



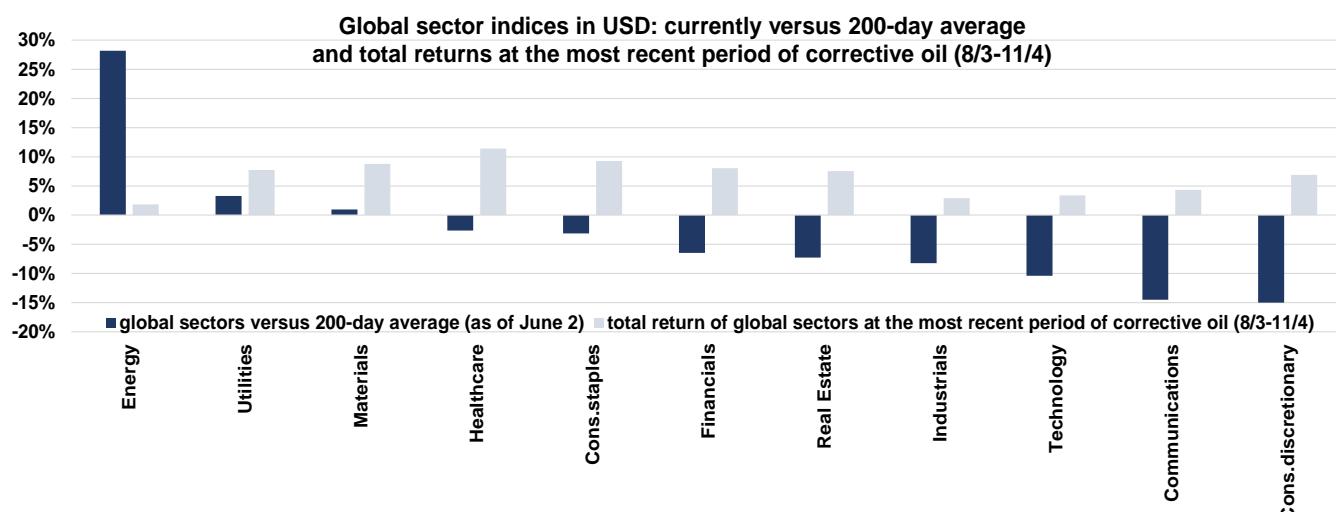
Global Markets Minesweeper

June 3, 2022

Global Markets Analysis
INVESTMENT PORTFOLIOS
MANAGEMENT DIVISION

During the week, the focus has mainly been on the macroeconomic data announcements, the oil and the US 10-year bond yield. In the US, the ISM indices and employment figures for May are key, in order to confirm that positive year over year GDP growth remains intact, while slower (with substantial fluctuations on quarterly basis) compared to the high growth pace of 2021. The ISM manufacturing index already released (1/6), indicates growth, while the ISM services and the employment figures are expected later today (3/6). According to the estimate (1/6) of Atlanta Fed, GDP may increase by 1.3% on quarter over quarter basis in the second quarter. Following the resilient macroeconomic figures, the US 10-year bond yield increased at 2.92% (3/6, 21-day average: 2.89%), from 2.70% on May 26. However, it is still below the 3.20% posted on May 9 and below the 3.25%, which was the highest in a decade, posted in October 2018. In this respect, the 10-year yield is still inside a range that can be considered as not excessive, allowing for equity sentiment to probably find support. The S&P Global 1200 equity is above the lowest close year to date, while by -12.6% lower versus the historic high. The one-year total return of the global equity index is -3.9% in USD (2/6), while it is positive by +9.2% in Euro (2/6/21-2/6/22). The P/E 12-month forward of the S&P Global 1200 is mild (15, 10-year average: 15.5). Energy, utilities and materials are above their 200-day averages, while the other eight sector indices are below their 200-day averages.

The crude oil and the US 10-year yield are key. The WTI crude oil is higher by 70% on yearly basis (2/6), mainly due to geopolitics, including the war in Ukraine. The EU gradually banned oil imports (up to 90% until the end of the year) from Russia. WTI crude oil reached the area of \$120/barrel (31/5), close but below the area of \$124-\$130 posted in early March (7-8/3), while it then slightly moderated to \$116/barrel (3/6). The OPEC+ countries agreed to increase production by 648,000 barrels/day in July and August, while the actual increase may be less due to some countries (Russia, Angola, Nigeria) not being able to raise production for various reasons. If the oil corrects, then this can support equity market sentiment, as it may ease inflation worries and keep the US 10-year yield relatively mild, below the area of 3.20%-3.25%. In the period of March 8 – April 11, the oil had moderated by -24%, while the S&P Global 1200 had recovered by +6.3% (8/3-11/4), with healthcare, consumer staples, materials and financials bouncing by the most in that case, while energy lagging (slightly positive but less) in that period.



Source: Bloomberg

Eurozone unemployment remained at a low (6.8%) in the history of the euro-area. Inflation has risen in May (Eurostat's estimate) at the highest in the history of the Eurozone (8.1%), as the price of oil remains elevated.

The week ahead

Eurozone Sentix investor confidence index for June will be released (7/6). The ECB will most probably not modify its monetary policy at the policy meeting of June 9, however it is most likely that the wording will indicate a hike of the deposit rate (likely by 0.25%) at the meeting in July. US inflation (10/6) may have slightly moderated in May (median estimate: 8.2%, April: 8.3%), along with the core inflation (median estimate: 5.9%, April: 6.2%).

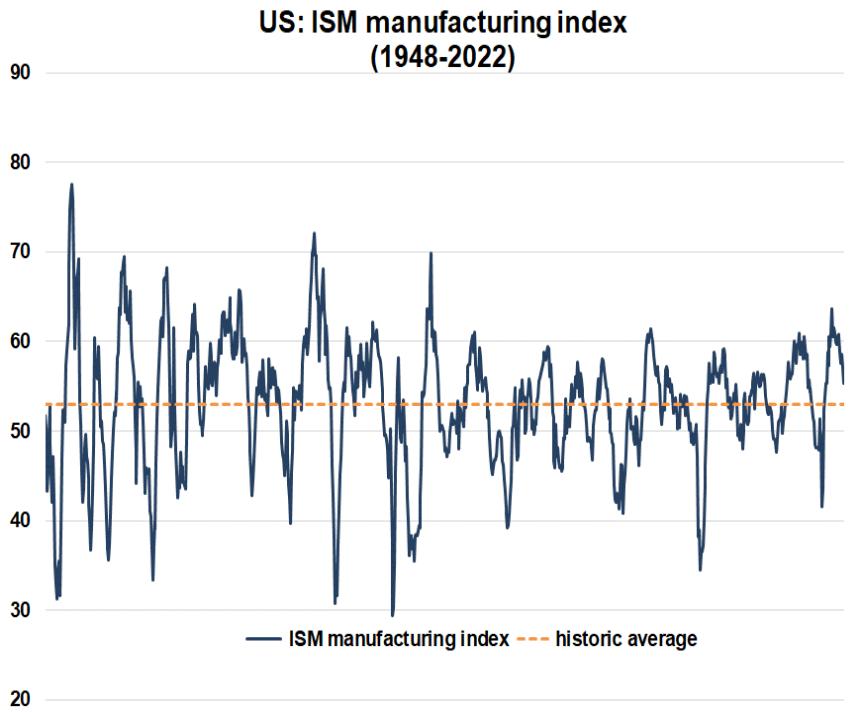
Quote of the Week:

The ECB member (P. De Cos) said: "the rate rise must be gradual, starting from July".

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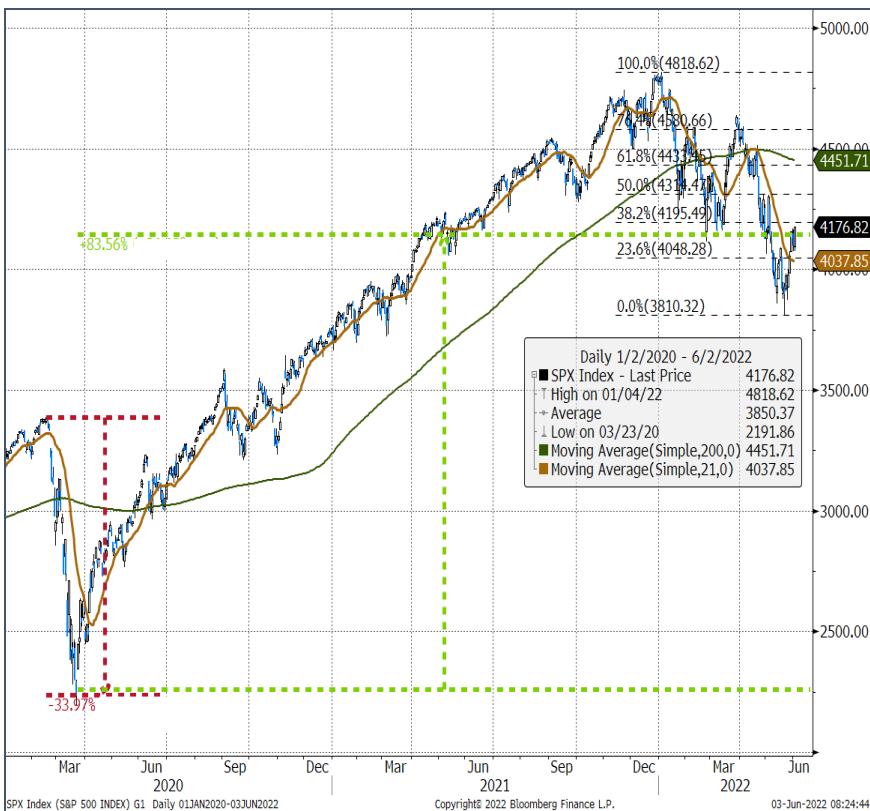
Global Markets in Charts

In the US, the ISM manufacturing index increased in May



The ISM manufacturing was higher in May (56.1, April: 55.4) and above the historic average (1948-2022: 53), indicating resilient economic growth. This indication remains to probably be confirmed after the ISM services and employment figures for May, which will be released later today (3/6). While the median expectation is for a mildly lower figure of ISM services index in May (56.5, April: 57.1), if this is realised, will still be indicative of continued economic growth. The unemployment rate (considered lagging indicator) is expected to drop to 3.5% in May (median estimate) from 3.6% in April. The non-farm payrolls (considered coincident indicator), are expected at 320,000 vs 428,000 in April, but above historic average (1939-2022: 122,000). The EUR/USD is at the area of \$1.0750. Fed's policy and geopolitics have supported the USD, while in the short-term, whether the bounce of the Euro can be viable, will probably be seen after the ECB meeting (9/6).

The S&P 500 index is above (2/6: 4,176.8) its 21-day average (4,038)



In the US, the S&P 500 equity index corrected by -18.7% in the period from the historic high close (3/1/22: 4,797) to the close of May 19 (3,901). Arguments in favour of equity market finding support at the area of 3,810 (intraday low of May 20) – 4,130 (close levels of both April and May), before resuming its upwards trend include the following: The P/E 12-month forward ratio of the S&P 500 index is mild at 17.5 (as of 2/6), around the 10-year average. Macroeconomic figures suggest mild growth, not recession. Mild growth had been the usual status in the period 2010-2019 at an average annual US GDP growth of 2.3%. In contrast, arguments which suggest continued elevated volatility, include high inflation and geopolitics. The path of market variables such as oil, US 10-year yield and the dollar are regarded as key for equity market sentiment.


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Global Markets Minesweeper
Event Risk Calendar, 6- 10 June 2022

Date Time	Country	Event	Period	Survey	Prior	*
		Monday 6/6				
6/6 04:45	CH	Caixin China PMI Composite	May		37.2	
6/6 04:45	CH	Caixin China PMI Services	May	46.2	36.2	
		Tuesday 7/6				
7/6 02:30	JN	Labor Cash Earnings (YoY)	Apr	1.50%	2.00%	
7/6 08:00	JN	Leading Index CI	Apr P	102.5	100.8	
7/6 08:00	JN	Coincident Index	Apr P	97.4	97.5	
7/6 09:00	GE	Factory Orders (MoM)	Apr	-0.70%	-4.70%	
7/6 09:00	GE	Factory Orders WDA (YoY)	Apr	-4.70%	-3.10%	
7/6 11:30	EC	Sentix Investor Confidence	Jun	-21.4	-22.6	*
7/6 11:30	UK	S&P Global UK Services PMI	May F	51.8	51.8	
7/6 11:30	UK	S&P Global UK Composite PMI	May F	51.8	51.8	
7/6 15:30	US	Trade Balance	Apr	-\$89.2b	-\$109.8b	
7/6 22:00	US	Consumer Credit	Apr	\$32.750b	\$52.435b	
Eco Event	US	World Bank publishes "Global Economic Prospects" report				
		Wednesday 8/6				
8/6 02:50	JN	GDP SA (QoQ)	1Q F	-0.30%	-0.20%	
8/6 02:50	JN	GDP Annualized SA (QoQ)	1Q F	-1.10%	-1.00%	
8/6 02:50	JN	GDP Nominal SA (QoQ)	1Q F	0.10%	0.10%	
8/6 02:50	JN	BoP Current Account Adjusted	Apr	¥393.8b	¥1555.9b	
8/6 02:50	JN	Trade Balance BoP Basis	Apr	-¥735.0b	-¥166.1b	
8/6 08:00	JN	Eco Watchers Survey Current SA	May	52	50.4	
8/6 08:00	JN	Eco Watchers Survey Outlook SA	May	51.8	50.3	
8/6 09:00	GE	Industrial Production SA (MoM)	Apr	1.20%	-3.90%	
8/6 09:00	GE	Industrial Production WDA (YoY)	Apr	-3.40%	-3.50%	
8/6 11:30	UK	S&P Global UK Construction PMI	May	56.9	58.2	
8/6 12:00	EC	GDP SA (QoQ)	1Q F	0.30%	0.30%	
8/6 12:00	EC	GDP SA (YoY)	1Q F	5.10%	5.10%	*
8/6 17:00	US	Wholesale Inventories (MoM)	Apr F	2.10%	2.10%	
Eco Event	EC	OECD publishes Economic Outlook (12:00)				*
		Thursday 9/6				
Date Time	Country	Event	Period	Survey	Prior	*
9/6 02:01	UK	RICS House Price Balance	May	76%	80%	


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9/6 02:50	JN	Money Stock M3 (YoY)	May	3.20%	3.20%	
9/6 14:45	EC	ECB Main Refinancing Rate	9-Jun	0.00%	0.00%	
9/6 14:45	EC	ECB Marginal Lending Facility	9-Jun	0.25%	0.25%	
9/6 14:45	EC	ECB Deposit Facility Rate	9-Jun	-0.50%	-0.50%	
9/6 15:30	US	Initial Jobless Claims	4-Jun		200k	
Eco Event	EC	ECB President C. Lagarde holds press conference (15:30)				
Friday 10/6						
Date Time	Country	Event	Period	Survey	Prior	
10/6 02:50	JN	PPI (YoY)	May	9.90%	9.50%	
10/6 02:50	JN	PPI (MoM)	May	0.50%	1.10%	
10/6 04:30	CH	PPI (YoY)	May	6.50%	8.00%	
10/6 04:30	CH	CPI (YoY)	May	2.20%	2.10%	
10/6 15:30	US	CPI (MoM)	May	0.70%	0.30%	
10/6 15:30	US	CPI Ex Food and Energy (MoM)	May	0.40%	0.60%	
10/6 15:30	US	CPI (YoY)	May	8.20%	8.30%	
10/6 15:30	US	CPI Ex Food and Energy (YoY)	May	5.90%	6.20%	
10/6 17:00	US	U. of Mich. Sentiment	Jun P	58.9	58.4	
10/6 21:00	US	Monthly Budget Statement	May		\$308.2b	

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