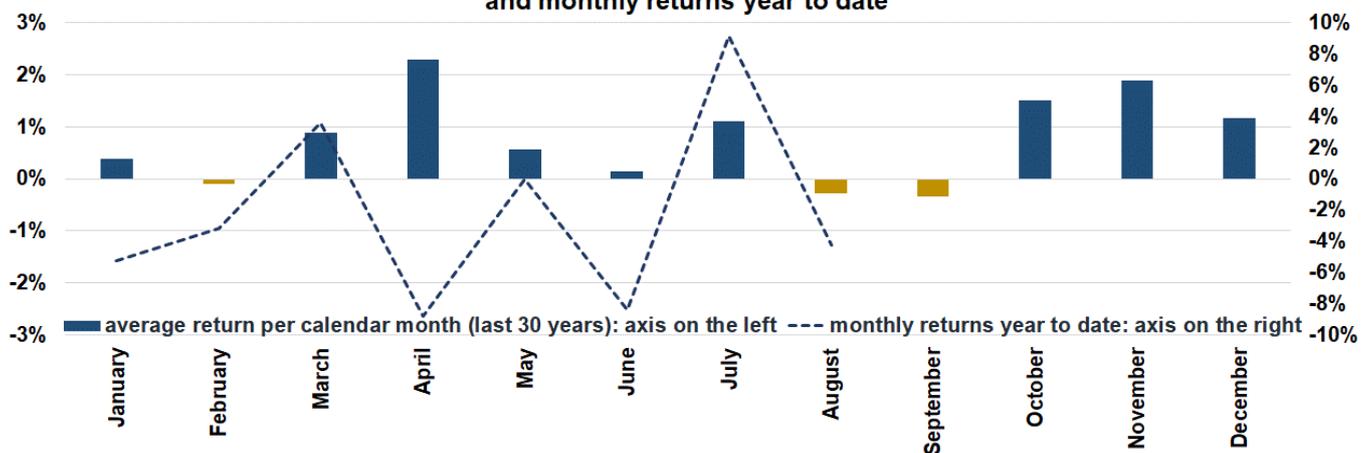


During the last few days, market sentiment has weakened, which could metaphorically be described as a “hangover” after Fed’s President speech at Jackson Hole on August 26. He said that “restoring price stability will likely require maintaining a restrictive policy stance for some time”. **US** 2-year yield has increased at a high (1/9: 3.549%) since November 2007 and the 10-year yield at a high (1/9: 3.293%) since June 21, 2022. The 10-year yield is currently close but mildly below the highest year to date (14/6: 3.47%). The path of **bond yields** is generally important for **equities**, but even more important in the current period, as earnings per share estimates for global equity indices and the US equity index have probably peaked. The earnings per share 12-month forward estimate of the S&P 500 index has been at historic high in late June (23/6: almost \$240), while it is currently slightly lower (1/9: \$237). The increased yields and flat to mildly declining EPS 12-month forward estimates, probably make equities vulnerable in September, which on-average is the weakest month during the last 30 years.

It is noted however, that the path of equities has been “erratic” (metaphorically, compared to history) in some parts of the last one year. Specifically, although that the S&P 500 index had on-average the best return in April during the last 30 years, still in April 2022, it dropped by 8.8%. In other months, such as in July, **seasonality** has been validated: the S&P 500 index increased by 9.1% in July 2022, which on average has been seasonally strong month. For **market sentiment** to improve in the short-term, lower bond yields are needed and in parallel, an indication that demand in the economy is resilient, at least in nominal terms. Non-farm payrolls for August, which will be announced today (2/9), will give an indication for the demand in the economy and may affect bond yields, which in turn may set the pace for equity market sentiment in the short-term.

S&P 500 index: Average return per calendar month (last 30 years) and monthly returns year to date



Source: Bloomberg

The S&P **Global** 1200 index has six-month total return of -9.6% (1/3-1/9: in USD). In this period, global energy has risen (9.3%). Defensive sectors such as utilities (3.9%) have been quite resilient. During the current week so far, global energy has been volatile (26-1/9: -5.2%), as crude oil price has corrected, in anticipation of the pending agreement about the nuclear program of Iran, which could potentially imply higher crude oil exports. The US said (1/9) that is “studying it and will respond through the EU, but unfortunately it is not constructive”. The Euro hovers around parity versus the Dollar, ahead of the ECB and the Fed rate decisions on September 8 and 21 respectively.

The week ahead

Eurozone Sentix investor index for September is expected (5/9). The ECB will discuss raising rates (8/9) by 0.75% or by 0.50%. Some members appear to be in favour of front-loading the tightening (leaning towards 0.75% hike), while other members are in favour of gradual pace (0.50% hike). In the **US**, the ISM services (6/9) may have declined in August, but most probably will indicate expansion, similarly to the already released ISM manufacturing.

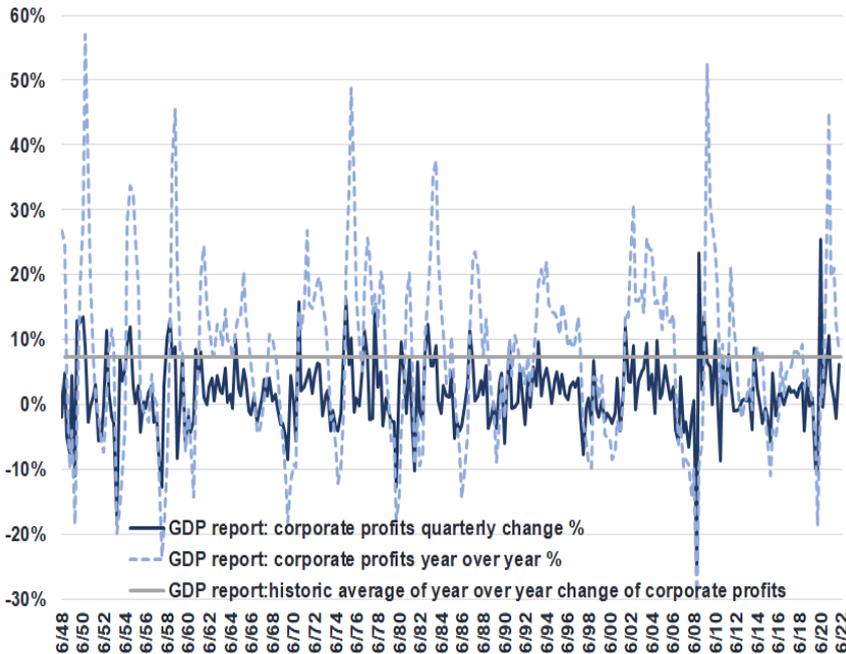
Quote of the Week:

The President of Fed Cleveland (L. Mester) said: “Even if the economy were to go into a recession, the Fed has to get inflation down”.

Global Markets in Charts

The recent US GDP report has confirmed the resiliency of corporate profits in broad scale

US GDP report: Corporate profits (1948-2022)



The revised **US** GDP report (25/8) for the second quarter included the measure of corporate profits in the broad economy, which does not refer to a specific equity index, but it includes listed and non-listed companies. In the second quarter, corporate profits from the GDP report increased by 8.1% on year over year basis (first quarter: 12.6%), which is almost where the long-term average stands (1948-2022: 7.3%). While the respective yearly increases during 2021 were higher (base effects vs 2020), the yearly rise of profits in the second quarter can be considered as satisfactory. On quarterly basis, profits increased by 6.1% versus -2.2% in the first quarter. Employment figures for August (2/9) are in focus, in order to see whether economic activity in nominal terms, is resilient. Employment and where the US yields stand, are key in order to see whether the S&P 500 equity index can find support at 3,900-3,800 (round figures, which also correspond to support areas: 61.8% and 76.4% Fibonacci retracement levels of 3,637-4,325).

Monetary policy by the Bank of Japan is still accommodative, which has weakened the JPY



The **USD** has risen versus the **JPY** at a high (2/9: ¥140.43) since 1998, mainly due to the restrictive policy of the Fed versus the accommodative policy of the Bank of Japan. The **USD/JPY** is almost at the area of the 76.4% Fibonacci retracement of the move from ¥160.20 (April 17, 1990) to ¥75.35 (October 31, 2011). The **JPY** has also been weak versus the Euro, also mainly due to monetary policy divergence between the ECB and the BOJ. The weak **JPY** has supported the resiliency of earnings 12-month forward estimate for the Nikkei index and the P/E 12-month forward ratio, which is at the mildest (15 times) since mid-July and below the 10-year average (16.7 times). It is noted however that the returns in local currency versus the return in Euro currency can differ substantially due to the FX effect. The total return of the Nikkei index year to date (2/9) is -2.8% in **JPY**, while -9.7% in Euro.

Source: Bloomberg

Global Markets Minesweeper
Event Risk Calendar, 5- 9 September 2022

Monday 5/9						
Date Time	Country	Event	Period	Survey	Prior	
5/9 03:30	JN	Jibun Bank Japan PMI Services	Aug F	49.2	49.2	
5/9 03:30	JN	Jibun Bank Japan PMI Composite	Aug F	48.9	48.9	
5/9 04:45	CH	Caixin China PMI Composite	Aug		54	
5/9 04:45	CH	Caixin China PMI Services	Aug	54.0	55.5	
5/9 10:55	GE	Germany Services PMI	Aug F	48.2	48.2	
5/9 10:55	GE	Germany Composite PMI	Aug F	47.6	47.6	
5/9 11:00	EC	Eurozone Services PMI	Aug F	50.2	50.2	
5/9 11:00	EC	Eurozone Composite PMI	Aug F	49.2	49.2	
5/9 11:30	EC	Sentix Investor Confidence	Sep	-27.3	-25.2	
5/9 11:30	UK	UK Services PMI	Aug F	52.5	52.5	
5/9 11:30	UK	UK Composite PMI	Aug F	50.9	50.9	
5/9 12:00	EC	Retail Sales (MoM)	Jul	0.50%	-1.20%	
5/9 12:00	EC	Retail Sales (YoY)	Jul	-0.90%	-3.70%	
Eco Event	AS	OPEC+ meeting				
	UK	The new UK prime minister is announced (Liz Truss or Rishi Sunak)				
		US markets closed for Labor Day holiday				
Tuesday 6/9						
Date Time	Country	Event	Period	Survey	Prior	
6/9 02:30	JN	Household Spending (YoY)	Jul	4.60%	3.50%	
6/9 09:00	GE	Factory Orders (MoM)	Jul	-0.50%	-0.40%	
6/9 10:30	GE	Germany Construction PMI	Aug		43.7	
6/9 11:30	UK	UK Construction PMI	Aug	48	48.9	
6/9 16:45	US	US Services PMI	Aug F	44.2	44.1	
6/9 16:45	US	US Composite PMI	Aug F	45	45	
6/9 17:00	US	ISM Services Index	Aug	55.2	56.7	
Wednesday 7/9						
Date Time	Country	Event	Period	Survey	Prior	
7/9 08:00	JN	Leading Index CI	Jul P	100.2	100.9	
7/9 08:00	JN	Coincident Index	Jul P	100	98.6	
7/9 09:00	GE	Industrial Production SA (MoM)	Jul	-0.50%	0.40%	
7/9 12:00	EC	GDP SA (QoQ)	2Q F	0.60%	0.60%	
7/9 12:00	EC	GDP SA (YoY)	2Q F	3.90%	3.90%	
7/9 15:30	US	Trade Balance	Jul	-\$70.1b	-\$79.6b	
Eco Event	US	Fed Vice Chair Lael Brainard discusses economic outlook (19:35)				
	US	U.S. Federal Reserve releases Beige Book (21:00)				

September 2, 2022

	US	Fed's Barr speaks on Financial System fairness and safety (21:00)				
	US	Apple 'Far Out' product launch				
		Thursday 8/9				
Date Time	Country	Event	Period	Survey	Prior	
8/9 02:50	JN	GDP SA (QoQ)	2Q F	0.70%	0.50%	
8/9 02:50	JN	GDP Annualized SA (QoQ)	2Q F	2.90%	2.20%	
8/9 02:50	JN	BoP Current Account Adjusted	Jul	¥19.9b	¥838.3b	
8/9 08:00	JN	Eco Watchers Survey Outlook SA	Aug	44.3	42.8	
8/9 15:15	EC	ECB Main Refinancing Rate	8-Sep	1.25%	0.50%	
8/9 15:15	EC	ECB Marginal Lending Facility	8-Sep	1.50%	0.75%	
8/9 15:15	EC	ECB Deposit Facility Rate	8-Sep	0.75%	0.00%	
8/9 15:30	US	Initial Jobless Claims	3-Sep		232k	
8/9 22:00	US	Consumer Credit	Jul	\$32.500b	\$40.154b	
Eco Event	EC	ECB President Christine Lagarde holds press conference (15:45)				
	US	Fed Chair Jerome Powell speaks at Monetary Policy Conference (16:10)				
		Friday 9/9				
Date Time	Country	Event	Period	Survey	Prior	
9/9 04:30	CH	PPI (YoY)	Aug	3.20%	4.20%	
9/9 04:30	CH	CPI (YoY)	Aug	2.80%	2.70%	
9/9 17:00	US	Wholesale Inventories (MoM)	Jul F	0.80%	0.80%	
9/9 19:00	US	Household Net Worth Change (QoQ)	2Q		-\$544b	
Eco Event	EC	EU energy ministers to discuss an emergency intervention in electricity markets.				
	US	Fed's Waller discusses economic outlook (19:00)				

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