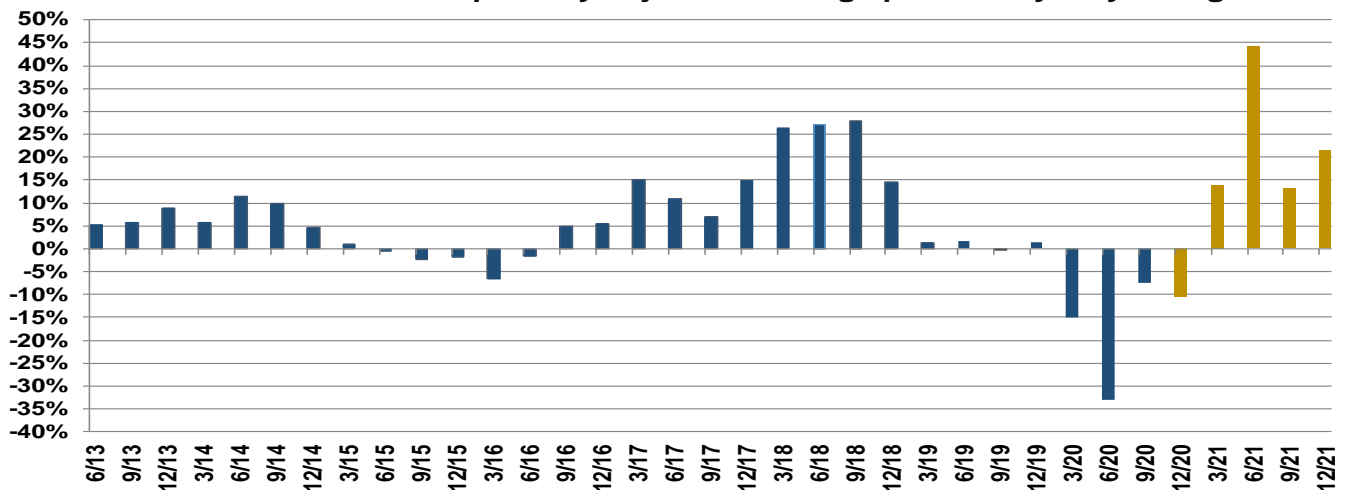


During the first week of 2021, the Congress formally declared Joe Biden as the next **US** President. After the results of the elections in the State of Georgia (5/1) for the Senate, Democrats have gained control of both chambers of Congress. As a result, it is expected that **additional fiscal easing** will probably be decided. According to the minutes of the Fed meeting in December, FOMC members **unanimously supported the continuation of asset buying** at the current pace, until substantial further progress is made towards maximum employment and higher inflation. The aggressive monetary and fiscal easing is expected to support the economic recovery and financial conditions in the months ahead. The **S&P 500 index increased at historic high** (7/1: 3,803.79). The earnings per share of the S&P 500 index have probably moderately declined on a yearly basis in the fourth quarter of 2020 (in the area of -10%), but the outlook is for **strong recovery of EPS to be evident in 2021** (area of 20%-23%), which will be enough for the index to restore (and probably surpass) **pre-pandemic record level of profitability**.

**S&P 500 index: quarterly adjusted earnings per share yearly change % \***


\*Blue columns denote actual yearly eps growth per quarter until Q3 2020. Gold coloured columns denote expected yearly eps growth from Q4 2020 and in 2021.  
 Source: Bloomberg

In **Europe**, the **Stoxx 600 index posted high since February 2020** at the area of 408.5 (7/1), moderately below the historic high (19/2: 434). **Eurozone economic sentiment index has risen in December**, as the economy is expected to benefit from large scale monetary and fiscal stimulus. The EU authorized the second Covid-19 vaccine developed by Moderna. In **Japan**, the Nikkei index has increased at 30-year high. The rise of the MSCI all countries world index at historic high coincides with the higher Euro versus the USD. EUR/USD has recently reached a high (6/1: \$1.2349) since April 2018. Resistance is at \$1.2415 and at the area of \$1.2550 - \$1.2600, while support is at \$1.2100 - 50. WTI crude oil has risen at a high (\$51.34/barrel) since February 2020.

### The week ahead:

In the **Eurozone**, the Sentix investor confidence index for January will be released at the start of the next week (11/1) and industrial production for November will be announced on January 13. In the **US**, industrial production (15/1) may have increased in December for the third consecutive month. BlackRock (14/1), JPMorgan Chase, Citigroup and Wells Fargo (15/1) will report quarterly economic results during the following week.

US employment figures for December expected today (8/1) will be key for market conditions in the short term.

**Mid-term outlook remains positive for the main equity markets and balanced allocations, based on the expectation for effective vaccinations, not excessive rise of government bond yields and continuing fiscal and monetary stimulus for long period ahead.**

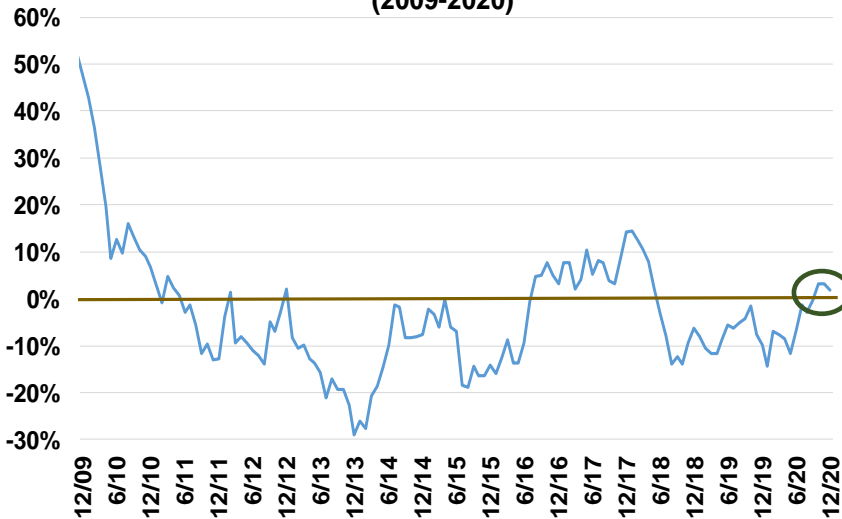
### Quote of the Week:

The ECB member Pablo Hernandez de Cos said (4/1): "the Pandemic Emergency Purchase Program (PEPP) can be increased again, if required".

Global Markets in Charts

The emerging index has recently overperformed the developed, on rolling annual basis.

Rolling annual return spread:  
emerging minus developed equity\*  
(2009-2020)



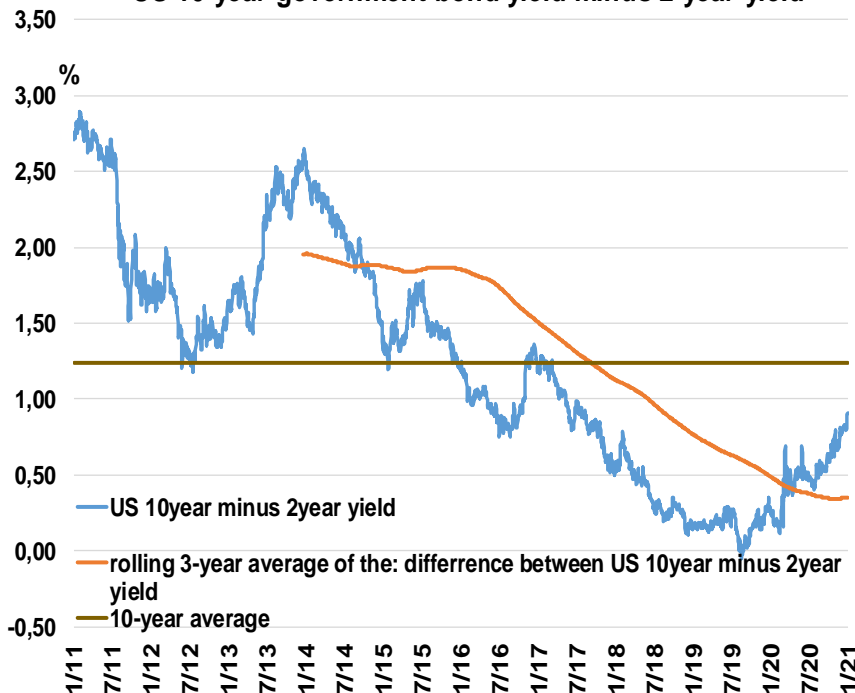
\* MSCI emerging, developed indices

The rolling annual return of the emerging equity index was in December higher than the respective annual return of the developed index for the third consecutive month. This follows a period of underperformance by emerging markets, which had lasted from mid-2018 until September 2020. The Asian index posted historic high in January 2021. The upwards mid-term trend has gradually also spread into the other main emerging market regions, namely L. America & Emerging Europe, including Greece. Greek industrial production increased on yearly basis in November by the most (8.6%) since February 2017.

Overall, the MSCI emerging index is currently close (7/1: 1,322) to the historic high posted in November 2007 (1/11/2007: 1,345).

The increase of US 10-2-year yield is associated with the expected strong expansion.

US 10-year government bond yield minus 2-year yield







Source: Bloomberg

The ISM manufacturing index increased in December at a high since August 2018 and the ISM services was in December better than expected. The spread between US 10-year yield minus the 2-year yield has increased at a high (8/1: 0.96%, 10-year average: 1.24%) since July 2017, reflecting the expectation for strong expansion. US 10-year yield has increased at high (1.098%) since March 2020. Resistance is at 1.27% - 1.34%, while support is at 0.90%. Sectors positively correlated with the level of US 10-year yield, have performed strongly recently (S&P 500 financials, energy). Technology maintains the highest one-year return and has probably posted positive yearly EPS growth in Q4 2020, along with healthcare and materials. For 2021, the level of profitability for technology is expected at record high. Rising yearly EPS is expected across the main sector indices in 2021. Healthcare is trading at moderate P/E 12-month forward ratio (16.8 vs 15 times of its 10-year average) and the consumer discretionary sector is expected to benefit by the strengthening expansion.

**Global Markets Minesweeper**
**Event Risk Calendar, 11 - 15 January 2021**

Monday 11/1						
Date Time	Country	Event	Period	Survey	Prior	
11/1 03:30	CH	PPI (YoY)	Dec	-0.7%	-1.5%	
11/1 03:30	CH	CPI (YoY)	Dec	0.0%	-0.5%	
11/1 11:30	EC	Sentix Investor Confidence	Jan	1.0	-2.7	
		Markets closed in Japan (Coming-of-age Day)				
<b>Eco Event</b>	US	Atlanta Fed President R. Bostic discusses his economic outlook for 2021 (19:00)				
Tuesday 12/1						
Date Time	Country	Event	Period	Survey	Prior	
12/1 01:50	JN	BoP Current Account Balance	Nov	¥1552.0b	¥2144.7b	
12/1 01:50	JN	Trade Balance BoP Basis	Nov	¥474.6b	¥971.1b	
12/1 13:00	US	NFIB Small Business Optimism	Dec		101.4	
<b>Eco Event</b>	US	Dallas Fed President R. Kaplan participates in a virtual discussion (01:00)				
	US	Boston Fed President E. Rosengren presents an economic overview (21:00)				
Wednesday 13/1						
Date Time	Country	Event	Period	Survey	Prior	
13/1 08:00	JN	Machine Tool Orders (YoY)	Dec P		8.6%	
13/1 12:00	EC	Industrial Production WDA (YoY)	Nov	-2.9%	-3.8%	
13/1 15:30	US	CPI (YoY)	Dec	1.3%	1.2%	
13/1 15:30	US	CPI Ex Food and Energy (YoY)	Dec	1.6%	1.6%	
13/1 21:00	US	Monthly Budget Statement	Dec		-\$145.3b	
<b>Eco Event</b>	EC	ECB President C. Lagarde speaks on the EU economy				
	US	Philadelphia Fed President P. Harker discusses the economic outlook (21:00)				
	US	US Fed releases Beige Book (21:00)				
Thursday 14/1						
Date Time	Country	Event	Period	Survey	Prior	
14/1	CH	Trade Balance	Dec	\$72.00b	\$75.40b	
14/1 01:50	JN	Core Machine Orders (MoM)	Nov	-6.9%	17.1%	
14/1 01:50	JN	Core Machine Orders (YoY)	Nov	-15.5%	2.8%	
14/1 01:50	JN	PPI (YoY)	Dec	-2.2%	-2.2%	
14/1 15:30	US	Initial Jobless Claims	9-Jan		787k	

January 8, 2021

14/1 15:30	US	Import Price Index (MoM)	Dec	0.7%	0.1%	
<b>Eco Event</b>	EC	The ECB publishes the account of its December monetary policy meeting				
	US	Boston Fed President E. Rosengren speaks at an economic event (16:00)				
	US	Atlanta Fed President R. Bostic moderates a virtual panel on small business recovery (18:00)				
<b>Corp. Results</b>		TW: Taiwan Semiconductor, US: BlackRock				
<b>Friday 15/1</b>						
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	
15/1 03:30	CH	New Home Prices (MoM)	Dec		0.1%	
15/1 09:00	UK	Industrial Production (MoM)	Nov	0.4%	1.3%	
15/1 09:00	UK	Industrial Production (YoY)	Nov	-4.2%	-5.5%	
15/1 09:00	UK	Manufacturing Production (MoM)	Nov	1.1%	1.7%	
15/1 09:00	UK	Manufacturing Production (YoY)	Nov	-4.6%	-7.1%	
15/1 09:00	UK	Trade Balance GBP/Mn	Nov	£900m	£1738m	
15/1 12:00	EC	Trade Balance SA (Euro)	Nov		25.9b	
15/1 15:30	US	PPI Final Demand (YoY)	Dec	0.7%	0.8%	
15/1 15:30	US	PPI Ex Food and Energy (YoY)	Dec	1.3%	1.4%	
15/1 15:30	US	Empire Manufacturing	Jan	3.8	4.9	
15/1 15:30	US	Retail Sales Advance (MoM)	Dec	-0.1%	-1.1%	
15/1 16:15	US	Industrial Production (MoM)	Dec	0.3%	0.4%	
15/1 17:00	US	U. of Mich. Sentiment	Jan P	79.5	80.7	
<b>Corp. Results</b>		US: JPMorgan, Wells Fargo, Citigroup				

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