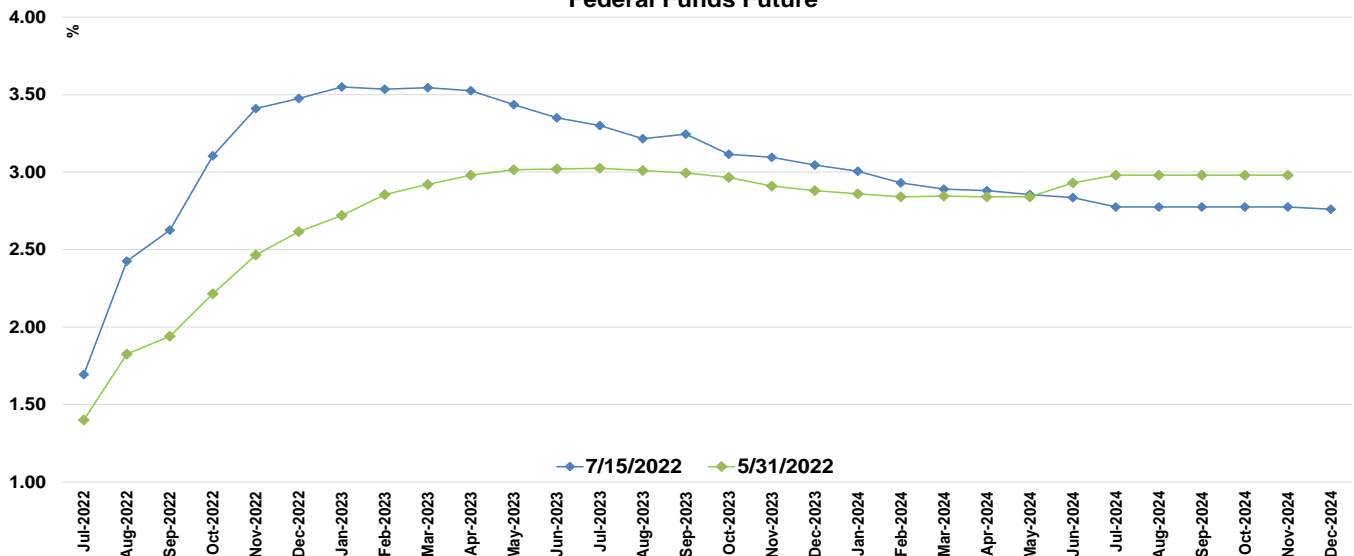


During the week recession fears intensified, as the economic data announcements deteriorated, gas prices surged further, and market volatility remained elevated. The spread between 10-Year and 2-Year US government bond yields decreased (13/7: -23 bps) to low since 2000. The shape of US yield curve has been a reliable leading indicator of recession, as in the previous recessions in 1990, 2001, 2008 and 2020 an inverted yield curve preceded. The second warning signal is the downwards revisions of GDP projections in the US and Eurozone. The IMF revised US GDP growth forecast for 2022 at 2.3% from 2.9% and to 1% from 1.7% for 2023. The IMF noted that broad-based surge in inflation poses systemic risks to both the US and the global economy. US inflation surged in June to a new high (9.1%, expected: 8.8%) since 1981, mainly due to higher costs for gasoline, food and rents. Future market priced that the Fed will hike interest rate at its July 26-27 meeting by at least 75 bps, and the Fed Funds rate will peak during the first quarter of 2023 at 3.60%.

Federal Funds Future


The European Commission projected that the Eurozone GDP will grow by 2.6% (previous estimate: 2.7%) in 2022 and by 1.4% (previous estimate: 2.3%) in 2023. The future price of Natural Gas in Europe (TTF) is at a very high level (€175/Mwh), as the Nord Stream pipeline halted for planned maintenance. Canadian government decided to return a repaired turbine to Germany that is needed for the Nord Stream gas pipeline. The WTI crude oil on July 14 dropped to a 4-month low (\$90.56/brl), mainly due to recession worries and the renew Covid-19 outbreak in China. US President Joe Biden today will fly to Saudi Arabia, where he will attend the summit of Gulf allies and he will ask to pump more oil.

Market focus remains on second quarter corporate earnings announcements. The estimated yoy earnings growth for S&P 500 in Q2 2022 is at 5.7%, however if the energy sector is excluded the growth rate is negative (-3%). Year-to-date, the S&P 500 has dropped by 20.5%, while the expectations for earnings growth in 2022 remain at a high level (+9.4%), indicating significant disconnect between market and analyst estimates. Goldman Sachs will report second quarter economic results on July 18, Johnson & Johnson and Netflix on July 19, Tesla on July 20 and Philip Morris International and AT&T on July 21.

The week ahead

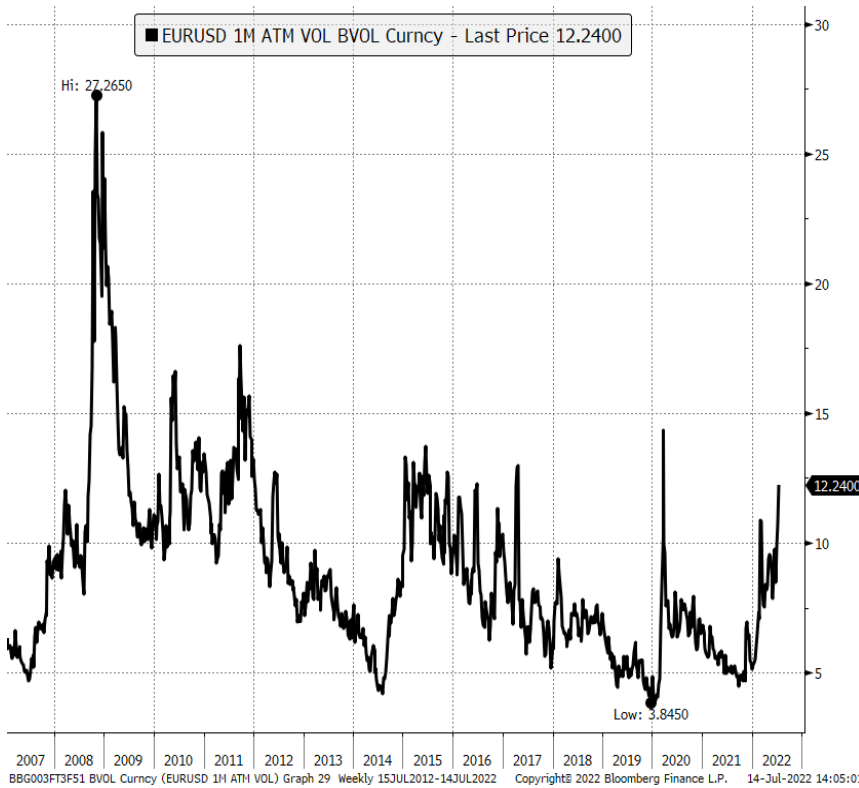
The ECB is expected to hike its interest rates (July 21) for the first time since 2011 and the Central Bank may announce details regarding the new anti-fragmentation tool. Eurozone PMI manufacturing index may have declined further in July (22/7). In the **US**, housing data will be released on July 19. Leading economic index may have dropped on monthly basis for a third month in a row. In the **UK**, inflation (20/7) may reach a high since 1981.

Quote of the Week:

Bank of the France Governor Francois Villeroy said: "ECB watches euro rate closely as important for prices. it's not so much the euro that's weak, but the dollar that's strong,".

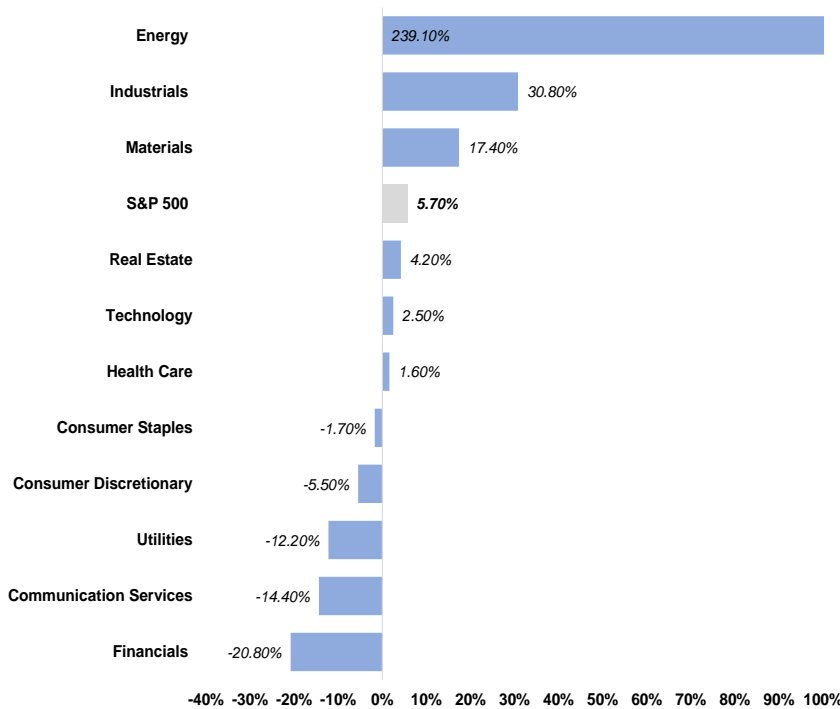
Global Markets in Charts

Euro falls below parity versus US dollar for the first time since 2002



The EUR/USD dropped this week to a new low (\$0.9952) since 2002, with year to date fall at 12%. The worries for possible recession in Eurozone after the gas flow through Nord Stream pipeline halted for maintenance, have negative impact on euro. Moreover, the euro weighed down by political instability in Italy. The Italian Prime Minister (M. Draghi) offered to resign, but the Italian President (S. Mattarella) rejected the resignation. In the coming week, the focus will be on ECB's monetary policy decisions (21/7) and on Nord Stream gas supply, as the maintenance is planned until July 21. The one-month implied volatility of EUR/USD increased on July 14 at a high (12.9%) since March 2020. Significant support area for EUR/USD is at \$0.97 (2022 EUR/USD high - average annual range of EUR/USD since 1999, 2021 EUR/USD close - 2021 EUR/USD close*max annual losses for euro since 1999).

S&P 500 Q2 2022 EPS Year on Year growth rates by Sector



Source: refinitiv, IBES

The S&P 500 earnings per share are expected to increase in the second quarter on yearly basis by 5.7% (Q1 2022: 11.4%). However, many sectors may exhibit negative earnings growth such as financials, communications services and utilities. The energy sector will post the highest earnings growth rate. JPMorgan and Morgan Stanley missed earnings estimates this week, both stocks have decreased by more than 20% since the start of the year (JPMorgan: -31.8%, Morgan Stanley: -23.9%). Next week's earnings announcements will be of vital importance for the equity market outlook. In case of, corporate earnings show resilience to economic deterioration, the equity market may start stabilising. However, if earnings announcements miss estimates and the guidance revise downwards, selling pressures in equities will persist.

Global Markets Minesweeper
Event Risk Calendar, 18 - 22 July 2022

Monday 18/7						
Date Time	Country	Event	Period	Survey	Prior	🌩️*
18/7 02:01	UK	Rightmove House Prices (YoY)	Jul	--	9.70%	
18/7 17:00	US	NAHB Housing Market Index	Jul	66	67	
18/7 23:00	US	Net Long-term TIC Flows	May	--	\$87.7b	
18/7 23:00	US	Total Net TIC Flows	May	--	\$1.3b	
Corp. Results	US	Goldman Sachs, Bank of America, IBM				
Japanese Markets closed (Marine Day)						
Tuesday 19/7						
Date Time	Country	Event	Period	Survey	Prior	🌩️*
19/7 09:00	UK	Weekly Earnings ex Bonus 3M/(YoY)	May	4.30%	4.20%	
19/7 09:00	UK	ILO Unemployment Rate 3Months	May	3.80%	3.80%	
19/7 12:00	EC	Construction Output (YoY)	May	--	3.00%	
19/7 12:00	EC	CPI (YoY)	Jun F	8.60%	8.10%	🌩️*
19/7 12:00	EC	CPI (MoM)	Jun F	0.80%	0.80%	
19/7 12:00	EC	CPI Core (YoY)	Jun F	3.70%	3.70%	🌩️*
19/7 15:30	US	Housing Starts (MoM)	Jun	2.70%	-14.40%	
19/7 15:30	US	Building Permits (MoM)	Jun	-1.70%	-7.00%	
Corp. Results	US	Netflix, Johnson & Johnson, Halliburton, Hasbro				
Wednesday 20/7						
Date Time	Country	Event	Period	Survey	Prior	🌩️*
20/7 04:15	CH	1-Year Loan Prime Rate	20-Jul	3.70%	3.70%	
20/7 09:00	UK	CPI (YoY)	Jun	9.30%	9.10%	🌩️*
20/7 09:00	UK	CPI Core (YoY)	Jun	5.80%	5.90%	🌩️*
20/7 09:00	GE	PPI (YoY)	Jun	33.10%	33.60%	
20/7 11:00	EC	ECB Current Account SA (Euro)	May	--	-5.8b	
20/7 17:00	US	Existing Home Sales (MoM)	Jun	-0.20%	-3.40%	
20/7 17:00	EC	Consumer Confidence	Jul P	-24.9	-23.6	🌩️*
Eco Event	EC	EU will unveil a contingency plan in case Nord Stream 1 remains shut				🌩️*
Corp. Results	US	Tesla, Abbott Laboratories, Biogen				
Thursday 21/7						
Date Time	Country	Event	Period	Survey	Prior	🌩️*
21/7 00:00	JN	BOJ Policy Balance Rate	21-Jul	-0.10%	-0.10%	
21/7 15:15	EC	ECB Main Refinancing Rate	21-Jul	0.25%	0.00%	🌩️*

July 15, 2022

21/7 15:15	EC	ECB Marginal Lending Facility	21-Jul	0.50%	0.25%	🌟
21/7 15:15	EC	ECB Deposit Facility Rate	21-Jul	-0.25%	-0.50%	🌟
21/7 15:30	US	Philadelphia Fed Business Outlook	Jul	1.7	-3.3	
21/7 15:30	US	Initial Jobless Claims	16-Jul	--	244k	
21/7 17:00	US	Leading Index (MoM)	Jun	-0.50%	-0.40%	🌟
Eco Event	EC	ECB President Christine Lagarde holds press conference (15:45)				🌟
Corp. Results	US	AT&T, Travelers				
	GE	SAP				
		Friday 22/7				
Date Time	Country	Event	Period	Survey	Prior	🌟
22/7 02:01	UK	GfK Consumer Confidence	Jul	-43	-41	
22/7 02:30	JN	Natl CPI (YoY)	Jun	2.40%	2.50%	🌟
22/7 02:30	JN	Natl CPI Ex Fresh Food, Energy (YoY)	Jun	1.00%	0.80%	🌟
22/7 03:30	JN	Jibun Bank Japan PMI Mfg	Jul P	--	52.7	
22/7 09:00	UK	Retail Sales Inc Auto Fuel (YoY)	Jun	-5.00%	-4.70%	
22/7 10:30	GE	Germany Manufacturing PMI	Jul P	51	52	🌟
22/7 11:00	EC	Eurozone Manufacturing PMI	Jul P	51	52.1	🌟
22/7 11:00	EC	Eurozone Services PMI	Jul P	52	53	
22/7 11:00	EC	Eurozone Composite PMI	Jul P	50.9	52	
22/7 11:30	UK	UK Manufacturing PMI	Jul P	52	52.8	🌟
22/7 11:30	UK	UK Services PMI	Jul P	53.5	54.3	
22/7 11:30	UK	UK Composite PMI	Jul P	52.8	53.7	
22/7 16:45	US	US Manufacturing PMI	Jul P	51	52.7	🌟
22/7 16:45	US	US Services PMI	Jul P	52	52.7	
22/7 16:45	US	US Composite PMI	Jul P	--	52.3	
Corp. Results	US	Twitter, American Express, Verizon, HCA Healthcare				

Global Markets Analysis

+30 210-3268410

marketanalysis@alpha.gr

Maria Koutouzi

maria.koutouzi@alpha.gr

Ioannis Kouravelos, CFA

ioannis.kouravelos@alpha.gr

Konstantinos Anathreptakis

konstantinos.anathreptakis@alpha.gr

Nikolaos Sakarelis

nikolaos.sakarelis@alpha.gr

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