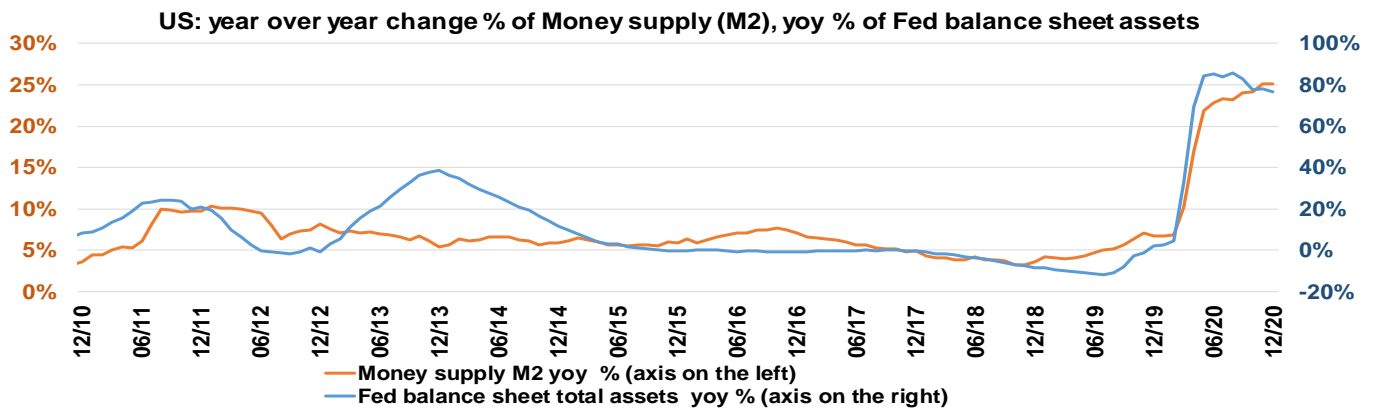


During the last week of 2020, the **S&P 500** index posted **historic high** (close level of 28/12: 3,735.36), driving the MSCI **all countries world** index at **historic high**. The **monetary expansion** by the Federal Reserve has driven the size of the balance sheet at historic high (\$ 7.4 trillion, year over year: 78%) and US money supply (M2 measure) has posted the highest year over year increase (25%) in the last 60 years.



Source: Bloomberg

The Stoxx 600 **Europe** index has risen at a high (29/12: 401.6) since late February, while it remains modestly below the historic high posted on February 19 (433.9). The recent trade deal between the EU and the UK for orderly Brexit has further supported market sentiment. The MSCI **emerging markets** index has risen at a high (30/12: 1,289) since November 2007, as the Asian index posted historic high. In **Japan**, the Nikkei index increased at a high (29/12: 27,568) since 1990. The **Euro** has risen against the **USD** at a high (30/12: \$1.2310) since April 2018 and against the JPY at a high since (29/12: ¥127.23) since March 2019, supported by risk-on sentiment.

Furthermore, the spread of US 2-year yield minus the German 2-year yield has dropped at three-month low (0.82%, one-year average: 1.10%), which has been negative for the USD. The upwards mid-term trend for Euro may continue, while in the short term, a pull-back for the Euro may not be excluded, as seasonality tends to favor the USD in January. On average, Euro tends to drop versus the USD in January, following December, which on average tends to be strong, as it also happened in 2020. Resistance for EUR/USD is at the area of \$1.2415 and at \$1.2550 - \$1.2600, while support is at \$1.2130-50, at \$1.2185 (21-day moving average) and at \$1.2060.

In the **US**, Atlanta Fed estimates (23/12) annualized quarterly GDP growth of 10.4% in the fourth quarter. US fiscal expansion, enhanced by the recently decided additional stimulus, will support economic recovery into 2021.

The announcement that the UK approved the vaccine developed by AstraZeneca and Oxford University concludes 2020, a year of large contrasts. It is notable that, according to the Nobel peace prize winner of 2020 (UN World Food Programme), "a toxic combination of conflict, climate change and Covid-19, threatens to push 270 million people to the brink of starvation".

The week ahead:

In the **US**, the ISM manufacturing (5/1), the ISM services index (7/1) and the employment figures for December (8/1) will be in focus. US Senate control will be determined, after the State of Georgia will hold voting for two seats (5/1). In the **Eurozone**, economic sentiment index (7/1) may have modestly risen in December.

The global economy is expected to recover in 2021 and may gradually catch-up with the improvement, which has already been posted in financial markets during the previous months. From investment point of view, monetary and fiscal expansion in major economies and the ongoing vaccinations, are expected to contribute into a favourable investment environment in the medium term.

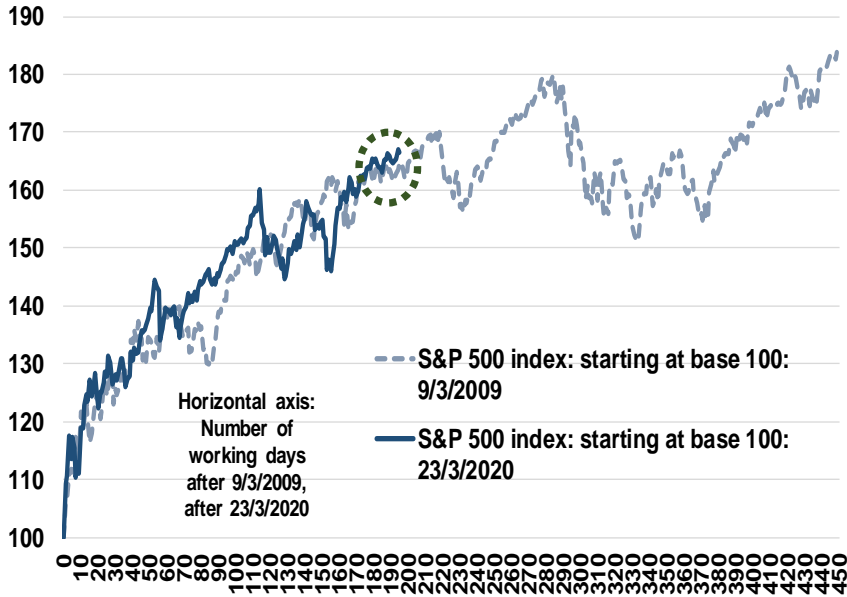
Quote of the Week:

According to the US Senate majority leader M. McConnell: "the plan for increasing stimulus checks to \$2,000 from \$600 has no realistic path to quickly pass the Senate".

Global Markets in Charts

The S&P 500 index has been trading since the bottom of March 2020, in a path, which shares some similarities with the path after the bottom of March 2009.

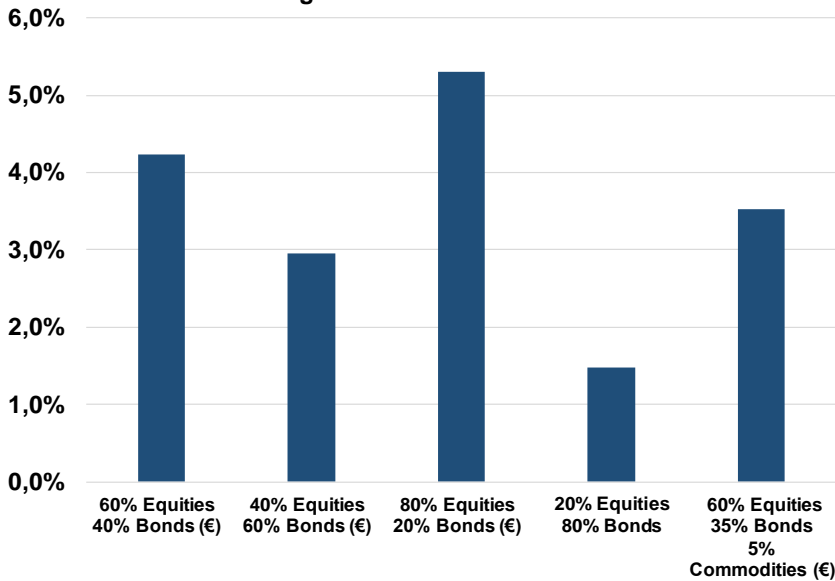
S&P 500 index
(starting at base: 100 on 9/3/2009 vs 23/3/2020)



The S&P 500 index has risen at historic high (close level December 28: 3,735.36). In the (196 working-day) period from March 23, 2020 (2,237.4) until December 30 (3,732.04), the S&P 500 has posted price return (66.8% area) higher than in the respective period (196 working days) from March 9, 2009 (until 15/12/2009: 63.8%). The pattern, shares similarities with that after March 2009, which had set the early stage of a multi-year upwards trend. The S&P 500 index has 12-month forward P/E ratio of 22.5 times (30/12/20) versus 14.5 times in December 2009. The elevated P/E 12-month ratio may be associated with corrective episodes, which will probably serve as opportunities to add investment exposure by “buying into the dips”. The US 10-year yield currently stands at 0.95% area versus around 3.6% in late 2009. The forward 12-month earnings yield gap (forward earnings yield minus 10-year yield) is at 3.5% now (20-year average: 3.4%, late 2009: 3.4%), supporting equities.

The main global cross-asset allocations posted positive returns in the last one year.

Last one year total return in euro:
main global cross - asset allocations



Source: Bloomberg

In the last one year, the total return in euro of the allocation index consisting of 60% global equities / 40% global bonds was 4.2% (Bloomberg cross asset strategy indices). The 40% global equities / 60% global bonds allocation index posted one-year euro total return of 3.0%. The 80% equities / 20% bonds allocation registered one-year total return of 5.3% in euro versus 1.5% of the conservative allocation (20% equities / 80% bonds). The index comprised of 60% global equities, 35% global bonds and 5% commodities posted one-year total return in euro of 3.5%. The anticipation for treatment of the pandemic via the ongoing vaccinations, aggressive monetary easing and fiscal expansion, continue to support the outlook for the main cross asset allocations for the medium term horizon. The expectation is, that the global economy will gradually catch-up with the improvement already registered in financial markets.

Global Markets Minesweeper
Event Risk Calendar, 4 - 8 January 2021

Monday 4/1							
Date Time	Country	Event	Period	Survey	Prior		
4/1 03:45	CH	Caixin China PMI Mfg	Dec	54.7	54.9	🔴*	
4/1 10:55	GE	Markit/BME Germany Manufacturing PMI	Dec F	58.6	58.6		
4/1 11:00	EC	Markit Eurozone Manufacturing PMI	Dec F	55.5	55.5		
4/1 11:30	UK	Markit UK PMI Manufacturing SA	Dec F	57.3	57.3		
4/1 16:45	US	Markit US Manufacturing PMI	Dec F	56.3	56.5		
Eco Event	US	Fed's Evans speaks about the economy and Fed policy (17:00)					
Tuesday 5/1							
Date Time	Country	Event	Period	Survey	Prior		
5/1 11:00	EC	M3 Money Supply (YoY)	Nov	10.6%	10.5%		
5/1 17:00	US	ISM Manufacturing	Dec	56.5	57.5	🔴*	
5/1 17:00	US	ISM New Orders	Dec		65.1		
Eco Event	US	Fed's Evans discusses Fed actions during the pandemic (22:45)					
	US	State of Georgia votes for two Senate seats					
Wednesday 6/1							
Date Time	Country	Event	Period	Survey	Prior		
6/1 02:30	JN	Jibun Bank Japan PMI Services	Dec F		47.2		
6/1 03:45	CH	Caixin China PMI Services	Dec	58.0	57.8	🔴*	
6/1 07:00	JN	Consumer Confidence Index	Dec	32.3	33.7		
6/1 11:00	EC	Markit Eurozone Services PMI	Dec F	47.3	47.3	🔴*	
6/1 11:30	UK	Markit/CIPS UK Services PMI	Dec F	49.9	49.9	🔴*	
6/1 15:00	GE	CPI (YoY)	Dec P	-0.2%	-0.3%		
6/1 15:15	US	ADP Employment Change	Dec	75k	307k	🔴*	
6/1 16:45	US	Markit US Services PMI	Dec F	55.2	55.3	🔴*	
6/1 17:00	US	Factory Orders	Nov	0.8%	1.0%		
6/1 17:00	US	Durable Goods Orders	Nov F		0.9%	🔴*	
6/1 17:00	US	Durables Ex Transportation	Nov F		0.4%		
Eco Event	US	FOMC Meeting Minutes (16-Dec) (21:00)					🔴*
Thursday 7/1							
Date Time	Country	Event	Period	Survey	Prior		
7/1 01:30	JN	Real Cash Earnings (YoY)	Nov	0.20%	-0.10%		

December 31, 2020

7/1 09:00	GE	Factory Orders (MoM)	Nov	-1.20%	2.90%		
7/1 12:00	EC	Consumer Confidence	Dec F		-13.9		
7/1 12:00	EC	Retail Sales (MoM)	Nov	-3.00%	1.50%	🔴*	
7/1 12:00	EC	Retail Sales (YoY)	Nov	1.00%	4.30%		
7/1 12:00	EC	Economic Confidence	Dec	89.5	87.6	🔴*	
7/1 12:00	EC	CPI Estimate (YoY)	Dec	-0.20%	-0.30%	🔴*	
7/1 12:00	EC	CPI Core (YoY)	Dec P	0.20%	0.20%		
7/1 15:30	US	Initial Jobless Claims	2-Jan			🔴*	
7/1 15:30	US	Trade Balance	Nov	-\$64.1b	-\$63.1b	🔴*	
7/1 17:00	US	ISM Services Index	Dec	54.5	55.9	🔴*	
Eco Event	US	Fed's Bullard discusses U.S. Economy and Monetary Policy (19:00)					
Corp. Results		US: Constellation Brands, Micron Technology, Walgreens Boots					
		Friday 8/1					
Date Time	Country	Event	Period	Survey	Prior	🔴*	
8/1 07:00	JN	Leading Index	Nov P	96.6	94.3		
8/1 09:00	GE	Trade Balance (Euro)	Nov	19.6b	19.4b		
8/1 09:00	GE	Current Account Balance (Euro)	Nov	24.0b	22.5b		
8/1 09:00	GE	Industrial Production WDA (YoY)	Nov	-2.3%	-3.0%		
8/1 12:00	EC	Unemployment Rate	Nov	8.5%	8.4%		
8/1 15:30	US	Change in Nonfarm Payrolls	Dec	85k	245k	🔴*	
8/1 15:30	US	Unemployment Rate	Dec	6.8%	6.7%	🔴*	
8/1 15:30	US	Average Hourly Earnings (YoY)	Dec	4.5%	4.4%		

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