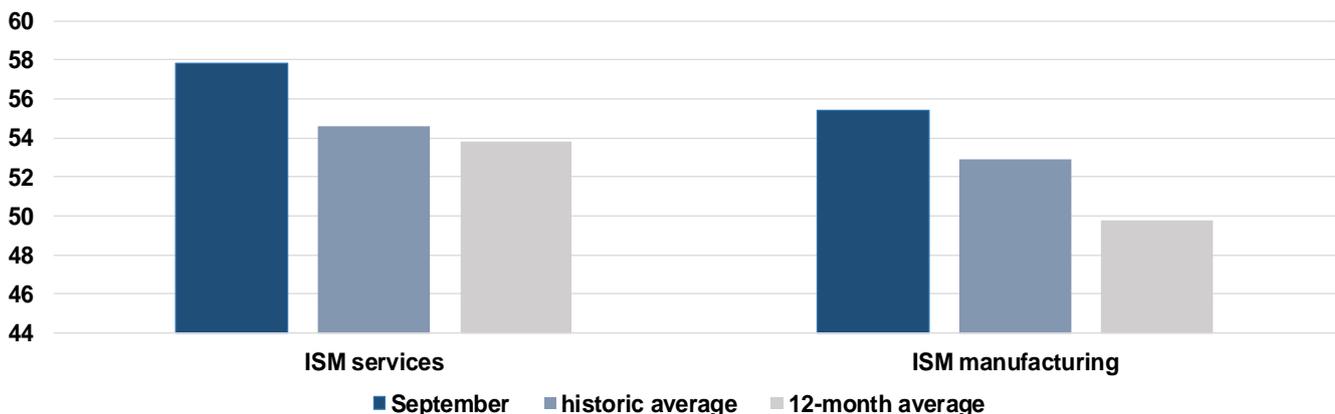


In the **US**, the ISM services index (5/10) increased in September at a level (57.8, August: 56.9) above the historic average (54.6, 12-month average: 53.8), indicating strong expansion of the services sector and the economy. The ISM manufacturing index (1/10) had also signaled quite strong expansion of the manufacturing sector in September at a level (55.4, August: 56) above the historic average (52.9, 12-month average: 49.8). According to the estimate of Atlanta Fed (6/10), US GDP has increased in the third quarter by 35.3% on annualized quarterly basis. US 10-year government bond yield has risen at 4-month high (7/10: 0.795%, 200-day average: 0.910%).

US: ISM services and ISM manufacturing



Source: Bloomberg

US unemployment rate has declined in September for fifth consecutive month, but its level (7.9%) remains considerably above the historic average (5.8%), which is an argument in favour of continued aggressive monetary easing for long period. Uncertainty about US elections remains. J. Biden has a lead over D. Trump, which has widened, according to opinion polls. USD has dropped versus yuan at a low (9/10: 6.705) since April 2019. Despite, strong recovery in the third quarter, the uncertainties, mainly stemming from the coronavirus spread remain. US President has returned to the White House, after receiving treatment for coronavirus. He instructed his representatives to stop discussing a bipartisan agreement pre-elections for additional fiscal stimulus. He said that some fiscal stimulus in parts, can be agreed pre-elections, including households, small companies & airlines. Since October 8, US Finance minister (S. Mnuchin) and the head of the House (N. Pelosi) have restarted discussions for a comprehensive additional stimulus. The expectation is that fiscal policy will remain expansionary into 2021.

The S&P 500 index has risen at the highest close (8/10: 3,446.8) since September 3 (intraday since September 4) and the all countries world index since early September. EUR/USD increased at a high (6/10: \$1,1808) since mid-September, in line with risk-on sentiment. Resistance is at \$1.1870 and at \$1.1930, while support is at \$1.1600.

The week ahead:

In the **Eurozone**, industrial production (14/10) may have increased on monthly basis in August for fourth consecutive month. **US** industrial production (16/10) has probably risen for fifth consecutive month in September. The earnings per share of the S&P 500 index has probably declined on yearly basis by around 22% in the third quarter. However, the EPS of the S&P 500 index is expected to recover strongly in 2021 (25%-30%). JPMorgan Chase, Johnson & Johnson, BlackRock, Citigroup (13/10), Bank of America, Wells Fargo, Goldman Sachs (14/10) and Morgan Stanley (15/10) will announce quarterly economic results during the next week.

The latest macroeconomic figures in the US, Eurozone and China point towards continued recovery. Despite the recent increase of US government bond yields, their level is relatively moderate compared to history. The overall mix of economic figures has been supportive for the upwards mid-term trend of the main equity markets, despite short-term fluctuations. The ongoing spread of the pandemic, the delay in adding further fiscal stimulus in the US and the coming Presidential elections, are key worries. In terms of the mid-term investment outlook, the risk-on market environment of the previous two quarters can continue, based on the assumptions of at least partial treatment of the pandemic and pro-longed large scale monetary easing by the main central banks.

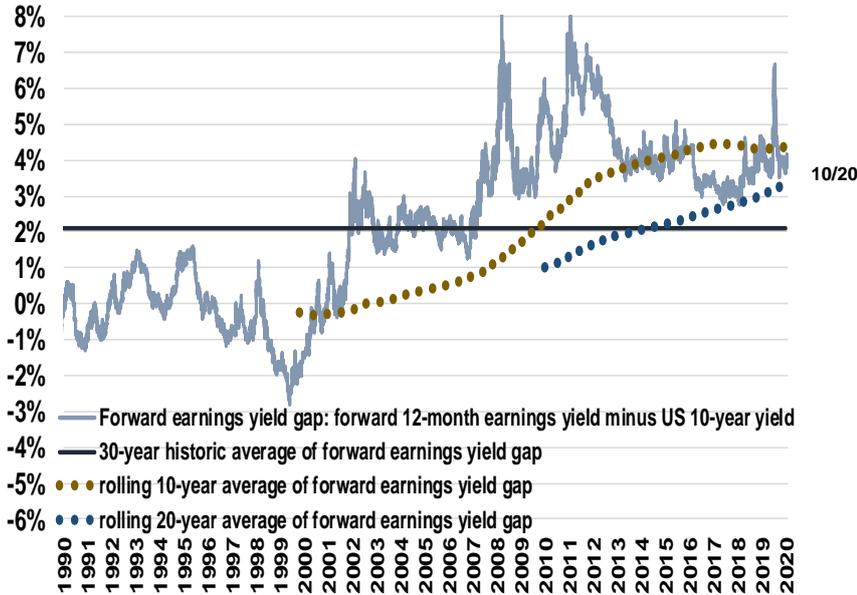
Quote of the Week:

The Chicago Fed President (C. Evans) said (7/10): "The Fed can increase asset buying, if needed".

Global Markets in Charts

US equities can still be considered relatively attractive to US government bonds, despite the recent rise of US 10-year government bond yield, as it is so far modest.

S&P 500 index: forward earnings yield gap *, 30-year average and 10-year, 20-year rolling averages



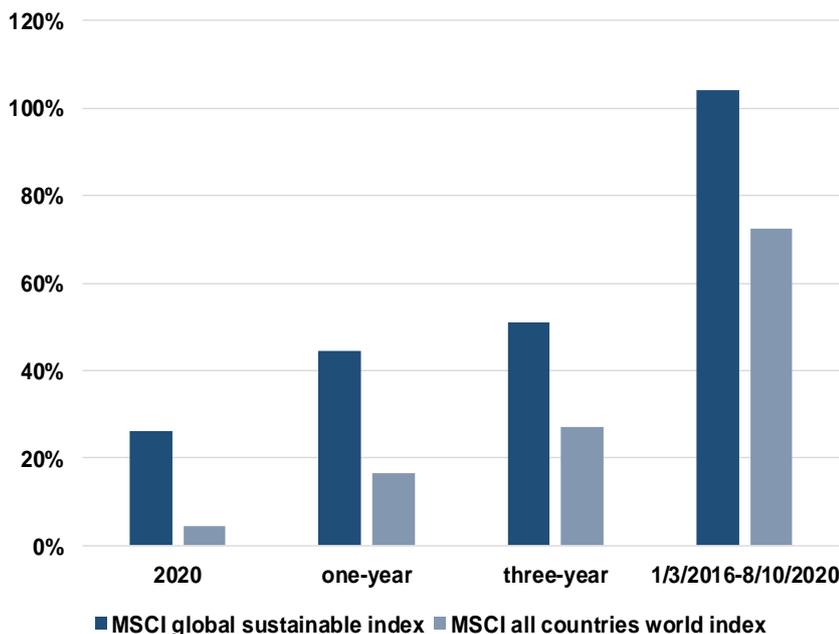
* Forward 12-month earnings yield is defined as EPS 12-month forward estimate divided by current price. The forward earnings yield gap is defined as 12-month forward earnings yield minus US 10-year government bond yield.

The P/E 12-month forward ratio of the S&P 500 index is elevated (21.9 times, 20-year average: 15.6). US 10-year government bond yield has recently risen at the area of 0.8%, but remains moderate, if compared to the recent past (end 2019: 1.9%, 200-day average: 0.91%).

The forward 12-month earnings yield of the S&P 500 index stands at 4.6%. Subtracting the US 10-year yield currently at 0.8%, we get 3.8% (end 2019: 3.6%). This spread is above its 30-year average (2.1%) and above its 20-year average (3.3%), supporting the relative attractiveness of the S&P 500 versus government bonds. If we compare the 3.8% forward earnings yield gap with its 10-year average, which currently stands at 4.4%, the valuation is stretched. By this, the stock index is not considered “cheap”, but it is slightly better than the respective comparison, as it was at the end of 2019, namely 3.6% vs 4.3%.

The total return of the global sustainable impact index has exceeded that of the all countries world index year to date, while it has also been less volatile.

Total return of global sustainable impact index versus the all countries world index



Source: Bloomberg

The global sustainable impact index (MSCI) includes companies, which generate at least 50% of their revenue from at least one or more of the UN sustainable impact categories (nutritious products, major diseases treatment, sanitary products, education, housing, loans to s&m size companies, alternative energy, energy efficiency, green building, sustainable water, pollution prevention) and maintain minimum ESG standards. The total return of the global sustainable index has been 26.3% in 2020 versus 4.5% of the MSCI all countries world. The sustainable impact index has P/E 12-month forward moderately above (22.7 times) that of the all countries world (19.5), but it is more defensive (beta of the sustainable impact vs all countries estimated at 0.88). The sustainable index has been less volatile than the all world (annualized standard deviation weekly since inception in 2016: 15.7% vs 16.5%).

Global Markets Minesweeper
Event Risk Calendar, 12 - 16 October 2020

Monday 12/10						
Date Time	Country	Event	Period	Survey	Prior	
12/10 02:50	JN	PPI (YoY)	Sep	-0.5%	-0.5%	
12/10 02:50	JN	Core Machine Tool Orders (YoY)	Sep P	-15.6%	-16.2%	
12/10 09:00	JN	Machine Tool Orders (YoY)	Sep P		-23.2%	
		Bond markets closed in the U.S. (Columbus Day)				
Eco Event	US	ECB President C. Lagarde leads off the annual meetings of the IMF the World Bank.				
Tuesday 13/10						
Date Time	Country	Event	Period	Survey	Prior	
13/10	CH	Trade Balance	Sep	\$59.25b	\$58.93b	
13/10 09:00	UK	Jobless Claims Change	Sep		73.7k	
13/10 09:00	UK	Weekly Earnings ex Bonus 3M/(YoY)	Aug	0.6%	0.2%	
13/10 09:00	UK	ILO Unemployment Rate 3Mths	Aug	4.3%	4.1%	
13/10 09:00	GE	CPI (MoM)	Sep F	-0.2%	-0.2%	
13/10 09:00	GE	CPI (YoY)	Sep F	-0.2%	-0.2%	
13/10 12:00	GE	ZEW Survey Expectations	Oct	71.0	77.4	
13/10 12:00	GE	ZEW Survey Current Situation	Oct	-63	-66.2	
13/10 13:00	US	NFIB Small Business Optimism	Sep	101.2	100.2	
13/10 15:30	US	CPI (YoY)	Sep	1.4%	1.3%	
13/10 15:30	US	CPI Ex Food and Energy (YoY)	Sep	1.8%	1.7%	
Eco Event	US	IMF World Economic Outlook is published.				
Corp. Results		US: Johnson & Johnson, JP Morgan, Citigroup				
Wednesday 14/10						
Date Time	Country	Event	Period	Survey	Prior	
14/10 07:30	JN	Industrial Production (MoM)	Aug F		1.7%	
14/10 12:00	EC	Industrial Production (MoM)	Aug	0.6%	4.1%	
14/10 12:00	EC	Industrial Production WDA (YoY)	Aug	-7.2%	-7.7%	
14/10 15:30	US	PPI Final Demand (YoY)	Sep	0.2%	-0.2%	
14/10 15:30	US	PPI Ex Food and Energy (YoY)	Sep	0.9%	0.6%	
Eco Event	US	IMF Managing Director K. Georgieva and World Bank President D. Malpass give press conferences.				
	US	Fed Vice Chair R. Clarida speaks with IIF President T. Adams at the IIF meeting.				
	EC	ECB Chief Economist P. Lane and Governing Council members speak on online conference.				

October 9, 2020

Date Time	Country	Event	Period	Survey	Prior	
Corp. Results						
US: Unitedhealth, Bank of America, Wells Fargo, Goldman Sachs						
Thursday 15/10						
15/10 04:30	CH	PPI (YoY)	Sep	-1.9%	-2.0%	
15/10 04:30	CH	CPI (YoY)	Sep	1.9%	2.4%	
15/10 15:30	US	Initial Jobless Claims	10-Oct		840k	
15/10 15:30	US	Empire Manufacturing	Oct	12	17	
15/10 15:30	US	Import Price Index (MoM)	Sep	0.3%	0.9%	
15/10 15:30	US	Philadelphia Fed Business Outlook	Oct	14.5	15	
Eco Event						
	EC	EU leaders meet for a two-day summit in Brussels.				
Corp. Results						
TW: Taiwan Semiconductors, US: Morgan Stanley						
Friday 16/10						
16/10 12:00	EC	Trade Balance SA	Aug		20.3b	
16/10 12:00	EC	CPI (MoM)	Sep F	0.1%	0.1%	
16/10 12:00	EC	CPI (YoY)	Sep F	-0.3%	-0.3%	
16/10 12:00	EC	CPI Core (YoY)	Sep F	0.2%	0.2%	
16/10 15:30	US	Retail Sales Advance (MoM)	Sep	0.7%	0.6%	
16/10 16:15	US	Industrial Production (MoM)	Sep	0.6%	0.4%	
16/10 17:00	US	U. of Mich. Sentiment	Oct P	80	80.4	
16/10 23:00	US	Net Long-term TIC Flows	Aug		\$10.8b	
Corp. Results						
US: Bank of New York Mellon						

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