

***The main equity index in the US has risen at the highest close since early August and the main European index increased at the highest close since mid-August. Milder government bond yields have supported equity market sentiment.***

**Eurozone economic confidence** slightly recovered in November, but it is below the 12-month average. The OECD expects low annual GDP growth for the Eurozone at 0.9% in 2024. According to the initial estimate, **inflation moderated in November** at a low (2.4%) since July 2021 and the **core inflation** was the lowest since April 2022.

#### **What ECB members have recently said about monetary policy?**

The member of the **ECB** (Nagel) said that it is early to think about rate cuts. The member of the ECB (Muller) said that the ECB will probably not need to increase rates again. He expects that the ECB rates can be kept stable, as their already high level will slow down consumption and as monetary policy is already restrictive for economic activity. The **German 2-year government bond yield** moderated almost at six-month low and the **10-year bond yield** at low since late July.

As **Eurozone government bond yields moderated** and as the **earnings 12-month forward** estimate of the **Eurozone Stoxx 50 equity** index has risen at multi-year high, the has increased. The total return of the Eurozone 50 year to date is higher (19.4%) than that of the overall European Stoxx 600 index (12.3%). The aggressive **sector** of European technology has risen the most in the fourth quarter (13%), followed by sectors which have recently benefited by the moderation of bond yields. The European real estate sector has increased by 10% but still lags compared to the overall European index year to date. The third sector in terms of total return in the fourth quarter has been the utilities sector (8%). The European utilities sector index has the highest earnings 12-month forward estimate since 2010 and its P/E 12-month forward is more attractive (12.4 times) than its 10-year average (14.4). Despite the recent decision of OPEC+ to extend production cuts in 2024 and additionally cut production of almost 1 mln. barrels/day, the **WTI crude oil** is lower on a yearly basis by almost -5%, which may support the stagnated Eurozone economy.

**Is the recent recovery of the US equity market excessive?** The S&P 500 **equity** index is now near the highest close (end of July) year to date. As the **earnings** 12-month forward estimate is at historic high and the **US 10-year bond yield** has moderated compared to late October, the gap (a measure of equity risk premium) between the forward earnings yield minus the US 10-year bond yield has slightly recovered from the lowest in 22 years, in which it had dropped in mid-October. Despite the recovery, it is lower than long-term averages. In this context, further drop of the US 10-year yield is needed.

#### **The week ahead**

In the **US**, the ISM **services** index (5/12) may have risen in November.

**Non-farm payrolls** (8/12) are expected in November above the historic average.

The unemployment rate (8/12) may have remained below the historic average, highlighting resilient economic activity.

In the **Eurozone**, the final reading of GDP for the 3<sup>rd</sup> quarter is expected on December 7.

In **Japan**, the final reading of PMI services index for November and of GDP for the 3<sup>rd</sup> quarter are expected on December 5 and December 8, respectively.

In **China**, Caixin services PMI for November will be released on December 5 and trade balance for November on December 7.

#### **“Quote of the Week”**

The President of Cleveland Fed (Mester) said:

“Monetary policy is suitable currently. The Fed will examine incoming information about the economy and financial conditions and see whether policy is well calibrated to ensure that inflation is on a path towards 2%”, implying that the Fed’s benchmark rate may remain stable for some time.

**Equity market sentiment** seems currently more focused on the **rising earnings 12-month forward** estimate, rather than to the low attractiveness of equities versus government bonds. If US bond yields do not moderate further, **mild corrections can be frequent**. However, the rise of the S&P 500 by 20% in the period of October 12, 2022 until June 8, 2023 and the additional increase of 7% (8/6-30/11) indicates strong momentum. **The index is near to fully recover from the recent correction** of almost 10%, which lasted from the end of July until late October.

The resilience of the US equity index is evident in how it has traded in the last almost 3½ years, during which the pandemic-related (19/2-23/3/20) and the geopolitics related (3/1-12/10/22) “bear markets” happened. The S&P 500 increased by 104% since the bottom of the pandemic-related “bear market” (23/3/20) until November 29, 2023. Its return has been almost as strong as the return during the same period of working days after the bottom of the financial crisis (9/3/09).

In the current quarter, the aggressive **sector** of S&P 500 technology has the highest total return of almost 13%, while energy has lagged (-7%) as the oil price dropped. The technology sector has earnings 12-month forward estimate at historic high. Its P/E 12-month forward ratio is elevated at 26.5 above the 10-year average (20) but slightly below the level it was in July (28). The elevated P/E 12-month forward ratio may imply frequent corrections. An aggressive sector with mild P/E 12 month forward (14 times) such as US financials can be quite attractive and this is reflected at the fact that it has the 3<sup>rd</sup> higher return in 4<sup>th</sup> quarter.

In **Japan**, the Nikkei equity index has positive total

return in the 4<sup>th</sup> quarter, which is almost the same as that of the MSCI developed index in common comparison terms (in euro). The weakening of the Japanese economy since the third quarter and the expectation for less monetary support by the Bank of Japan do not appear to have material impact on equity sentiment, as the Japanese 10-year bond yield is mild, below where it ended the 3<sup>rd</sup> quarter.

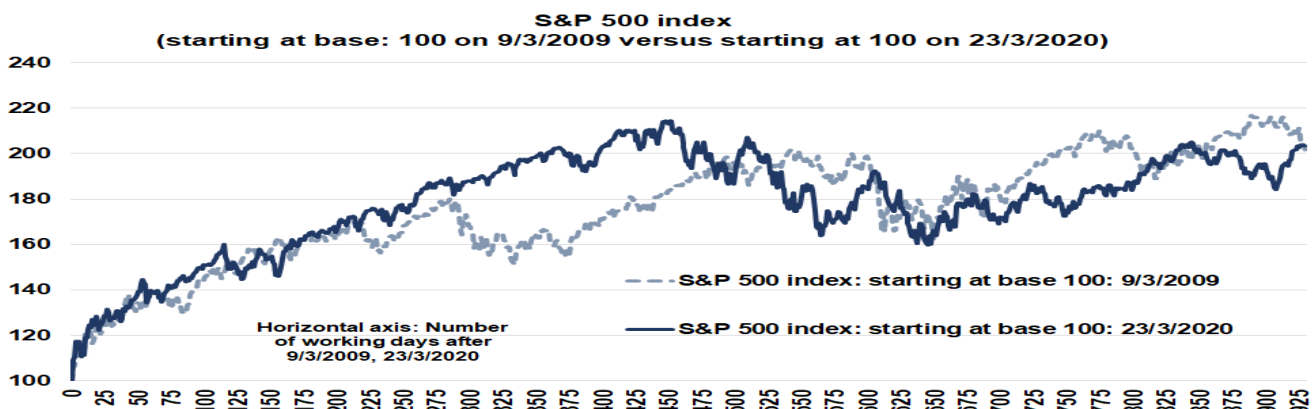
### Is it possible that the recent recovery of emerging equity markets may continue?

The MSCI **emerging equity** index is slightly above its 200-day average, but its total return in the 4<sup>th</sup> quarter has been less than that of the developed. It is noted however, that some parameters have turned supportive for the emerging index just recently, mostly during the period since the end of October. These recent developments may have not yet fully been reflected into the emerging index and may support it in mid-term. The US **government bond yields** have moderated in November and the **dollar** has weakened, which can be favorable for emerging equity. Furthermore, the **earnings** 12-month forward estimate of the emerging is currently by almost 4% higher than its level three months before.

In **Greece**, the ASE index increased at the highest close since early September. Its earnings 12-month forward estimate is at a high since 2011.

In **fx**, the **EUR/USD** increased at high (29/11: \$1.1017) since mid-August near the resistance area of \$1.1065-\$1.1230 (support at \$1.0820), as the 2-year and 10-year yield differentials were in late November around the highest since early October.

**The rise of the S&P 500 index since the bottom of the pandemic (3/2020) has been comparable to the rise at a period of same working days after the bottom of the financial crisis (3/2009).**



**Global Markets Minesweeper**
**Event Risk Calendar, 4 - 8 December 2023**

Monday 4/12						
Date Time	Country	Event	Period	Survey	Prior	
4/12 09:00	GE	Trade Balance SA (EUR)	Oct	16.9b	16.7b	
4/12 09:00	GE	Exports SA (MoM)	Oct	1.00%	-2.30%	
4/12 09:00	GE	Imports SA (MoM)	Oct		-1.80%	
4/12 11:30	EC	Sentix Investor Confidence	Dec	-16.0	-18.6	🔴*
4/12 17:00	US	Factory Orders (MoM)	Oct	-2.60%	2.80%	🔴*
4/12 17:00	US	Factory Orders Ex Trans (MoM)	Oct	-2.60%	0.80%	
4/12 17:00	US	Durable Goods Orders (MoM)	Oct F	-5.40%	-5.40%	
4/12 17:00	US	Durables Ex Transportation (MoM)	Oct F	0.00%	0.00%	
<b>Eco Event</b>	EC	ECB's Lagarde Speaks in Paris				🔴*
Tuesday 5/12						
Date Time	Country	Event	Period	Survey	Prior	
5/12 01:30	JN	Tokyo CPI Ex-Fresh Food (YoY)	Nov	2.40%	2.70%	
5/12 02:30	JN	Jibun Bank Japan PMI Services	Nov F	51.7	51.7	
5/12 03:45	CH	Caixin China PMI Services	Nov	50.7	50.4	
5/12 10:50	FR	HCOB France Services PMI	Nov F	45.3	45.3	
5/12 10:55	GE	HCOB Germany Services PMI	Nov F	48.7	48.7	
5/12 11:00	EC	HCOB Eurozone Services PMI	Nov F	48.2	48.2	
5/12 11:30	UK	S&P Global/CIPS UK Services PMI	Nov F	50.5	50.5	
5/12 12:00	EC	PPI (MoM)	Oct	0.20%	0.50%	
5/12 12:00	EC	PPI (YoY)	Oct	-9.50%	-12.40%	
5/12 16:45	US	S&P Global US Services PMI	Nov F		50.8	
5/12 17:00	US	JOLTS Job Openings	Oct	9400k	9553k	
5/12 17:00	US	ISM Services Index	Nov	52.5	51.8	🔴*
Wednesday 6/12						
Date Time	Country	Event	Period	Survey	Prior	
6/12 09:00	GE	Factory Orders (MoM)	Oct	0.50%	0.20%	
6/12 09:00	GE	Factory Orders WDA (YoY)	Oct	-3.60%	-4.30%	
6/12 12:00	EC	Retail Sales (MoM)	Oct	0.10%	-0.30%	🔴*
6/12 12:00	EC	Retail Sales (YoY)	Oct	-1.20%	-2.90%	
6/12 14:00	US	MBA Mortgage Applications	1-Dec		0.30%	
6/12 15:15	US	ADP Employment Change	Nov	120k	113k	🔴*
6/12 15:30	US	Nonfarm Productivity	3Q F	4.80%	4.70%	
6/12 15:30	US	Unit Labor Costs	3Q F	-0.90%	-0.80%	
6/12 15:30	US	Trade Balance	Oct	-\$63.0b	-\$61.5b	🔴*
<b>Eco Event</b>	UK	Bank of England issues biannual stability report on UK financial system				

December 1, 2023

Thursday 7/12						
Date Time	Country	Event	Period	Survey	Prior	
7/12	CH	Trade Balance	Nov	\$48.65b	\$56.53b	🌟
7/12	CH	Exports (YoY)	Nov	-1.50%	-6.40%	
7/12	CH	Imports (YoY)	Nov	4.00%	3.00%	
7/12 07:00	JN	Leading Index CI	Oct P	108.2	108.9	
7/12 09:00	GE	Industrial Production SA (MoM)	Oct	0.30%	-1.40%	
7/12 09:00	GE	Industrial Production WDA (YoY)	Oct	-3.10%	-3.70%	
7/12 12:00	EC	GDP SA (QoQ)	3Q F	-0.10%	-0.10%	🌟
7/12 12:00	EC	GDP SA (YoY)	3Q F	0.10%	0.10%	
7/12 15:30	US	Initial Jobless Claims	2-Dec		218k	
<b>Corp. Results</b>	US	Broadcom, Dollar General				
Friday 8/12						
Date Time	Country	Event	Period	Survey	Prior	
8/12 01:30	JN	Labor Cash Earnings (YoY)	Oct	1.00%	0.60%	
8/12 01:30	JN	Household Spending (YoY)	Oct	-2.90%	-2.80%	
8/12 01:50	JN	GDP Annualized SA (QoQ)	3Q F	-1.90%	-2.10%	
8/12 01:50	JN	GDP Business Spending (QoQ)	3Q F	-0.50%	-0.60%	
8/12 01:50	JN	Trade Balance BoP Basis	Oct	-¥379.7b	¥341.2b	
8/12 07:00	JN	Eco Watchers Survey Outlook SA	Nov	48.1	48.4	
8/12 09:00	GE	CPI (MoM)	Nov F	-0.40%	-0.40%	
8/12 09:00	GE	CPI (YoY)	Nov F	3.20%	3.20%	
8/12 15:30	US	Change in Nonfarm Payrolls	Nov	200k	150k	🌟
8/12 15:30	US	Unemployment Rate	Nov	3.90%	3.90%	🌟
8/12 15:30	US	Average Hourly Earnings (YoY)	Nov	4.00%	4.10%	🌟
8/12 15:30	US	Labor Force Participation Rate	Nov		62.70%	
8/12 17:00	US	U. of Mich. Sentiment	Dec P	61.6	61.3	🌟
8/12 17:00	US	U. of Mich. 1 Yr Inflation	Dec P		4.50%	
8/12 17:00	US	U. of Mich. 5-10 Yr Inflation	Dec P		3.20%	

**Global Markets Analysis**

+30 210-3268410

marketanalysis@alpha.gr

Konstantinos Anathreptakis, CFA

konstantinos.anathreptakis@alpha.gr

Maria Koutouzi

maria.koutouzi@alpha.gr

Ioannis Kouravelos, CFA

ioannis.kouravelos@alpha.gr

Nikolaos Sakarelis

nikolaos.sakarelis@alpha.gr

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