     |    |
| 17/6 12:00       | EC      | CPI Core (YoY)   | May F  | 0.9%      | 0.9%      |    |
| 17/6 15:30       | US      | Building Permits (MoM)   | May    | 18.2%     | -21.4%    | 🌩️ |
| 17/6 15:30       | US      | Housing Starts (MoM)   | May    | 23.5%     | -30.2%    | 🌩️ |
| <b>Eco Event</b> | US      | Fed Chairman J. Powell delivers his semi-annual monetary policy report to the House Financial Services Committee (19:00) |        |           |           | 🌩️ |

June 12, 2020

| Date Time            | Country | Event  | Period | Survey | Prior  |   |
|----------------------|---------|--|--------|--------|--------|---|
| <b>Corp. Results</b> |         |  |        |        |        |   |
|                      | US      | US: Oracle   |        |        |        |   |
| <b>Thursday 18/6</b> |         |  |        |        |        |   |
| 18/6 14:00           | UK      | Bank of England Bank Rate  | 18-Jun | 0.10%  | 0.10%  | 📊 |
| 18/6 15:30           | US      | Philadelphia Fed Business Outlook  | Jun    | -27.4  | -43.1  |   |
| 18/6 15:30           | US      | Initial Jobless Claims   | 13-Jun |        | 1542k  | 📊 |
| 18/6 17:00           | US      | Leading Index (MoM)  | May    | 2.4%   | -4.4%  | 📊 |
| <b>Eco Event</b>     |         |  |        |        |        |   |
|                      | EC      | ECB Publishes Economic Bulletin (11:00)  |        |        |        |   |
|                      | EC      | ECB Vice President Luis de Guindos speaks at an online event.  |        |        |        |   |
| <b>Friday 19/6</b>   |         |  |        |        |        |   |
| 19/6 02:30           | JN      | Natl CPI (YoY)   | May    | 0.2%   | 0.1%   |   |
| 19/6 02:30           | JN      | Natl CPI Ex Fresh Food (YoY)   | May    | -0.1%  | -0.2%  |   |
| 19/6 09:00           | UK      | Retail Sales Inc Auto Fuel (MoM)   | May    | 5.0%   | -18.1% | 📊 |
| 19/6 09:00           | UK      | PSNB ex Banking Groups   | May    | £48.5b | £62.1b |   |
| 19/6 09:00           | GE      | PPI (MoM)  | May    | -0.2%  | -0.7%  |   |
| 19/6 11:00           | EC      | ECB Current Account SA   | Apr    |        | €27.4b |   |
| <b>Eco Event</b>     |         |  |        |        |        |   |
|                      | US      | Fed Chairman J. Powell and Cleveland Fed President L. Mester take part in a video conference (20:00) |        |        |        |   |
|                      | EC      | European leaders discuss the 750 billion-euro recovery fund proposed by the European Commission      |        |        |        | 📊 |

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