



***The Fed's President in a speech on November 30, reviewed a turbulent year for monetary policy and beyond. The speech was also a kind of a preview of the year ahead, which appears somewhat more predictable for monetary policy at least.***

The President of the Fed said that the **“time for moderating rate hike pace may come as soon as in December”**, while he repeated that the Fed will need **restrictive policy for some time**. He added that the peak level of the Fed funds benchmark rate will likely be **somewhat higher compared to the forecasts of the FOMC in September** (4.50%-4.75%). He said that the economy will require **“period of below-trend growth”**, so that **high inflation can ease**. He noted that, while the Fed has **domestic mandate, it does monitor the global economy and potential global spillovers**. The speech of the President of the Fed was perceived by markets as an indication that the Fed may be gradually **“pivoting”** from aggressive monetary tightening to somewhat **“dovish”** tightening. The **US 2-year bond yield** moderated at a low (2/12: 4.23%) since early October and the 10-year yield at a low (3.50%) since September 22. **Lower US yields affected the Dollar correctively**. The **Dollar DXY** index posted low (2/12: 104.64) since late June and the **EUR/USD** increased at a high (2/12: \$1.0540, 200-day average: \$1.0370) since June 28. Resistance appears at the area of \$1.0600-40 (27/6, 10/6 highs and 38.2% Fibonacci retracement of the move from \$1.2349 on 6/1/21 to \$0.9540 on 28/9/22), while support is at the area of \$1.0100 (21-week average) - \$1.0160 (11/11/22 low). The spread of **German-US 2-year yields** is currently higher (-2.29%) than its six-month average (-2.39%), supporting the upwards reaction of the Euro versus the USD. Non-farm payrolls for November are in focus today (2/12).

In **equity** markets, developments during the last three months were consistent with seasonality. For the MSCI all countries **world** index, the S&P **Global** 1200 index and the S&P 500 index in the **US**, September had been the worst month in terms of negative returns on-average during the last 30 years and this year also, September was the worst month for these three indices. The strong recovery of equity markets in October was also consistent with history, as October had been in the past, a month with wide dispersion of returns (usually either strongly upwards or strongly downwards). In November, the S&P 500 index posted the 3<sup>rd</sup> higher positive calendar monthly return in 2022, in line with seasonality (the S&P 500 had the second strongest return on-average in November during the last 30 years). For the global equity indices, this November was the strongest of the current year, consistent with seasonality (global equities had the 3<sup>rd</sup> higher return on average in November during the last 30 years).

### The week ahead

In the **US**, the ISM services index may have slightly declined in November (5/12), but it is expected at a level (median of estimates: 53.5, October: 54.4), which indicates expansion. The University of Michigan consumer confidence index (9/12) may have remained stable in December, below its 12-month average. In the **Eurozone**, the Sentix economic sentiment for December will be released, along with the final reading of services PMI for November (5/12). The final readings of GDP for the third quarter in the Eurozone (7/12) and in Japan (8/12) are expected.

In **China**, the Caixin services PMI (5/12) may have slightly declined in November at contraction of the sector area. Trade balance for November will be released on December 7.

### “Quote of the Week”

The President of the Fed said (30/11): “The Fed does not want to overtighten, which is why rate hikes will be slower. There is a path to soft economic landing.”

In the **US**, the S&P 500 **equity** index increased at the highest close (4,080) since mid-September, exceeding its 200-day average (4,048), after the speech by the Fed President (30/11). Resistance appears at the area of 4,130 (76.4% Fibonacci retracement: 4,325-3,492) – 4,150 (50% retracement: 4,819-3,492) and, in the medium term, an extension of the recovery towards the area of 4,290 (20% from the lowest close year to date on October 12: 3,577) - 4,300 (61.8% Fibonacci retracement: 4,819-3,492) may not be excluded, if government bond yields are mild and the downwards revision in expected earnings continue to be only moderate (not excessive). Support is at 3,905 (17/11 low) – 3,928 (21-day average). Since the lowest close year to date (12/10), the recovery of the S&P 500 (12/10-1/12: 14%) has been broad-based, with seven out of eleven main sector indices posting higher total return than the index in this period (12/10-1/12). These seven sectors included aggressive indices (materials, financials, technology), a neutral (industrials) and defensives (utilities, real estate, healthcare). Year to date, the four sectors with higher total return have remained the same: energy (benefited by high oil price), followed by three defensives (utilities, consumer staples and healthcare).

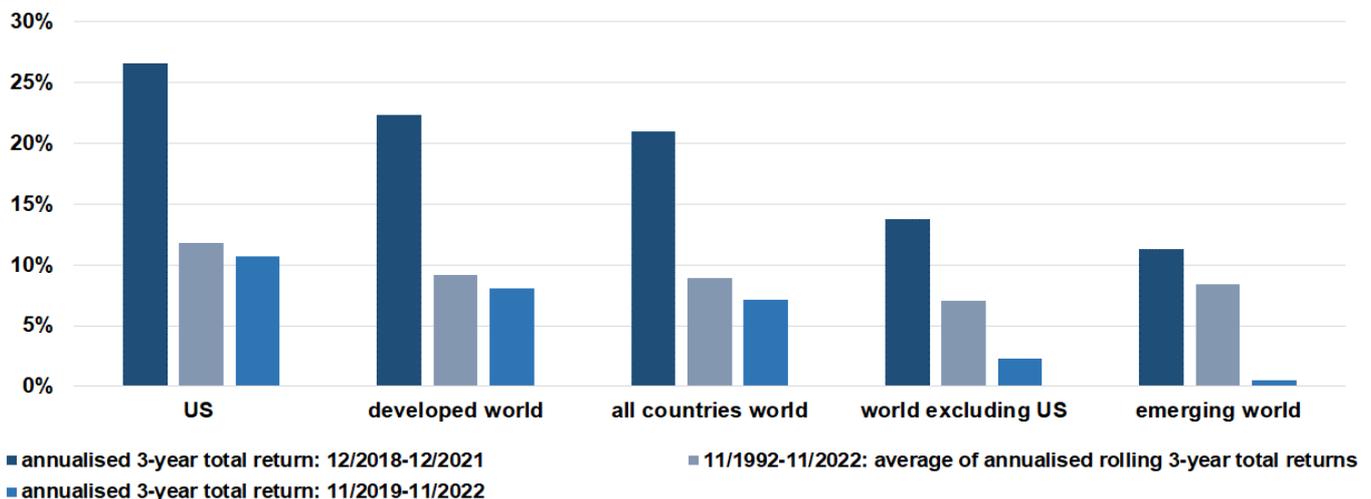
**Macroeconomic** figures have been quite supportive, as the **US GDP** had risen on quarterly basis in the third quarter by 2.9% and on yearly basis by 1.9%. The average of year over year increase of GDP in the three

quarters of 2022 has been at 2.5%, equal to the 30-year average. The ISM manufacturing declined in November at a low (49, October: 50.2) since mid-2020, indicating contraction of the sector.

In the **Eurozone**, the Stoxx 50 **equity** index has risen by 21.5% (close levels) in the period from the low year to date (29/9-1/12), supported by the moderation of **German 10-year bond yield**, which posted low (1/12: 1.80%) since early October. The Stoxx 600 **Europe** equity index has recovered by almost 16% (29/9-1/12) and its P/E 12-month forward ratio is mild (12.4 times versus 10-year average of 14.5).

The lower US yields, the correction of the Dollar and of the oil, have recently been supportive for both developed and emerging equity. The MSCI **emerging** equity index (1/12: 978, 200-day average: 1,003) bounced by 16.1% (24/10-1/12). The WTI crude **oil** posted intraday low (28/11: \$73.60/barrel) since late 2021, however it is currently higher (2/12: \$81/barrel, 21-day average: \$83.5/barrel), as the focus is on the decision of the OPEC + about oil production policy on December 4. In **China**, both the official manufacturing PMI and the services PMI declined in November at contraction area. However, the correction of the USD corrected versus the chinese currency at 7.04 area (1/12) from 7.33 area (1/11) has been favorable for the recovery of the MSCI China equity index by 28.9% (31/10-30/11).

### The annualised rolling 3-year returns of main developed equity indices have mean-reverted in 2022, from unusually high levels at the end of 2021.



Source: Bloomberg

**Global Markets Minesweeper**
**Event Risk Calendar, 5 - 9 December 2022**

Monday 5/12						
Date Time	Country	Event	Period	Survey	Prior	
5/12 02:30	JN	Jibun Bank Japan PMI Services	Nov F		50	
5/12 03:45	CH	Caixin China PMI Composite	Nov		48.3	
5/12 03:45	CH	Caixin China PMI Services	Nov	48	48.4	
5/12 10:50	FR	France Services PMI	Nov F	49.4	49.4	
5/12 10:55	GE	Germany Services PMI	Nov F	46.4	46.4	
5/12 11:00	EC	Eurozone Services PMI	Nov F	48.6	48.6	
5/12 11:00	EC	Eurozone Composite PMI	Nov F	47.8	47.8	
5/12 11:30	EC	Sentix Investor Confidence	Dec	-27.5	-30.9	
5/12 11:30	UK	UK Services PMI	Nov F	48.8	48.8	
5/12 12:00	EC	Retail Sales (MoM)	Oct	-2.00%	0.40%	
5/12 12:00	EC	Retail Sales (YoY)	Oct	-3.00%	-0.60%	
5/12 16:45	US	US Services PMI	Nov F	46.1	46.1	
5/12 17:00	US	Factory Orders (MoM)	Oct	0.70%	0.30%	
5/12 17:00	US	Durable Goods Orders (MoM)	Oct F		1.00%	
5/12 17:00	US	ISM Services Index	Nov	53.5	54.4	
<b>Eco Event</b>	EC	European Union cap of Russian crude oil deadline				
	EC	ECB President Christine Lagarde gives a speech (03:45)				
Tuesday 6/12						
Date Time	Country	Event	Period	Survey	Prior	
6/12 01:30	JN	Household Spending (YoY)	Oct	0.90%	2.30%	
6/12 01:30	JN	Labor Cash Earnings (YoY)	Oct	2.00%	2.20%	
6/12 09:00	GE	Factory Orders (MoM)	Oct	0.50%	-4.00%	
6/12 09:00	GE	Factory Orders WDA (YoY)	Oct	-3.00%	-10.80%	
6/12 15:30	US	Trade Balance	Oct	-\$77.0b	-\$73.3b	
Wednesday 7/12						
Date Time	Country	Event	Period	Survey	Prior	
7/12	CH	Exports (YoY)	Nov	-4.40%	-0.30%	
7/12	CH	Imports (YoY)	Nov	-7.00%	-0.70%	
7/12	CH	Trade Balance	Nov	\$77.05b	\$85.15b	
7/12 07:00	JN	Leading Index CI	Oct P	98.3	97.5	
7/12 07:00	JN	Coincident Index	Oct P	100.5	101.4	
7/12 09:00	GE	Industrial Production SA (MoM)	Oct	-0.60%	0.60%	
7/12 09:00	GE	Industrial Production WDA (YoY)	Oct	-0.70%	2.60%	
7/12 12:00	EC	GDP SA (QoQ)	3Q F	0.20%	0.20%	
7/12 12:00	EC	GDP SA (YoY)	3Q F	2.10%	2.10%	
7/12 22:00	US	Consumer Credit	Oct	\$26.500b	\$24.976b	

December 2, 2022

Thursday 8/12						
Date Time	Country	Event	Period	Survey	Prior	
8/12 01:50	JN	GDP SA (QoQ)	3Q F	-0.30%	-0.30%	
8/12 01:50	JN	GDP Annualized SA (QoQ)	3Q F	-1.00%	-1.20%	
8/12 01:50	JN	BoP Current Account Adjusted	Oct	¥352.7b	¥670.7b	
8/12 01:50	JN	Trade Balance BoP Basis	Oct	-¥1820.7b	-¥1759.7b	
8/12 02:01	UK	RICS House Price Balance	Nov	-10%	-2%	
8/12 07:00	JN	Eco Watchers Survey Current SA	Nov	50.6	49.9	
8/12 07:00	JN	Eco Watchers Survey Outlook SA	Nov	46.8	46.4	
8/12 15:30	US	Initial Jobless Claims	3-Dec		225k	
<b>Eco Event</b>	EC	ECB's Francois Villeroy speaks (18:00)				
<b>Corp. Results</b>	US	Broadcom Inc				
Friday 9/12						
Date Time	Country	Event	Period	Survey	Prior	
9/12 01:50	JN	Money Stock M2 (YoY)	Nov	3.00%	3.10%	
9/12 01:50	JN	Money Stock M3 (YoY)	Nov	2.60%	2.60%	
9/12 03:30	CH	PPI (YoY)	Nov	-1.50%	-1.30%	
9/12 03:30	CH	CPI (YoY)	Nov	1.60%	2.10%	
9/12 15:30	US	PPI Ex Food and Energy (YoY)	Nov	5.80%	6.70%	
9/12 15:30	US	PPI Final Demand (MoM)	Nov	0.20%	0.20%	
9/12 15:30	US	PPI Ex Food and Energy (MoM)	Nov	0.20%	0.00%	
9/12 15:30	US	PPI Final Demand (YoY)	Nov	7.10%	8.00%	
9/12 17:00	US	U. of Mich. Sentiment	Dec P	56.8	56.8	
9/12 17:00	US	U. of Mich. 1 Yr Inflation	Dec P		4.90%	
9/12 17:00	US	U. of Mich. 5-10 Yr Inflation	Dec P		3.00%	

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