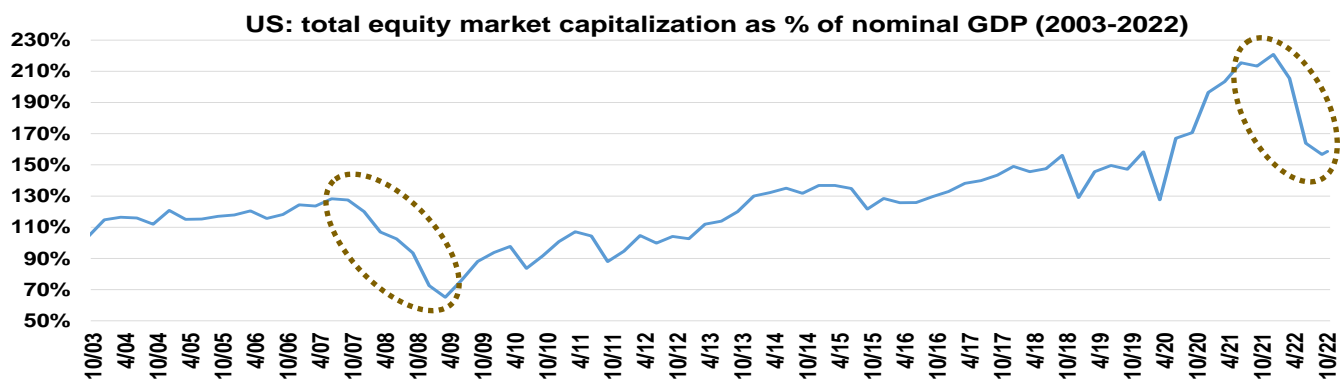


Equity and bond market volatility has been elevated, but the main equity markets have recovered somewhat in the last few days. Previously, in the last week, the S&P 500 index had posted the lowest close (12/10: 3,577) since November 2020, while it then, bounced upwards near, but below (intraday 18/10: 3,762.8) the area of 3,810 (5/10 high and 38.2% Fibonacci retracement level of the move from 4,325 on August 16 to 3,491 on October 13). Yesterday's close (20/10: 3,665.8) was near the 21-day average (3,673), at a month to date (30/9-20/10) total return of 2.3%. For the overall **US** equity market, the total market capitalization is currently at \$40.1 tril. (20/10, S&P 500: \$32.2 tril) versus \$53.7 tril. (S&P 500: \$42.1 tril) at the end of 2021. Dividing the current market capitalization of the total equity market (\$40.1 tril.) by the nominal US GDP of \$25.2 tril., the ratio stands at 159% versus 10-year average of 150%. The current level of the ratio is lower by -62% versus its peak at 221% at the end of 2021. This is a moderation, already similar, to that posted from the 128% of the ratio in September 2007 to 65% in March 2009, when on average the US 10-year yield was at 3.6%, versus the current level of 4.28% (the highest since December 2007). Despite, that moderation towards the 10-year average, the total equity market capitalization as % of nominal GDP at 159% (for the S&P 500 index only, at 128%) is still elevated. Thus, a defensive stance is prudent. Year to date, the three out of the four more resilient S&P 500 sectors have been the defensive sectors: consumer staples, healthcare and utilities.



Source: Bloomberg

US industrial production recovered on monthly basis in September by 0.4% (August: -0.1%) and on yearly basis, it increased by more (5.3%) than in the previous month (3.9%). The leading economic index was lower on monthly basis in September by -0.4% and on yearly basis by -1.4%. According to the final reading, inflation increased in September at the highest (9.9%, estimate: 10%, August: 9.1%) in the history of the **Eurozone**. **German** ZEW expectations slightly increased in October, but remains below (-59.2, September: -61.9) the historic average (21.7), indicating recessionary conditions. The **EUR/USD** is at its 21-day average (\$0.9780), oscillating in range (Bollinger bands 21 days lower bound: \$0.9600, upper bound: \$1.00) in the short term. The Stoxx 600 **Europe** equity index is around (20/10: 398.8) its 21-day average (393) and mildly positive so far in October (30/9-20/10: 2.8%). In **Japan**, the Nikkei index has recovered in October by 4.1% in JPY, while by 0.4% in Euro, as the Japanese currency has significantly weakened versus the Euro and versus the USD. The USD/JPY posted high (¥150.76) since 1990, with no signs of intervention yet (may not be excluded), after the JPY tumbled past the key psychological level of 150 to the dollar. The correction of WTI crude oil (7-20/10: -7.2%) and the drop of the European natural gas at 4-month low, have supported equity market sentiment in the short-term.

The week ahead

Eurozone PMI manufacturing and services (24/10), along with **German** IFO business climate index (25/10), are expected (24/10) slightly lower in October. The **ECB** will hike its rates on October 27, probably by 0.75%. The economic sentiment index is expected (28/10). **US** consumer confidence index (25/10) may have dropped in October mildly below (median estimate: 105.5, September: 108) the 12-month average (106.7). The initial estimate of US GDP (27/10) for the 3rd quarter is expected at annualized quarterly pace of 2.3% (2nd quarter: -0.6%).

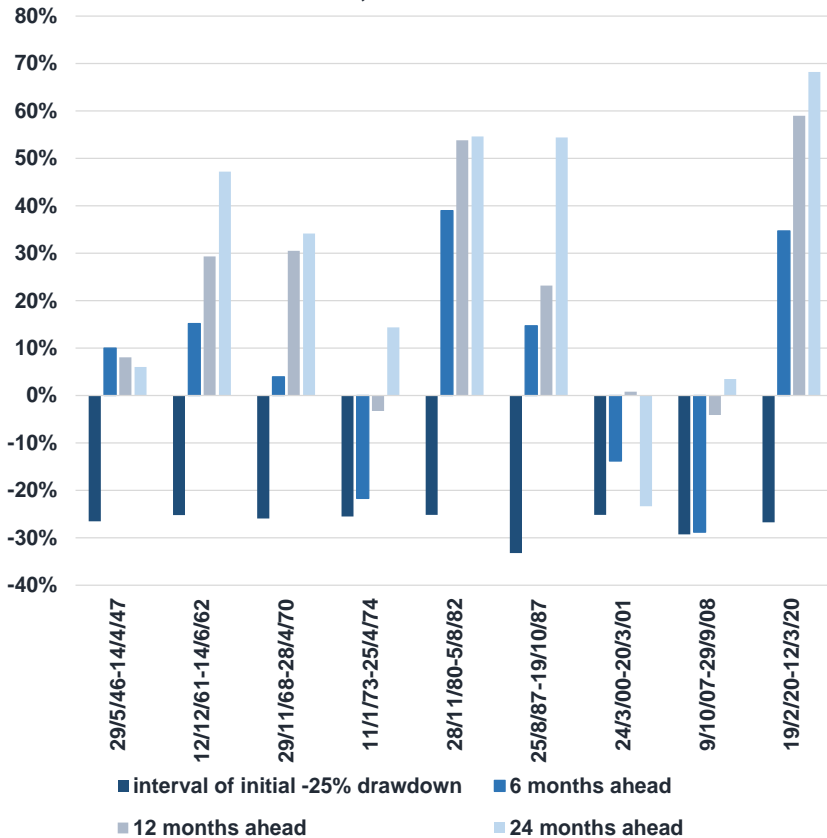
Quote of the Week:

The President of the St. Louis Fed (J. Bullard) implied that the Fed should not “react” to the declined stock market.

Global Markets in Charts

The S&P 500 index has posted drawdown versus its historic high which, in most cases in the past, has been associated with recovery of the index at the 6-24 months horizon

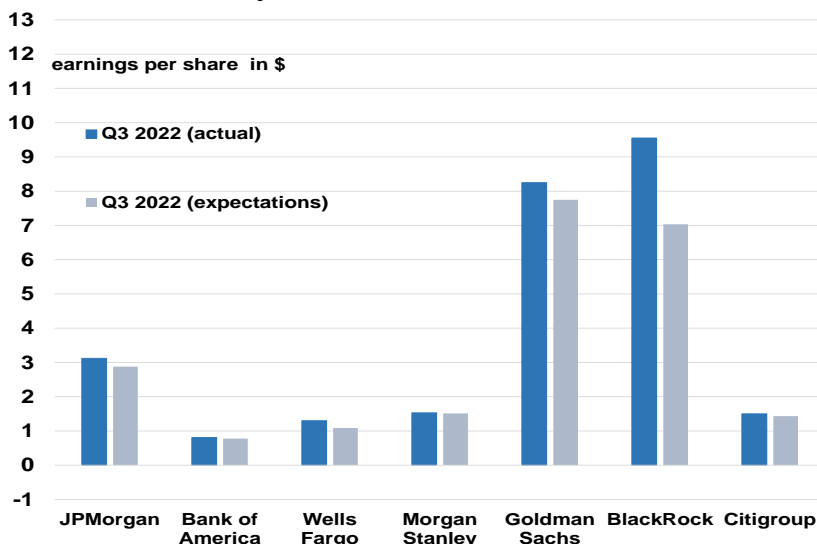
S&P 500 index: intervals of initial -25% drawdown and returns 6 months, 12 months and 24 months later



The S&P 500 **equity** index had dropped by -25.4% (3/1-12/10), while it recently bounced (12-20/10: 2.5%). In previous “bear” markets (at least -20% from previous high) since 1945, when the drawdown had reached -25% from previous high, then in most cases, the index had recovered at the time horizon of 6-24 months. This had not happened in March 2000-October 2002 (in October 2007-March 2009, after 18-24 months). The cases of 3/00-10/02 and 10/07-3/09 included **recessionary** periods and the March 2000 case, also geopolitical stress (9/2001). Inside these periods, the **earnings** per share 12-month forward estimate had double-digit drawdown (-14% inside 2000-2002, minus one-third of earnings in 2007-2009) and P/E de-rating to 13 times at the end of the bear period in October 2002 and at 13 times on average in the second case (9/10/07-3/9/09). The drawdown of EPS estimate in 2022 is so far mild at almost -2.5% and the P/E 12-month forward ratio is at the 20-year average (15.6 times). **Payrolls** were at 263,000 (9/22, 2022 average: 420,000) vs average of -15,000 in 3/2000-10/2002 and -310,000 in 10/2007-3/2009, indicating that nominal activity may be strong enough to support market sentiment.

The earnings per share for US financials in the 3rd quarter were mildly better than expected

Main US financials* reported: actual adjusted EPS \$ for Q3 2022 vs estimated



The main **US** financials have reported third quarter adjusted EPS mildly better than expected, while lower yearly (except Wells Fargo). JPMorgan Chase had adjusted EPS higher (\$3.12) vs estimate (\$2.88), while on yearly basis, the EPS was by -17% lower. Yearly, the adjusted EPS of Bank of America (-5%), Morgan Stanley (-25%), Goldman Sachs (-45%) and Citigroup (-26%) declined, while they exceeded estimates. The S&P 500 financials dropped by -18.7% in 2022 (S&P 500: -22%). The P/E 12-month forward ratio of the financials is mild (11.3), but the inverted yield curve is a worry and the sector is aggressive in terms of market risk, implying that its recovery requires stabilization of sentiment.

*order of companies in the chart above: per market capitalization (Source: Bloomberg)

Global Markets Minesweeper
Event Risk Calendar, 24 - 28 October 2022

Monday 24/10						
Date Time	Country	Event	Period	Survey	Prior	
24/10 03:30	JN	Jibun Bank Japan PMI Mfg	Oct P		50.8	
24/10 10:30	GE	Germany Manufacturing PMI	Oct P	47	47.8	
24/10 10:30	GE	Germany Services PMI	Oct P	45	45	
24/10 10:30	GE	Germany Composite PMI	Oct P	45.5	45.7	
24/10 11:00	EC	Eurozone Manufacturing PMI	Oct P	47.8	48.4	
24/10 11:00	EC	Eurozone Services PMI	Oct P	48.5	48.8	
24/10 11:00	EC	Eurozone Composite PMI	Oct P	47.5	48.1	
24/10 11:30	UK	UK Manufacturing PMI	Oct P	48	48.4	
24/10 11:30	UK	UK Services PMI	Oct P	48	50	
24/10 11:30	UK	UK Composite PMI	Oct P	48.2	49.1	
24/10 15:30	US	Chicago Fed Nat Activity Index	Sep		0	
24/10 16:45	US	US Manufacturing PMI	Oct P	51	52	
24/10 16:45	US	US Services PMI	Oct P	49.4	49.3	
Tuesday 25/10						
Date Time	Country	Event	Period	Survey	Prior	
25/10 11:00	GE	IFO Business Climate	Oct	83.8	84.3	
25/10 11:00	GE	IFO Current Assessment	Oct	92.8	94.5	
25/10 11:00	GE	IFO Expectations	Oct	74.9	75.2	
25/10 16:00	US	FHFA House Price Index (MoM)	Aug	-0.70%	-0.60%	
25/10 16:00	US	S&P CS 20-City (MoM) SA	Aug	-0.80%	-0.44%	
25/10 17:00	US	Conf. Board Consumer Confidence	Oct	105.5	108	
25/10 17:00	US	Richmond Fed Manufact. Index	Oct	-5	0	
Corp. Results	EC	SAP, Orange				
	US	Microsoft, Alphabet, Visa, Coca-Cola, 3M, General Motors				
Wednesday 26/10						
Date Time	Country	Event	Period	Survey	Prior	
26/10 02:50	JN	PPI Services (YoY)	Sep	2.10%	1.90%	
26/10 11:00	EC	M3 Money Supply (YoY)	Sep	6.10%	6.10%	
26/10 15:30	US	Advance Goods Trade Balance	Sep	-\$87.8b	-\$87.3b	
26/10 15:30	US	Wholesale Inventories (MoM)	Sep P	1.10%	1.30%	
26/10 17:00	US	New Home Sales (MoM)	Sep	-15.30%	28.80%	
Corp. Results	EC	Deutsche Bank, Unicredit, BASF, Heineken				
	US	Meta (Facebook), Ford, Kraft Heinz, Boeing, Twitter				
Thursday 27/10						
Date Time	Country	Event	Period	Survey	Prior	

October 21, 2022

27/10 15:15	EC	ECB Main Refinancing Rate	27-Oct	2.00%	1.25%	🔍*
27/10 15:15	EC	ECB Marginal Lending Facility	27-Oct	2.25%	1.50%	🔍*
27/10 15:15	EC	ECB Deposit Facility Rate	27-Oct	1.50%	0.75%	🔍*
27/10 15:30	US	GDP Annualized (QoQ)	3Q A	2.30%	-0.60%	🔍*
27/10 15:30	US	Durable Goods Orders (MoM)	Sep P	0.60%	-0.20%	🔍*
27/10 15:30	US	Core PCE (QoQ)	3Q A	4.50%	4.70%	
27/10 15:30	US	Initial Jobless Claims	22-Oct		214k	
Eco Event	EC	ECB President C. Lagarde holds press conference (15:45)				🔍*
Corp. Results	EC	Linde, Repsol, Shell				
	US	Apple, Amazon, McDonald's, Mastercard, Caterpillar, Intel				🔍*
		Friday 28/10				
Date Time	Country	Event	Period	Survey	Prior	🔍*
28/10	JN	BOJ Policy Balance Rate	28-Oct	-0.10%	-0.10%	🔍*
28/10 02:30	JN	Tokyo CPI (YoY)	Oct	3.30%	2.80%	
28/10 02:30	JN	Tokyo CPI Ex-Fresh Food (YoY)	Oct	3.10%	2.80%	
28/10 11:00	GE	GDP WDA (YoY)	3Q P	0.80%	1.70%	
28/10 12:00	EC	Economic Confidence	Oct	92.5	93.7	🔍*
28/10 15:00	GE	CPI (YoY)	Oct P	10.10%	10.00%	
28/10 15:30	US	PCE Deflator (MoM)	Sep	0.30%	0.30%	🔍*
28/10 15:30	US	PCE Deflator (YoY)	Sep	6.30%	6.20%	🔍*
28/10 15:30	US	PCE Core Deflator (MoM)	Sep	0.50%	0.60%	🔍*
28/10 15:30	US	PCE Core Deflator (YoY)	Sep	5.20%	4.90%	🔍*
28/10 17:00	US	Pending Home Sales (MoM)	Sep	-5.30%	-2.00%	
28/10 17:00	US	U. of Mich. Sentiment	Oct F	59.6	59.8	
Corp. Results	EC	Volkswagen, Sanofi, Airbus				
	US	Exxon Mobil Corp, Colgate-Palmolive Co, Chevron Corp				

Global Markets Analysis

+30 210-3268410

marketanalysis@alpha.gr

Maria Koutouzi

maria.koutouzi@alpha.gr

Ioannis Kouravelos, CFA

ioannis.kouravelos@alpha.gr

Konstantinos Anathreptakis, CFA

konstantinos.anathreptakis@alpha.gr

Nikolaos Sakarelis

nikolaos.sakarelis@alpha.gr

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