

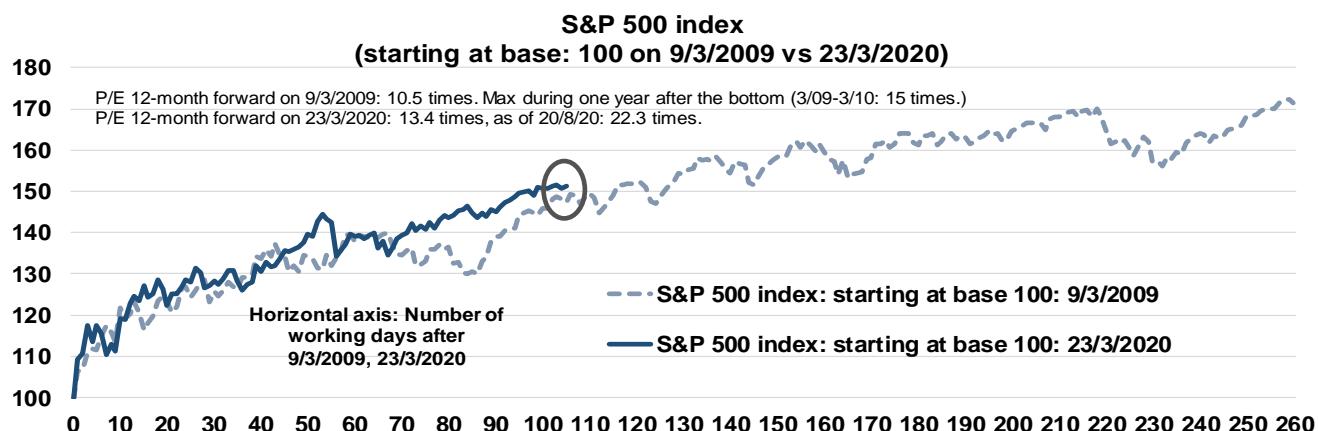


## Global Markets Minesweeper

August 21, 2020

Global Markets Analysis  
INVESTMENT PORTFOLIOS  
MANAGEMENT DIVISION

In this week, the S&P 500 index increased at historic high (18/8: 3,389.78 on closing price, intraday 19/8: 3,399.54). Monetary and fiscal stimulus and initial results towards a coronavirus vaccine have supported equity market sentiment. In the period of March 23 – August 20 (105 working days), the S&P 500 index has risen by 51.3%, the most in comparably brief period (after WWII). This is slightly higher return versus that of the comparable period from the bottom (closing price) of March 9, 2009 (9/3/09-6/8/09: 105 working days), when the return was 47.4%. Although historic patterns may not repeat, the path since March 23, 2020 indicates substantial improvement from investment perspective. The main arguments in favour of the persistence of this environment versus arguments against it, are briefly summarised as: The “bulls” are focusing mainly on relatively low yields (US 10-year yield on 20/8/20: 0.65%, 23/3/20: 0.79%, end 2019: 1.92%, 9/3/09: 2.86%). The “bears” are focusing mainly on the high P/E 12-month forward ratio in 2020 (20/8/20: 22.3 times, 23/3/20: 13.4 times) versus the low ratio at the start of the previous recovery in March 2009 (9/3/2009: 10.5 times). Those who are looking for a correction, mention the relative strength index (RSI 9 days: 68, 9 weeks: 70) being close to overbought (although the RSI 9 months is at 62, less overbought compared to 2/2020: 80, 1/2018: 88).



According to the minutes of the Fed's July meeting, some members of the FOMC are in favour of providing further clarity for monetary policy ahead in the form of explicit forward guidance. There was a discussion about committing to hold the Fed funds rate near 0%, until specific thresholds for inflation and unemployment will be reached. The Fed noted that the ongoing public health crisis has heavy impact on economic activity, employment and inflation and that it poses considerable risks to the economic outlook over the medium term. Regarding the macroeconomic figures of this week, **US** leading economic index has risen on monthly basis in July for the third consecutive month. According to Atlanta Fed estimate (18/8), GDP is rising on annualized quarterly basis by 25.6% in the third quarter. **Eurozone** PMI manufacturing and services indices were lower than expected in August, but indicate expansion.

**The week ahead:**

**German** IFO business climate index (25/8) is expected higher in August. In the **US**, consumer confidence index (Conference Board) may have increased (25/8) in August (93.0, July: 92.6, historic average: 95). Kansas Fed will host its annual central bank policy symposium (Jackson Hole virtual: 27-28/8) with the theme of: “Navigating the decade ahead: implications for monetary policy”. **Eurozone** economic sentiment index (28/8) may have risen in August for the fourth consecutive month, but at a level (85, July: 82.3) still below the 12-month average (91.3).

**Equity market has posted strong performance in the recent months. Technology sector has strongly overperformed. The August-September period is usually (on average) seasonally weak period for the global and for the main equity indices.** Even if, some corrective move is evident towards the end of August and in September, the broader upwards mid-term trend will probably be maintained. The improved investment landscape from mid-term perspective, is conditional upon the assumptions of continued monetary and fiscal support, relatively modest government bond yields, progress towards coronavirus vaccines and no geopolitical incident. The global aggregate bond index (IG) maintains positive return (as of 20/8: 2.9%) in the third quarter and strong return (6%) in 2020.

**Quote of the Week:**

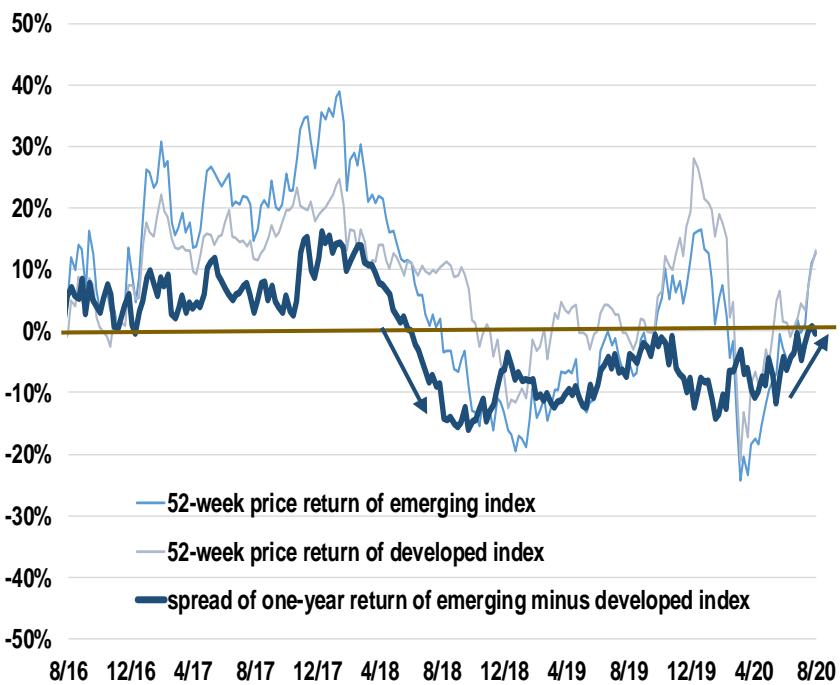
The trade adviser (P. Navarro) of the US government said (17/8): “Phase one trade deal with China is on track. China is absolutely keeping its word so far on the purchases”.


 August 21, 2020

## Global Markets in Charts

**The emerging markets index has recently matched the performance of the developed index (on rolling one-year return basis), after a few years of underperformance.**

Spread of rolling one-year price return of emerging equity minus developed index \* (2016-2020)



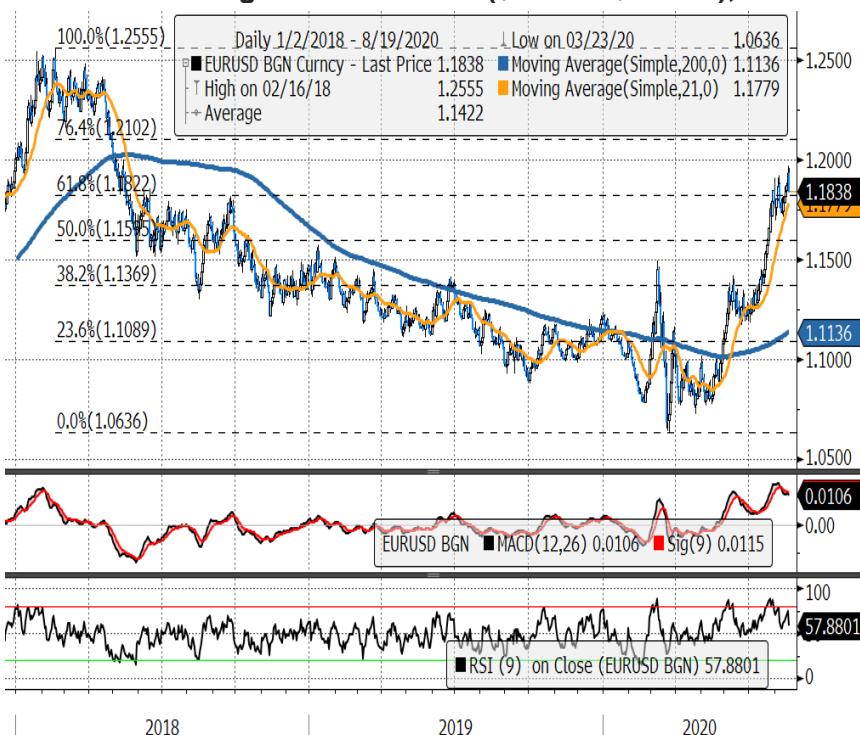
\*MSCI emerging, developed indices used.

The spread of 52-week rolling price return of the MSCI emerging markets index minus the rolling 52-week price return of the developed index was continuously negative from mid-2018 until July 24, 2020. The emerging index had been underperforming the developed for the last few years.

In late July 2020 & early August, the spread briefly turned slightly positive, (rolling one year on 24/7: 0.3%, 7/8: 0.7%, as of 14/8 around 0%: -0.4%).

There are early signs of emerging index catching-up with developed markets, as the relatively weak dollar, the recently risk-on environment and high liquidity have begun to support, additionally to the US market (still overperforming), also some other main markets. Inside emerging equity, Asia (particularly China) and BRIC have overperformed (one-year, year to date) emerging Europe and Latin America. Emerging markets index recovery is conditional upon US-China relations not worsening.

**EUR/USD increased at a high (18/8: \$1.1966) since May 2018. As it has approached a strong resistance area (\$1.2000-\$1.2100), a retreat is evident (21/8: \$1.1800 area).**



The rise of EUR/USD can be attributed to the risk-on market sentiment and the decrease of yield spreads of USD vs the Euro. EUR/USD has risen in parallel with the recovery of the MSCI all countries world stock index from the bottom in March 2020 to a level close (18/8: 573.3) to the historic high (12/2: 581). The spread of US 10-year yield minus the German 10-year yield is 1.15% (18/8) versus average in 2020 at 1.37% and one-year average at 1.67%. The US-German 2-year yield spread is (0.82%) around the lowest (10/6: 0.78%) in five years.

Resistance for EUR/USD is at \$1.2000 (14/5/18 high) and at \$1.2100 (Fibonacci retracement 76.4%: \$1.2555-\$1.0636). A corrective move of the euro cannot be excluded, as the RSI is at overbought area (9 weeks: 79). Support is at \$1.1780-90 (21-day average, 14/8 low), at \$1.1710 (12/8 low) and at \$1.1640 (27/7 low).


 August 21, 2020

**Global Markets Minesweeper**
**Event Risk Calendar, 24 - 28 August 2020**

Date Time	Country	Event	Period	Survey	Prior	*
24/8 15:30	US	Chicago Fed Nat Activity Index	Jul	3.69	4.11	
<b>Monday 24/8</b>						
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	<b>*</b>
25/8 09:00	GE	GDP SA (QoQ)	2Q F	-10.1%	-10.1%	●*
25/8 09:00	GE	GDP WDA (YoY)	2Q F	-11.7%	-11.7%	
25/8 11:00	GE	IFO Business Climate	Aug	92.5	90.5	●*
25/8 11:00	GE	IFO Current Assessment	Aug	87.0	84.5	
25/8 16:00	US	FHFA House Price Index (MoM)	Jun	0.3%	-0.3%	
25/8 16:00	US	S&P CoreLogic CS 20-City (MoM) SA	Jun	0.10%	0.04%	
25/8 17:00	US	Conf. Board Consumer Confidence	Aug	93.0	92.6	●*
25/8 17:00	US	New Home Sales (MoM)	Jul	-0.1%	13.8%	
25/8 17:00	US	Richmond Fed Manufact. Index	Aug	10	10	
<b>Tuesday 25/8</b>						
<b>Corp. Results</b>		US: salesforce.com, Medtronic, Intuit				
<b>Wednesday 26/8</b>						
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	<b>*</b>
26/8 02:50	JN	PPI Services (YoY)	Jul	0.8%	0.8%	
26/8 15:30	US	Durable Goods Orders (MoM)	Jul P	4.0%	7.6%	●*
26/8 15:30	US	Durables Ex Transportation (MoM)	Jul P	1.7%	3.6%	
<b>Eco Event</b>	EC	ECB Executive Board member Isabel Schnabel participates in an online discussion				
<b>Corp. Results</b>		CH: China Life Insurance, PetroChina, Xiaomi				
<b>Thursday 27/8</b>						
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	<b>*</b>
27/8 04:30	CH	Industrial Profits (YoY)	Jul		11.5%	
27/8 07:30	JN	All Industry Activity Index (MoM)	Jun	6.3%	-3.5%	
27/8 09:00	JN	Machine Tool Orders (YoY)	Jul F		-31.1%	
27/8 11:00	EC	M3 Money Supply (YoY)	Jul	9.3%	9.2%	
27/8 15:30	US	GDP Annualized (QoQ)	2Q S	-32.5%	-32.9%	●*
27/8 15:30	US	Initial Jobless Claims	22-Aug		1106k	●*
27/8 17:00	US	Pending Home Sales (MoM)	Jul	5.5%	16.6%	
<b>Corp. Results</b>		CH: Ping Insurance				


 August 21, 2020

Friday 28/8						
Date Time	Country	Event	Period	Survey	Prior	*
28/8 02:30	JN	Tokyo CPI (YoY)	Aug	0.6%	0.6%	
28/8 02:30	JN	Tokyo CPI Ex-Fresh Food (YoY)	Aug	0.3%	0.4%	
28/8 09:00	GE	GfK Consumer Confidence	Sep	0.5	-0.3	
28/8 12:00	EC	Economic Confidence	Aug	85.7	82.3	✳*
28/8 12:00	EC	Consumer Confidence	Aug F		-15.0	
28/8 15:30	US	Personal Income (MoM)	Jul	-0.3%	-1.1%	
28/8 15:30	US	Advance Goods Trade Balance	Jul	-\$72.3b	-\$70.6b	✳*
28/8 15:30	US	PCE Core Deflator (YoY)	Jul	1.20%	0.90%	✳*
28/8 16:45	US	MNI Chicago PMI	Aug	51.0	51.9	
28/8 17:00	US	U. of Mich. Sentiment	Aug F	72.8	72.8	✳*
<b>Eco Event</b>	<b>US</b>	Kansas Fed monetary policy symposium (Jackson Hole: virtual 27-28/8)				✳*
<b>Corp. Results</b>		CH: Ind & Comm Bk of China, China Construction Bank, Agricultural Bank of China				

**Global Markets Analysis**

+30 210-3268410

marketanalysis@alpha.gr

Maria Koutouzi

maria.koutouzi@alpha.gr

Ioannis Kouravelos, CFA

ioannis.kouravelos@alpha.gr

Konstantinos Anathreptakis

konstantinos.anathreptakis@alpha.gr

Dimitris Nikitopoulos

dimitrios.nikitopoulos@alpha.gr

**Disclaimer:** The information herein is believed to be reliable and has been obtained from sources believed to be reliable, but we make no representation or warranty, express or implied, with respect to the fairness, correctness, accuracy or completeness of such information. In addition we have no obligation to update, modify or amend this communication or to otherwise notify a recipient in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. We are not acting and do not purport to act in any way as an advisor or in a fiduciary capacity. We therefore strongly suggest that recipients seek their own independent advice in relation to any investment, financial, legal, tax, accounting or regulatory issues discussed herein. Analyses and opinions contained herein may be based on assumptions that if altered can change the analyses or opinions expressed. Nothing contained herein shall constitute any representation or warranty as to future performance of any financial instrument, credit, currency rate or other market or economic measure. Furthermore, past performance is not necessarily indicative of future results. This communication is provided for information purposes only. It is not an offer to sell, or a solicitation of an offer to buy, any security, nor to enter into any agreement or contract with Alpha bank or any affiliates. In addition, because this communication is a summary only it may not contain all material terms, and therefore this communication in and of itself should not form the basis for any investment decision. Financial instruments that may be discussed herein may not be suitable for all investors, and potential investors must make an independent assessment of the appropriateness of any transaction in light of their own objectives and circumstances, including the possible risks and benefits of entering into such a transaction. By accepting receipt of this communication the recipient will be deemed to represent that they possess, either individually or through their advisers, sufficient investment expertise to understand the risks involved in any purchase or sale of any financial instrument discussed herein. Any duplication, copy, reprint or transmission of this document is prohibited without the prior written permission of the issuer.