

In the **Eurozone**, the Sentix investor confidence index increased in January (14.9, December: 13.5, 12-month average: 16.8) above the historic average (3.4). The unemployment rate declined in November at a low (7.2%, October: 7.3%) since March 2020, as the economy has been recovering. Eurozone inflation has risen in December at the highest (Eurostat's estimate: 5%) in the history of the euro area. The member of the ECB (O. Rehn) said that inflation is mostly temporary mainly due to high energy prices and he added that it is better to focus on the core inflation (12/21: 2.6%), "which says more about the dynamics behind inflation". The German 10-year yield posted the highest (11/1: -0.017%) since May 2019, but it is relatively mild compared to its long term average (10-year average: 0.48%), still supporting the relative attractiveness of stocks versus bonds. The Stoxx 50 Eurozone index has recently risen at the highest close (5/1: 4,392) since mid-November 2021. The 12-month forward earnings per share estimate of the Stoxx 50 Eurozone index is at a high since late 2011. For the Stoxx 600 Europe index, the 12-month forward earnings per share estimate had exceeded in November 2021 the highest on record (previously: in late 2007) and keeps on marching higher. The Stoxx 600 **Europe** had recently risen at historic high close on January 5 (494), while it is currently slightly lower (14/1: 483).

Stoxx 600 Europe: level, 12-month forward EPS estimate (2006-2022)



Source: Bloomberg

The S&P **Global 1200 energy** maintains the highest total return in 2022 (13/1: 12.7%), as the **WTI** crude oil price has risen at two-month high (14/1: \$83.3/barrel). The P/E 12 month forward ratio of the S&P Global 1200 energy index is mild (9 times), as its 12-month forward earnings per share estimate has been revised at a high since mid-2014. The S&P Global financials index has total return of 6.4% in 2022, benefited by the rise of the US 10-year yield at two-year high (10/1: 1.8%). **US** headline inflation increased in December at almost 40-year high (7%) and the core inflation at 30-year high (5.5%). The President of the **Fed** said that: "to get a long expansion, price stability is needed. And so in a way, high inflation is a severe threat to the achievement of maximum employment". According to the futures money market, the implied Fed funds rate for December 2022 is at 0.94% (14/1) versus 0.79% at the start of the year, indicating three to four rate hikes. The **Euro** has risen versus the **USD** at the upper bound of its two-month range (14/1/22: \$1.1483, the highest since 11/11/21). Resistance for EUR/USD is at \$1.1600 (10/11/21 high) and at \$1.1730 (200-day average) - \$1.1770 (50% retracement of the move from \$1.2349 in January to \$1.1186 in November 2021), while support is at \$1.1280-\$1.1330 (21-day average).

The week ahead

German ZEW expectations index (18/1) may have risen in January. **Eurozone** consumer confidence index for January is expected on January 21. **US** leading economic index (21/1) has probably increased on monthly basis in December for 10th consecutive month, indicating that economic expansion continues.

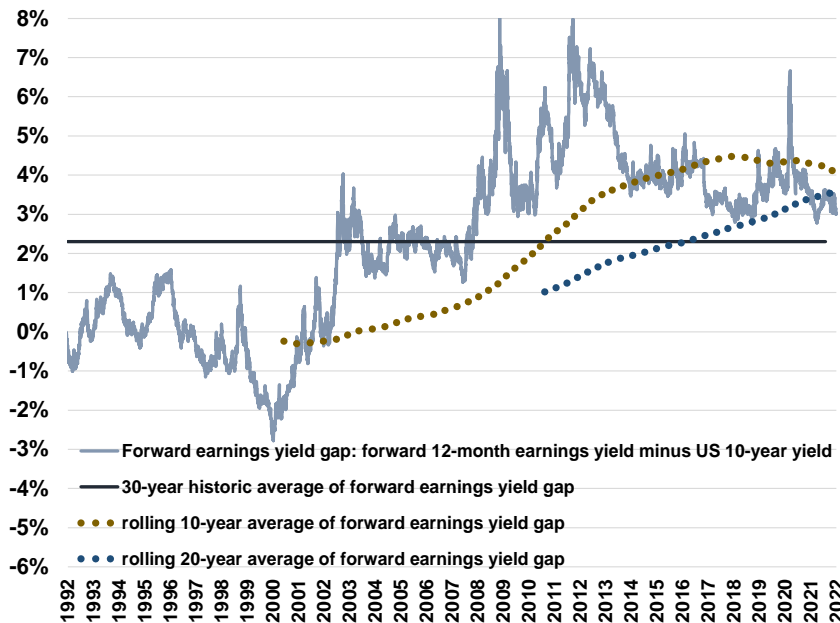
Quote of the Week:

The President of the Fed said (11/1) that the Central Bank will use its tools "to contain inflation and prolong the economic expansion".

Global Markets in Charts

The recent pull-back in equities has been in parallel with the challenging rise of the US 10-year yield. From long term perspective, the level of the US 10-year yield is not excessive

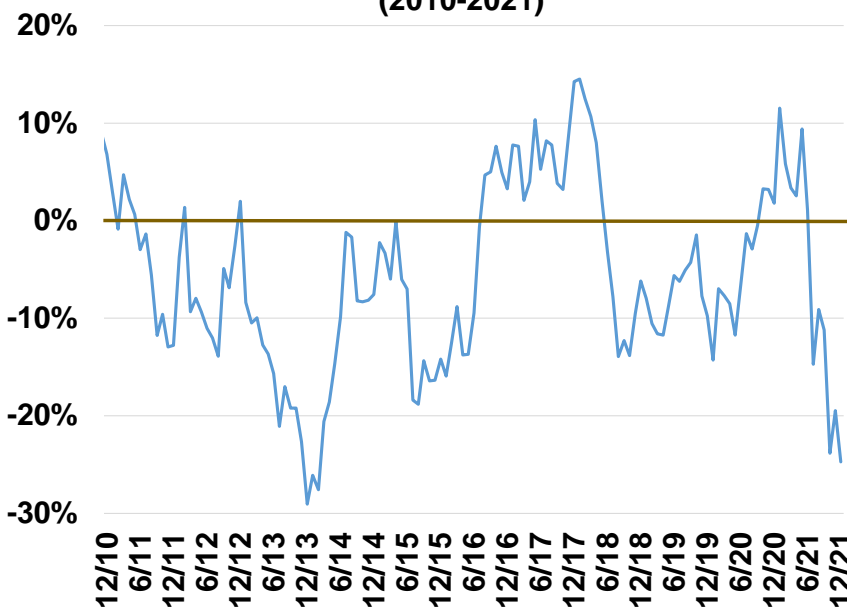
S&P 500 index: forward earnings yield gap, 30-year average and 10-year, 20-year rolling averages



The 12-month forward earnings estimate of the S&P 500 index stands at historic high (\$223). At the current level of the index (13/1: 4,659), this implies forward earnings yield of 4.8%. By subtracting the US 10-year yield (13/1: 1.75%), the forward earnings yield gap is at 3.05% versus 20-year average of 3.6% (10-year average: 4.1%). The rise of the index in the previous period and the increased US 10-year yield have resulted into challenging relative valuation of equities versus bonds. However, if the longer term average of the forward earnings yield gap is used (30-year average: at 2.3%), then the forward earnings yield gap (3.05%) can be regarded as currently indicative of attractiveness of equities versus bonds. The US 10-year yield is not excessive from long-term perspective, which may help equities continue in upwards mid-term trend (along with rising profitability: expected yearly EPS growth in the 4th quarter of 2021: 20%-22% at least).

The rolling one-year return of the emerging stock index has lagged the developed by the most in almost eight years. It has recently reacted, posting four consecutive upwards days (7-12/1)

Rolling annual return spread: emerging minus developed equity * (2010-2021)



*annual return of MSCI emerging minus developed index at the end of each month (rolling)
Source: Bloomberg

The one-year total return of the emerging equity index is at -5.3% (13/1) versus 18.3% of the developed. The spread of yearly total return of the emerging minus the developed is at a low (-23.6%) since early 2014, when the Fed had started reducing bond buying under the 3rd easing programme. Currently, the Fed has started reducing easing, which is expected to conclude in March. The higher US yields can be troublesome for the emerging index. Recently, the main emerging countries have encountered set-backs (stricter regulation in China, geopolitical worries in Eastern Europe, economic weakness in Latin America). The emerging index has recovered in 2022, while it is still below (1,263) the 200-day average (1,295). In Greece, the ASE index has risen above its 200-day average since the start of the year, posting the highest close (13/1: 955.8) since December 2014.

Global Markets Minesweeper
Event Risk Calendar, 17 - 21 January 2022

Monday 17/1							
Date Time	Country	Event	Period	Survey	Prior		
17/1 01:50	JN	Core Machine Orders (YoY)	Nov	6.60%	2.90%		
17/1 04:00	CH	Industrial Production (YoY)	Dec	3.70%	3.80%		
17/1 04:00	CH	GDP (YoY)	4Q	3.30%	4.90%		
17/1 04:00	CH	Retail Sales (YoY)	Dec	3.80%	3.90%		
		US markets closed: Martin L. King Day					
Tuesday 18/1							
Date Time	Country	Event	Period	Survey	Prior		
18/1 00:00	JN	BOJ Policy Balance Rate	18-Jan	-0.10%	-0.10%		
18/1 06:30	JN	Industrial Production (YoY)	Nov F	5.40%	5.40%		
18/1 09:00	UK	Jobless Claims Change	Dec		-49.8k		
18/1 09:00	UK	Weekly Earnings ex Bonus 3M/(YoY)	Nov	3.70%	4.30%		
18/1 09:00	UK	ILO Unemployment Rate 3Mths	Nov	4.20%	4.20%		
18/1 12:00	GE	ZEW Survey Expectations	Jan	33.0	29.9		
18/1 12:00	GE	ZEW Survey Current Situation	Jan	-12.0	-7.4		
18/1 12:00	EC	ZEW Survey Expectations	Jan		26.8		
18/1 15:30	US	Empire Manufacturing	Jan	26	31.9		
18/1 17:00	US	NAHB Housing Market Index	Jan	84	84		
18/1 23:00	US	Net Long-term TIC Flows	Nov		\$7.1b		
Corp. Results	US	Goldman Sachs					
Wednesday 19/1							
Date Time	Country	Event	Period	Survey	Prior		
19/1 09:00	UK	CPIH (YoY)	Dec	4.70%	4.60%		
19/1 09:00	UK	CPI (MoM)	Dec	0.40%	0.70%		
19/1 09:00	UK	CPI (YoY)	Dec	5.30%	5.10%		
19/1 09:00	UK	CPI Core (YoY)	Dec	4.00%	4.00%		
19/1 09:00	GE	CPI (MoM)	Dec F	0.50%	0.50%		
19/1 09:00	GE	CPI (YoY)	Dec F	5.30%	5.30%		
19/1 09:00	GE	CPI EU Harmonized (MoM)	Dec F	0.30%	0.30%		
19/1 09:00	GE	CPI EU Harmonized (YoY)	Dec F	5.70%	5.70%		
19/1 11:00	EC	ECB Current Account SA EUR	Nov		18.1b		
19/1 15:30	US	Building Permits	Dec	1712k	1717k		
19/1 15:30	US	Housing Starts	Dec	1655k	1679k		
Corp. Results	US	Procter & Gamble, Bank of America, Morgan Stanley					

January 14, 2022

Thursday 20/1						
Date Time	Country	Event	Period	Survey	Prior	
20/1 01:50	JN	Trade Balance	Dec	-¥785.2b	-¥955.6b	
20/1 03:30	CH	1-Year Loan Prime Rate	20-Jan	3.80%	3.80%	
20/1 09:00	GE	PPI (MoM)	Dec	0.90%	0.80%	
20/1 09:00	GE	PPI (YoY)	Dec	19.20%	19.20%	
20/1 12:00	EC	CPI (YoY)	Dec F	5.00%	4.90%	
20/1 12:00	EC	CPI MoM	Dec F	0.40%	0.40%	
20/1 12:00	EC	CPI Core (YoY)	Dec F	2.60%	2.60%	
20/1 15:30	US	Initial Jobless Claims	15-Jan		230k	
20/1 15:30	US	Philadelphia Fed Business Outlook	Jan	23	15.4	
20/1 17:00	US	Existing Home Sales	Dec	6.45m	6.46m	
20/1 17:00	US	Existing Home Sales (MoM)	Dec	-0.20%	1.90%	
Eco Event	EU	ECB Publishes Account of December 2021 Policy Meeting (14:30)				
Corp. Results	US	Netflix, The Travelers				
Friday 21/1						
Date Time	Country	Event	Period	Survey	Prior	
21/1 01:30	JN	Natl CPI (YoY)	Dec	0.90%	0.60%	
21/1 01:30	JN	Natl CPI Ex Fresh Food (YoY)	Dec	0.60%	0.50%	
21/1 02:01	UK	GfK Consumer Confidence	Jan	-16	-15	
21/1 09:00	UK	Retail Sales Inc Auto Fuel (MoM)	Dec	-0.6%	1.40%	
21/1 09:00	UK	Retail Sales Ex Auto Fuel (MoM)	Dec	-0.7%	1.10%	
21/1 17:00	EC	Consumer Confidence	Jan A	-9.0	-8.3	
21/1 17:00	US	Leading Index (MoM)	Dec	0.80%	1.10%	

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