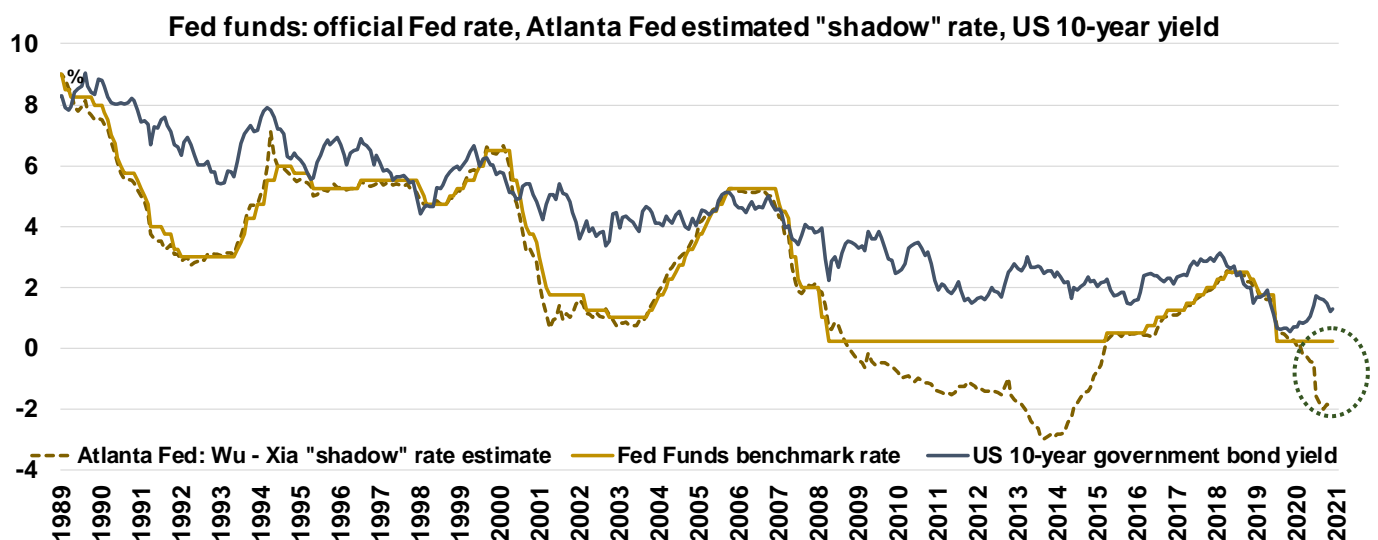


In the current week, the focus was on **US inflation** figures. The headline inflation declined slightly in August at 5.3% (historic average 1914-2021: 3.2%) from 5.4% in July. The core inflation was lower (4%, July: 4.3%) than expected (4.2%), however still above the historic average (3.6%). On monthly basis, the consumer price index increased in August by less (0.3%) than expected (0.4%) and the core consumer price index posted the lowest monthly rise (0.1%, expected: 0.3%) since February.

The Fed funds rate currently (0%-0.25%) at the “zero bound”, combined with the ongoing bond-buying of \$120 bn. per month, constitute highly expansionary monetary policy. According to Atlanta Fed (Wu-Xia) estimate of “shadow” Fed rate, the current mix of monetary policy corresponds to implied negative rate. Their estimate of the “shadow” rate is close (8/21: -1.8%) to the lowest (5/21: -2%) since early 2015. Despite that growth and inflation figures may fluctuate substantially as yearly base effects will be fading-out, the direction of monetary policy will most probably be towards gradually lower pace of bond-buying, likely from the fourth quarter, so that the highly expansionary policy can be normalized. The level of US 10-year bond yield is moderate (1.33%, average 2021: 1.41%), which continues to support the relative attractiveness of stocks versus bonds from mid-term perspective.



Source: Bloomberg

The S&P 500 index is -1.4% lower (16/9: 4,474) than the historic high of September 2, 2021 (4,537). Worries including slower growth pace, elevated inflation, higher taxation (plan for hiking corporate tax rate to 26.5% from 21%) and Fed policy, have not materially affected market sentiment, while short term correction cannot be excluded. The Stoxx 600 **Europe** has mildly retreated by -2% (16/9) versus the historic high of August 13. In **Japan**, the Nikkei index had risen above the 200-day average (28,550 area) in early September and posted high (14/9: 30,796) since 1990, supported by the expectation for additional fiscal stimulus and continued monetary easing. The index is close to a key area (31,400: 76.4% Fibonacci retracement of the move from 38,957 in December 1989 down to 6,995 in October 2008). In **China**, retail sales have risen on yearly basis in August by the least (2.5%) since August 2020. Additional monetary easing may be the response to weakening economic growth.

The week ahead:

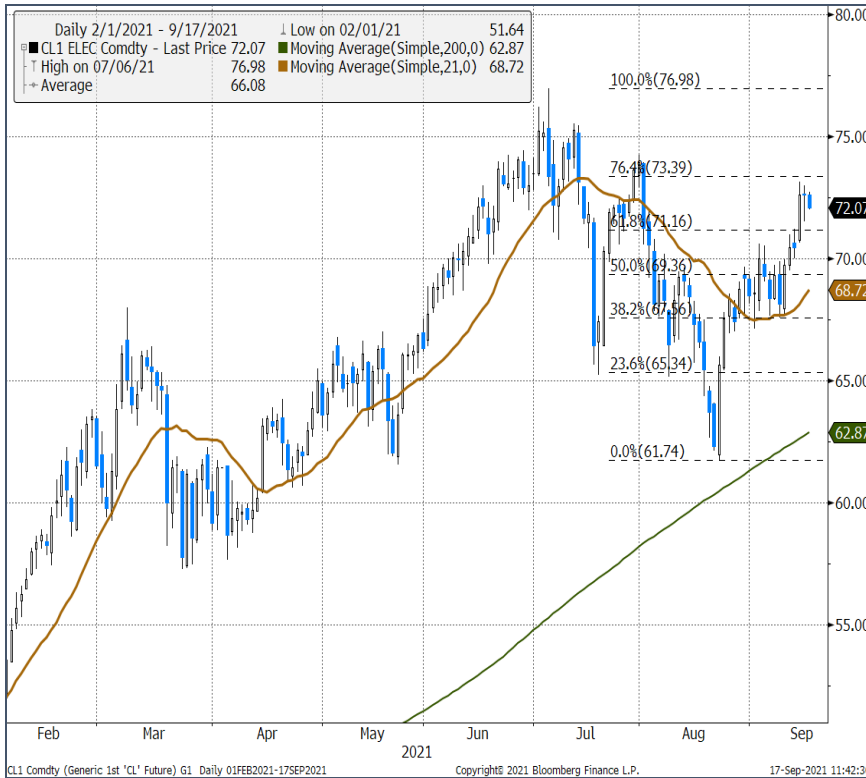
Eurozone consumer confidence is expected (22/9) in September above historic average. PMI manufacturing and services indices (23/9) may have slightly declined in September, but will most probably indicate strong expansion of the sectors. **US** leading economic index (23/9) may have increased in August for 6th consecutive month. The Bank of **Japan** (22/9), the Bank of **England** and the **Swiss** National Bank (23/9) will probably maintain monetary easing, while the **Fed** (22/9) may decide to start reducing the pace of bond buying from the fourth quarter.

Quote of the Week:

The Bank of France Governor (F. Villeroy) said (14/9): “The ECB thinks it is a temporary spike and inflation will come back below 2% as soon as next year”.

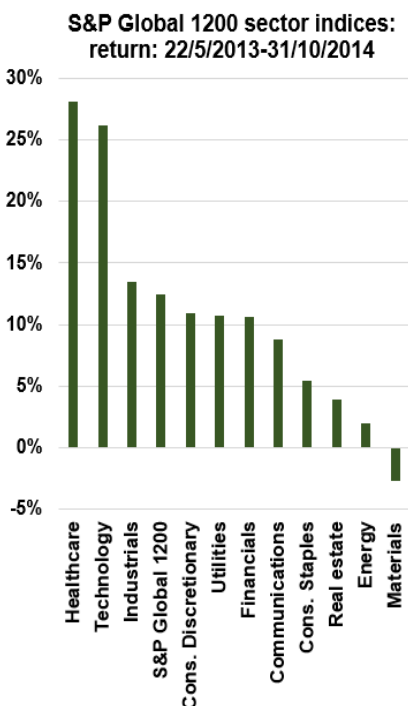
Global Markets in Charts

The price of WTI crude oil increased at a high (15/9: \$73.1/barrel) since early August



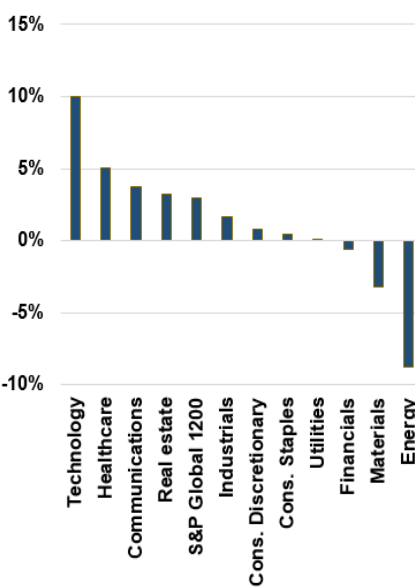
The WTI crude oil price increased at high (15/9: \$73.1/barrel) since early August, approaching the resistance area of \$73.5/barrel (76.4% Fibonacci retracement: \$77/barrel-61.7/barrel). Further resistance at \$77/barrel (2021 high on 6/7). The drop of US crude oil inventories and the slow pace of restoring production at the Gulf of Mexico triggered the oil price rise. The International Energy Agency expects (14/9) yearly rise of 3.4% of world oil demand in 2022 versus 2021. In case of pull-back, support at \$67/barrel (1/9 low)-\$69/barrel (21-day average). Aluminum has risen at high (13/9: \$3,000) since mid-2008, as production in China has dropped in August for 4th consecutive month. Gold posted one-month low (16/9: \$1,745/ounce), as demand for “safe heaven” proxies declined. If US 10-year yield rises, gold may revisit the area of \$1.690/ounce (9/8 low), while if the yield moderates, gold may rebound towards \$1,800-10 (21, 200-day averages).

Equities can maintain mid-term upwards trend, despite lower monetary easing





Source: Bloomberg

S&P Global 1200 sector indices: 16/6/21-16/9/21



At a Congressional hearing on May 22, 2013, B. Bernanke (Fed’s Chairman: 2006-2014) signaled that the pace of bond buying could be reduced. The Fed decided tapering in December 2013 and the 3rd monetary easing program ended in October 2014. The US 10-year yield increased in that period (starting from 2% area on 22/5/13, the average was 2.6% until the end of October 2014) and the S&P Global 1200 index was positive. The healthcare and the technology had at that period (22/5/13-31/10/14) the highest returns. In 2021, initial signs that the Fed may taper bond-buying soon, were evident after the Fed meeting in June (16/6). From June 16 to September 16, 2021, the technology sector had the strongest rise, followed by the healthcare. The prices of oil and other commodities will be crucial for energy, materials. US 10-year yield is important for financials, which have risen strongly since the latest Fed meeting (28/7).

Global Markets Minesweeper
Event Risk Calendar, 20 - 24 September 2021

| Monday 20/9 | | | | | | | |
|--------------------------------------------------------------|---------|-----------------------------------------------------------------|--------|-----------|-----------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Date Time | Country | Event | Period | Survey | Prior |  | |
| 20/9 02:00 | UK | Rightmove House Prices (MoM) | Sep | | -0.30% | | |
| 20/9 02:00 | UK | Rightmove House Prices (YoY) | Sep | | 5.60% | | |
| 20/9 09:00 | GE | PPI (MoM) | Aug | 0.50% | 1.90% | | |
| 20/9 17:00 | US | NAHB Housing Market Index | Sep | 74 | 75 | | |
| Chinese Markets closed (mid-autumn festival 20-21 September) | | | | | | | |
| Japanese markets closed, respect for the aged day | | | | | | | |
| Tuesday 21/9 | | | | | | | |
| Date Time | Country | Event | Period | Survey | Prior |  | |
| 21/9 09:00 | UK | PSNB ex Banking Groups (GBP) | Aug | £14.9b | £10.4b | | |
| 21/9 15:30 | US | Building Permits (MoM) | Aug | -2.20% | 2.30% | | |
| 21/9 15:30 | US | Current Account Balance (USD) | 2Q | -\$190.0b | -\$195.7b | | |
| 21/9 15:30 | US | Housing Starts (MoM) | Aug | 0.60% | -7.00% | | |
| Eco Event | EU | ECB Vice President Luis de Guindos speaks at conference (10:05) | | | | | |
| | FR | OECD Publishes Interim Economic Outlook (12:00) | | | | | |
| Wednesday 22/9 | | | | | | | |
| Date Time | Country | Event | Period | Survey | Prior |  | |
| 22/9 | JN | BOJ Policy Balance Rate | 22-Sep | -0.10% | -0.10% | | |
| 22/9 | JN | BOJ 10-Yr Yield Target | 22-Sep | 0.00% | 0.00% | | |
| 22/9 17:00 | US | Existing Home Sales | Aug | 5.84m | 5.99m | | |
| 22/9 17:00 | US | Existing Home Sales (MoM) | Aug | -2.50% | 2.00% | | |
| 22/9 17:00 | EC | Consumer Confidence | Sep A | -6.0 | -5.3 | | |
| 22/9 21:00 | US | FOMC Rate Decision (Lower Bound) | 22-Sep | 0.00% | 0.00% |  | |
| 22/9 21:00 | US | FOMC Rate Decision (Upper Bound) | 22-Sep | 0.25% | 0.25% |  | |
| 22/9 21:00 | US | Interest on Reserve Balances Rate | 23-Sep | | 0.15% | | |
| Eco Event | US | FOMC Meeting, Fed Chair Powell holds press conference (21:30) | | | | |  |
| Corp. Results | US | General Mills | | | | | |
| Thursday 23/9 | | | | | | | |
| Date Time | Country | Event | Period | Survey | Prior |  | |
| 23/9 10:30 | GE | Markit Germany Manufacturing PMI | Sep P | 61.5 | 62.6 |  | |
| 23/9 10:30 | GE | Markit Germany Services PMI | Sep P | 60.4 | 60.8 | | |
| 23/9 11:00 | EC | Markit Eurozone Manufacturing PMI | Sep P | 60.5 | 61.4 |  | |

September 17, 2021

| | | | | | | |
|--------------------------------------------|----------------|----------------------------------------------------------------|---------------|---------------|--------------|-----------|
| 23/9 11:00 | EC | Markit Eurozone Services PMI | Sep P | 58.7 | 59 | |
| 23/9 11:30 | UK | Markit UK PMI Manufacturing SA | Sep P | 59 | 60.3 | 🌩️ |
| 23/9 11:30 | UK | Markit/CIPS UK Services PMI | Sep P | 54.7 | 55 | |
| 23/9 14:00 | UK | Bank of England Bank Rate | 23-Sep | 0.10% | 0.10% | 🌩️ |
| 23/9 14:00 | UK | BOE Gilt Purchase Target (GBP) | Sep | 875b | 875b | |
| 23/9 15:30 | US | Chicago Fed Nat Activity Index | Aug | | 0.53 | |
| 23/9 15:30 | US | Initial Jobless Claims | 18-Sep | | 332k | 🌩️ |
| 23/9 16:45 | US | Markit US Manufacturing PMI | Sep P | 61 | 61.1 | 🌩️ |
| 23/9 16:45 | US | Markit US Services PMI | Sep P | 55 | 55.1 | |
| 23/9 17:00 | US | Leading Index (MoM) | Aug | 0.50% | 0.90% | 🌩️ |
| Japan markets closed, autumnal Equinox Day | | | | | | |
| Eco Event | EU | ECB Publishes Economic Bulletin, 11:00 | | | | |
| Corp. Results | US | Nike | | | | |
| Friday 24/9 | | | | | | |
| Date Time | Country | Event | Period | Survey | Prior | 🌩️ |
| 24/9 02:01 | UK | GfK Consumer Confidence | Sep | -7 | -8 | |
| 24/9 02:30 | JN | Natl CPI (YoY) | Aug | -0.30% | -0.30% | |
| 24/9 02:30 | JN | CPI Ex Fresh Food, Energy (YoY) | Aug | -0.40% | -0.60% | |
| 24/9 03:30 | JN | Jibun Bank Japan PMI Mfg | Sep P | | 52.7 | 🌩️ |
| 24/9 03:30 | JN | Jibun Bank Japan PMI Services | Sep P | | 42.9 | |
| 24/9 11:00 | GE | IFO Expectations | Sep | 97 | 97.5 | 🌩️ |
| 24/9 11:00 | GE | IFO Current Assessment | Sep | 102 | 101.4 | 🌩️ |
| 24/9 11:00 | GE | IFO Business Climate | Sep | 99 | 99.4 | 🌩️ |
| 24/9 17:00 | US | New Home Sales (MoM) | Aug | 0.70% | 1.00% | |
| Eco Event | US | J. Powell, R. Clarida and M. Bowman Host "Fed Listens" (17:00) | | | | |

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