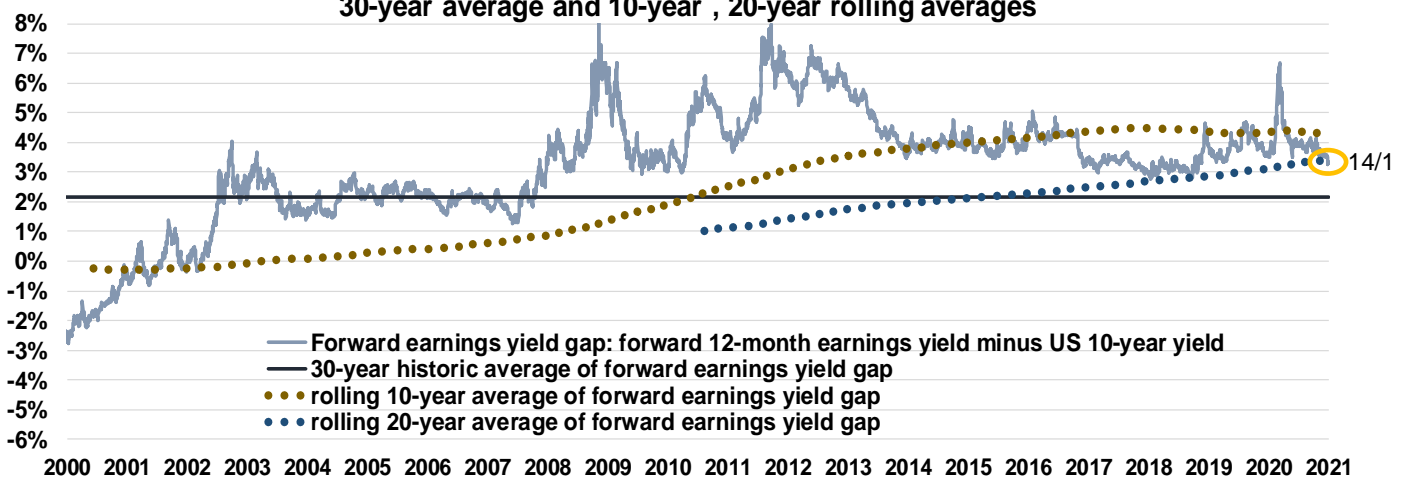


The expectation that further **fiscal support** measures will be adopted by the authorities in major economies has affected government bond yields to the upside. The US 10-year government bond yield has risen at a high (12/1: 1.185%) since March 2020. **The ongoing vaccinations along with monetary and fiscal easing have supported equity market sentiment.** The **S&P 500 index** has recently increased **at historic high** (8/1: 3,824.7). The President-elect J. Biden said (14/1) that will ask Congress to approve \$1.9 trillion of fiscal support, including \$400 bn. for pandemic emergency management, more than \$1 trillion for direct checks to individuals and \$440 bn., for States, local governments and corporations.

The forward 12-month earnings per share estimate for the S&P 500 index stands at a level (\$168) which implies (forward) earnings yield of 4.4% (at index level of 14/1: 3795.5) and forward earnings yield gap of around 3.3% (by subtracting the US 10-year yield: 1.1%). The forward earnings yield gap is slightly below its rolling 20-year average (3.4%) for the first time since October 2018 (30-year average: 2.2%). The comparison with the 20-year average highlights that the recent increase of the US 10-year yield may put some pressure on equity market sentiment. However, for the mid – term horizon, the US equity market is expected to be supported by further gradual increase in earnings per share estimates (as economic growth will probably strengthen).

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



*forward earnings yield is defined as: forward 12-month eps estimate divided by current price of the index. The forward earnings yield gap is defined as the forward earnings yield minus the US 10-year yield. Source: Bloomberg

In the last one month, S&P 500 sector indices, which have performed well, have been the energy (supported by oil price rise), financials (moderate valuation multiple, yields increase), materials, consumer discretionary (cyclicality), healthcare and technology (supported by the overall conditions). The S&P 600 small cap and the Russel 2000 indices have started the year on “bullish” tone, posting historic highs. The S&P 600 small cap index is at P/E 12-month forward ratio around that of the S&P 500 index (22.5 times), while the Russell 2000 has a higher multiple (around 36 times). Both the two US small cap indices are higher beta versus the S&P 500 index and this is also the case for the Stoxx 200 **Europe** small cap index versus the Stoxx 600 Europe. The small cap indices in the US and in Europe, may continue to benefit, if the strong momentum in markets continues, while large cap indices may prove more resilient, if a “healthy” correction materialises. The **emerging** markets index has posted historic high.

The week ahead:

Joe Biden will be inaugurated as the 46th US President on January 20, 2021. Bank of America, Goldman Sachs, Netflix (19/1), Morgan Stanley (20/1) will report quarterly economic results. The **ECB** meeting is on January 21. **The mid-term outlook for balanced allocations is considered positive, conditionally upon the assumption that the pandemic will be treated via vaccinations and that the rise of bond yields will not be excessive.**

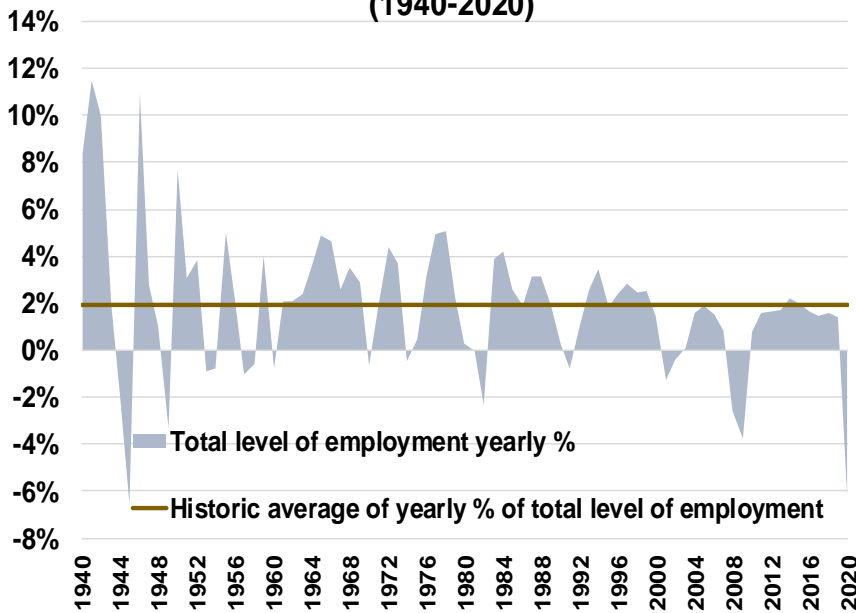
Quote of the Week:

The President of the Fed said: “Now is not the time to talk about reducing the pace of easing.”

Global Markets in Charts

The total level of US employment dropped on yearly basis in 2020 by the most since 1945.

US: Yearly % of the total non-farm employment (1940-2020)

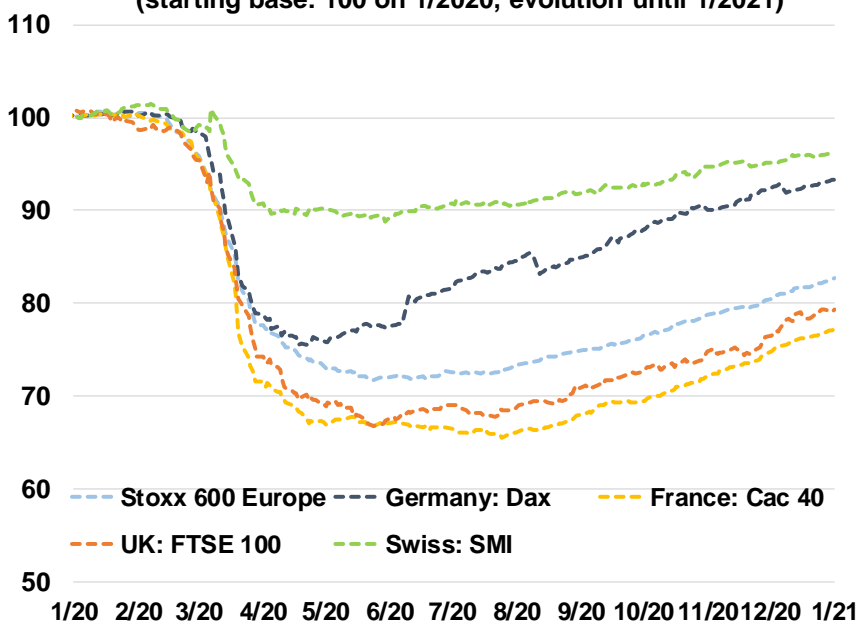


US non-farm payrolls declined (8/1) by 140,000 in December. The total level of employment dropped in 2020, by the most (-6.2%) since 1945. The unemployment rate has moderated in the last few months, but remains (12/20: 6.7%) higher than the historic average (5.8%).

The vice – President of the Fed (R. Clarida) and other FOMC members have recently said that monetary policy will remain supportive, at least until further progress is made towards employment gains and higher inflation. The comments made by the President of Kansas Fed (E. George), Boston Fed (E. Rosengren) and Cleveland Fed (L. Mester) suggest that the Fed will most probably continue with the current pace of asset buying for at least some months. It remains to be seen what the impact of Fed policy will be on potentially cooling the recent increase of the US 10-year yield, which matters substantially for the equity market sentiment going forward and as the next Fed meeting is near (27/1).

The 12-month forward earnings per share estimates are recovering.

European equity: EPS 12 - month forward estimates (starting base: 100 on 1/2020, evolution until 1/2021)



Source: Bloomberg

Following the substantial recovery of earnings per share 12-month forward estimates in the US since mid-2020, the main European indices have started registering gradual upwards revisions. The Stoxx 600 Europe index has total return of 3.3% in 2021 (14/1) and has posted the highest close level (14/1: 412) since February 2020, facing resistance at the area of 434 (19/2/20 historic high). The German Dax index and the Swiss SMI are approaching the level of 12-month earnings per share estimate at the start of 2020, pre-pandemic. The DAX has recently (8/1) posted historic high and it's a higher beta index (aggressive) versus the Stoxx 600 Europe. The Swiss SMI index has increased at a high (12/1) since late February. The one-year total return of the SMI index stands (13/1) at 5.4% (5.3% in euro, Stoxx 600 one year: 0.9%) and it is more defensive (beta below 1) versus the Stoxx 600 Europe.

Global Markets Minesweeper
Event Risk Calendar, 18 - 22 January 2021

Monday 18/1						
Date Time	Country	Event	Period	Survey	Prior	
18/1 04:00	CH	GDP (YoY)	4Q	6.20%	4.90%	🌩️
18/1 04:00	CH	Industrial Production (YoY)	Dec	6.90%	7.00%	🌩️
18/1 04:00	CH	Retail Sales (YoY)	Dec	5.50%	5.00%	🌩️
		Markets closed in US (Martin L. King Day)				
Tuesday 19/1						
Date Time	Country	Event	Period	Survey	Prior	
19/1 09:00	GE	CPI (YoY)	Dec F	-0.30%	-0.30%	
19/1 11:00	EC	ECB Current Account SA	Nov		€26.6b	
19/1 12:00	GE	ZEW Survey Expectations	Jan	56	55	🌩️
19/1 12:00	GE	ZEW Survey Current Situation	Jan	-69	-66.5	
19/1 23:00	US	Net Long-term TIC Flows	Nov		\$51.9b	
Corp. Results		US: Bank of America, Netflix, Goldman Sachs, State Street				
Wednesday 20/1						
Date Time	Country	Event	Period	Survey	Prior	
20/1 09:00	UK	CPI (YoY)	Dec	0.50%	0.30%	🌩️
20/1 09:00	GE	PPI (MoM)	Dec	0.20%	0.20%	
20/1 11:30	UK	House Price Index (YoY)	Nov		5.40%	
20/1 12:00	EC	CPI (YoY)	Dec F	-0.30%	-0.30%	🌩️
20/1 12:00	EC	CPI Core (YoY)	Dec F	0.20%	0.20%	
20/1 17:00	US	NAHB Housing Market Index	Jan	86	86	
Corp. Results		US: P&G, UnitedHealth, Morgan Stanley				
Thursday 21/1						
Date Time	Country	Event	Period	Survey	Prior	
21/1	JN	BOJ Policy Balance Rate	21-Jan	-0.10%	-0.10%	🌩️
21/1 01:50	JN	Trade Balance	Dec	¥942.8b	¥366.1b	
21/1 13:00	UK	CBI Trends Total Orders	Jan	-35	-25	
21/1 14:45	EC	ECB Deposit Facility Rate	21-Jan	-0.50%	-0.50%	🌩️
21/1 14:45	EC	ECB Main Refinancing Rate	21-Jan	0.00%	0.00%	
21/1 15:30	US	Building Permits (MoM)	Dec	-2.10%	5.90%	🌩️
21/1 15:30	US	Philadelphia Fed Business Outlook	Jan	12	9.1	
21/1 15:30	US	Initial Jobless Claims	16-Jan		965k	🌩️
21/1 15:30	US	Housing Starts (MoM)	Dec	1.10%	1.20%	🌩️

January 15, 2021

21/1 17:00	EC	Consumer Confidence	Jan A	-15	-13.9	🌟
Eco Event	EC	The ECB President Christine Lagarde holds a press conference (15:30)				🌟
Corp. Results		US: Intel, Union Pacific, IBM				
Friday 22/1						
Date Time	Country	Event	Period	Survey	Prior	🌟
22/1 01:30	JN	Natl CPI (YoY)	Dec	-1.30%	-0.90%	
22/1 01:30	JN	Natl CPI Ex Fresh Food (YoY)	Dec	-1.10%	-0.90%	
22/1 02:30	JN	Jibun Bank Japan PMI Mfg	Jan P		50	🌟
22/1 02:30	JN	Jibun Bank Japan PMI Services	Jan P		47.7	
22/1 09:00	UK	PSNB ex Banking Groups (GBP)	Dec	32.0b	31.6b	
22/1 09:00	UK	Retail Sales Inc Auto Fuel (MoM)	Dec	1.50%	-3.80%	🌟
22/1 10:30	GE	Markit/BME Germany Manufacturing PMI	Jan P	58	58.3	🌟
22/1 10:30	GE	Markit Germany Services PMI	Jan P	46	47	
22/1 11:00	EC	Markit Eurozone Manufacturing PMI	Jan P	54.9	55.2	🌟
22/1 11:00	EC	Markit Eurozone Services PMI	Jan P	45.5	46.4	🌟
22/1 11:30	UK	Markit UK PMI Manufacturing SA	Jan P	53	57.5	🌟
22/1 11:30	UK	Markit/CIPS UK Services PMI	Jan P	45.5	49.4	🌟
22/1 16:45	US	Markit US Manufacturing PMI	Jan P	56.5	57.1	
22/1 16:45	US	Markit US Services PMI	Jan P	54	54.8	🌟
22/1 17:00	US	Existing Home Sales (MoM)	Dec	-2.10%	-2.50%	

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

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