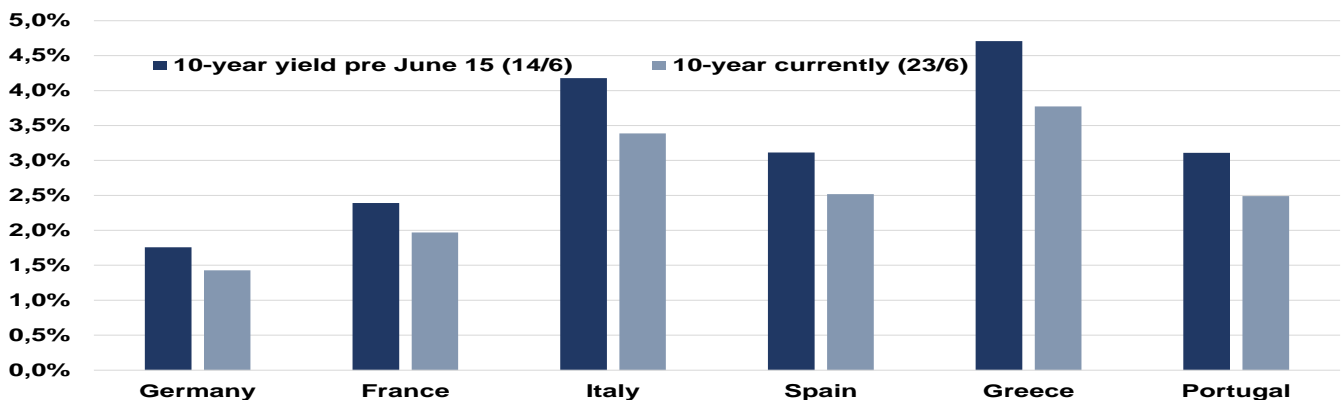


While **volatility is elevated**, there are some fields, **where tensions have recently eased somewhat**. At the non-scheduled meeting of the **ECB** on June 15, it was highlighted that a specific facility will be designed, in order to ensure that financial markets across the **Eurozone** will continue functioning smoothly. This will involve reinvesting the proceeds from maturing PEPP issues, in a way that bond spreads can remain reasonable. The 10-year bond yield of Italy is currently at 3.4% (23/6) versus 4.2% (14/6) before the non-scheduled ECB meeting of June 15.

10-year bond yields in the Eurozone



Source: Bloomberg

Another area, where tensions have eased somewhat recently is the price of WTI oil, which corrected currently at \$104.5/barrel (24/6) from \$123.68/barrel (intraday on June 14). Furthermore, the US 10-year yield is now at 3.1%, below an area that can be considered as “not excessive” (3.25%-3.30%) and milder versus mid-June (14/6 intraday: 3.496%). Markets have been oscillating from “herding” and “greed” being evident during 2021 (world equity index total return in 2021: +19% in USD, +27.8% in Euro) towards “fear” in parts of the first half of 2022 (-20% year to date in USD, -13.5% in Euro).

According to D. Kahneman (Nobel 2002), the psychological effect of “pain” from losses is considered as twice the effect of “pleasure” from equivalent gains. This could have implications for current market environment. “Overconfidence” during 2021 has turned into “risk aversion”. This may favor defensive investments, such as healthcare, consumer staples, and utilities versus aggressive investments such as consumer discretionary. Furthermore, during conditions of high volatility, there is usually the “temptation” to realize profits on profitable investments, while holding on investments with the “paper” (not realized) “losses”. This could imply that investments that have risen substantially in the last one year, such as energy, may come under significant pressure (realizing profits), if a trigger happens (such as oil correction). Other areas, which are negative year to date and in the last one year, such as industrials, could turnaround and be supported, if overall market sentiment improves.

Fine-tuning economies and markets of “excesses” during a multi-year period in the past, towards a more balanced situation going forward, depends on both economic and financial parameters. Central Banks are currently more focused on the economics, trying to get inflation down via tightening of monetary policy (more gradual in the case of the ECB, less gradual in the case of the Fed). Regarding the financial parameters, since mid-June, some of the key-ones, namely the oil price and yields have moderated towards areas, that can be consistent with “normal”, not “tense” financial conditions, which may be supportive for investors in the mid-term horizon.

The week ahead

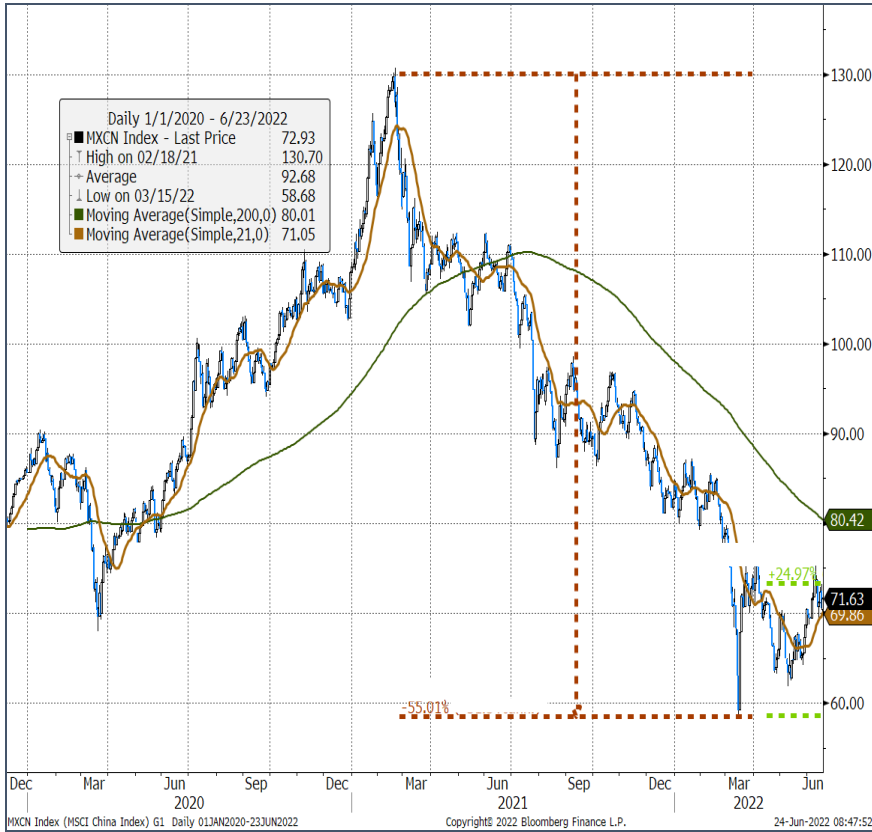
US consumer confidence is expected on June 28 and **Eurozone** economic confidence on June 29. US PCE core inflation measure is expected (30/6) slightly lower on yearly basis in May (median estimate: 4.8%) vs April (4.9%). The ISM manufacturing index will be announced on July 1, along with the Eurozone inflation estimate for June.

Quote of the Week:

The President of the Fed said: “US economy can handle tighter monetary policy”.

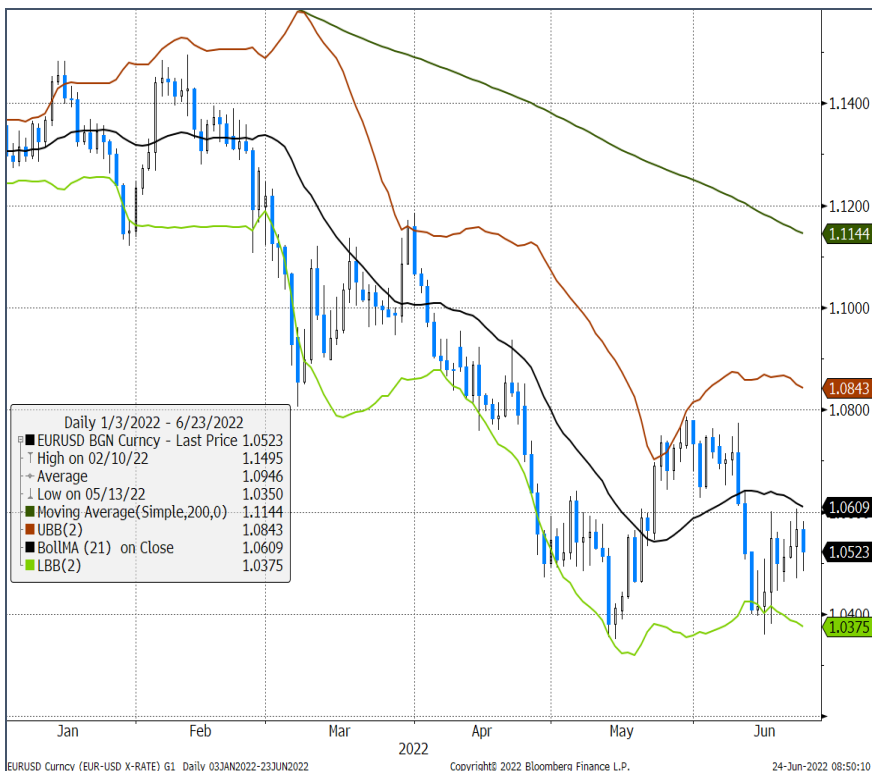
Global Markets in Charts

Chinese equity indices have initially recovered, from a previously significant drawdown



The **China** index had dropped by -54% in the period from February 17, 2021 (close) to March 15, 2022, as economic growth slowdown and regulatory crackdown of technology has happened. Then, the MSCI China index has recovered by +23% in the period March 15, 2022 to June 23, 2022 (close). China is conducting monetary and fiscal easing, attempting to support growth. Furthermore, pandemic restrictions seem to have eased, also the crackdown on technology may have concluded (in most part). The P/E 12-month forward ratio of the Chinese index is mild at 11.7 times versus 10-year average of 11.3 times. Whether the recent recovery of the Chinese index can continue in the mid-term horizon or not, will depend on appetite for risk-taking globally and on whether the substantial geopolitical risks involving the tense relations between US and China will materialise or not. If **US-China** relations do not worsen, then this could be supportive for market sentiment.

EUR/USD appears in range-trading in the short-term



The **Euro** is at \$1.0550 area (21-day average: \$1.0600). The more aggressive tightening of monetary policy by the **Fed** versus the more gradual tightening by the **ECB**, may continue to weigh on the Euro. Support is at \$1.0350 (13/5 low) - \$1.0375 (Bollinger bands daily lower band). Resistance is at \$1.0790 (30/5 high) - \$1,0850 (Bollinger bands 21 days upper bound). The spread of German-US 2-year yield is at -2.21% (one-year average: -1.55%), which continues to weigh downwards for the Euro, but less compared to mid-May (-2.54%). The Stoxx 50 **Eurozone** equity index dropped by -22.1% in the period from the 14-year high (16/11/21 close) to lowest close year to date (16/6/22). The Eurozone index has a mild P/E 12-month forward ratio (10.7, 10-year average: 13.7), but for market sentiment geopolitics may be the key.

Source: Bloomberg

Global Markets Minesweeper
Event Risk Calendar, 27 June - 1 July 2022

Monday 27/6						
Date Time	Country	Event	Period	Survey	Prior	
27/6 08:00	JN	Leading Index CI	Apr F	102.9	102.9	
27/6 15:30	US	Durable Goods Orders (MoM)	May P	0.10%	0.50%	
27/6 15:30	US	Durables Ex Transportation (MoM)	May P	0.40%	0.40%	
27/6 17:00	US	Pending Home Sales NSA (YoY)	May	-3.50%	-11.50%	
27/6 17:30	US	Dallas Fed Manf. Activity	Jun		-7.3	
Eco Event	EC	Lagarde speaks at ECB forum in Sintra (20:30)				
Corp. Results	US	Nike				
Tuesday 28/6						
Date Time	Country	Event	Period	Survey	Prior	
28/6 09:00	GE	GfK Consumer Confidence	Jul	-28	-26	
28/6 15:30	US	Advance Goods Trade Balance	May	-\$101.7b	-\$106.7b	
28/6 16:00	US	FHFA House Price Index (MoM)	Apr		1.50%	
28/6 16:00	US	S&P CS 20-City (YoY) NSA	Apr	21.20%	21.17%	
28/6 17:00	US	Conf. Board Consumer Confidence	Jun	100	106.4	
28/6 17:00	US	Richmond Fed Manufact. Index	Jun		-9	
Wednesday 29/6						
Date Time	Country	Event	Period	Survey	Prior	
29/6 02:50	JN	Retail Sales (YoY)	May	4.00%	3.10%	
29/6 08:00	JN	Consumer Confidence Index	Jun	34.8	34.1	
29/6 11:00	EC	M3 Money Supply (YoY)	May	5.80%	6.00%	
29/6 12:00	EC	Economic Confidence	Jun	104	105	
29/6 12:00	EC	Consumer Confidence	Jun F		-23.6	
29/6 15:00	GE	CPI (YoY)	Jun P	7.90%	7.90%	
29/6 15:30	US	GDP Annualized (QoQ)	1Q T	-1.40%	-1.50%	
29/6 15:30	US	GDP Price Index	1Q T	8.10%	8.10%	
Eco Event	EC	Lagarde, Powell, Bailey, Carstens speak at ECB forum in Sintra (16:30)				
Thursday 30/6						
Date Time	Country	Event	Period	Survey	Prior	
30/6 02:50	JN	Industrial Production (YoY)	May P	4.20%	-4.90%	
30/6 04:30	CH	Manufacturing PMI	Jun		49.6	
30/6 09:00	UK	GDP (YoY)	1Q F	8.70%	8.70%	
30/6 12:00	EC	Unemployment Rate	May	6.80%	6.80%	
30/6 15:30	US	Initial Jobless Claims	25-Jun		229k	
30/6 15:30	US	PCE Deflator (MoM)	May	0.70%	0.20%	

June 24, 2022

30/6 15:30	US	PCE Deflator (YoY)	May		6.30%	
30/6 15:30	US	PCE Core Deflator (MoM)	May	0.50%	0.30%	
30/6 15:30	US	PCE Core Deflator (YoY)	May	4.80%	4.90%	🌩️
30/6 16:45	US	MNI Chicago PMI	Jun	58.8	60.3	
Eco Event	AS	OPEC and non-OPEC ministerial meeting				
		Friday 1/7				
Date Time	Country	Event	Period	Survey	Prior	🌩️
1/7 04:45	CH	Caixin China PMI Mfg	Jun		48.1	
1/7 10:55	GE	Germany Manufacturing PMI	Jun F	52	52	
1/7 11:00	EC	Eurozone Manufacturing PMI	Jun F	52	52	
1/7 11:30	UK	UK Manufacturing PMI	Jun F	53.4	53.4	
1/7 12:00	EC	CPI Estimate (YoY)	Jun	8.30%	8.10%	🌩️
1/7 12:00	EC	CPI (MoM)	Jun P		0.80%	
1/7 12:00	EC	CPI Core (YoY)	Jun P	3.90%	3.80%	🌩️
1/7 16:45	US	S&P Global US Manufacturing PMI	Jun F	52.4	52.4	
1/7 17:00	US	Construction spending (MoM)	May	0.50%	0.20%	
1/7 17:00	US	ISM Manufacturing	Jun	55.4	56.1	🌩️

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