

Until the middle of the week, markets trading has potentially challenged the consensus narrative for government bonds resiliency and simultaneously, stocks have also been under pressure. Still, the scenario of government bonds being more attractive than stocks remains the base case, for some time.

On the [macroeconomics](#) front, at the end of the previous week, the ISM services index was announced in the **US**. It slightly declined at 55.1 in February from 55.2 in January, but it was almost at the long-term average (55), indicating expansion of the [services](#) sector of the economy. According to the Atlanta Fed estimate (8/3), [GDP](#) is rising on annualised quarterly basis by around 2.6% (10-year average of yearly GDP rise: 2.1%). [As economic activity appears resilient and inflation is still elevated](#), the President of the **Fed** said that economic announcements of employment, consumer spending, manufacturing production and inflation for January have partly reversed the softening trends seen a month previously. The overall wording of Fed's President semi-annual testimony to Congress suggests that the Fed may consider raising the benchmark rate by 0.50% instead of 0.25% at the FOMC of March 22, with decisions on rates to be taken "meeting by meeting" according to the conditions, as he noted. [The most important economic announcements that will affect the decision of the Fed about whether it will hike by 0.50% or by 0.25% on March 22, will be non-farm payrolls and unemployment rate for February today \(10/3\) and inflation releases on March 14.](#) The **US 2-year bond yield** posted high (8/3: 5.08%) since mid-2007. The [10-year bond yield](#) increased at four-month high (2/3: 4.09%), while it is currently at 3.82%.

In the **Eurozone**, GDP was flat on quarterly basis in the fourth quarter of 2022, while on year over year basis it increased by 1.8% (30-year average: 1.5%). The [German 2-year bond yield](#) posted 14½ high (9/3: 3.38%), while the [10-year yield](#) is slightly lower (10/3: 2.65%) than the recent highest (2/3: 2.77%) since 2011. Two members of the **ECB** (R. Holzmann, I. Visco) made statements, indicating divergence of views regarding monetary policy. The **Austrian** Central Bank Governor said that four 0.50% rate hikes may be needed, while the **Italian** Central Bank Governor said that: "Uncertainty is so high that the Governing Council of the ECB has agreed to decide meeting by meeting without forward guidance. I therefore do not appreciate statements by my colleagues about future and prolonged interest rate hikes". According to a monthly survey of the **ECB** in January, consumers in the Eurozone expect inflation at 2.5% at the 3-year horizon milder than the respective expectation in December (3%) and inflation of 4.9% at the 12-month horizon from 5% in December. In the short-term, **EUR/USD** trades in range, possibly between \$1.0330 (200-day average) - \$1.0720 (50-day average).

The week ahead

In the **US**, inflation (14/3) may have moderated slightly in February at 6% (median of estimates) from 6.4% in January and core inflation at 5.5% from 5.6% in January. Retail sales (15/3) have probably slightly increased on monthly basis in February. The leading economic index may have dropped on monthly basis in February for 11th consecutive month (median estimate: 0.2%, January: 0.3%). In the **Eurozone**, the **ECB** (16/3) is expected to increase the benchmark rate by 0.50%.

In **Japan**, exports (16/3) may have risen on year over year basis in February by more (median of estimates: 7.0%) than in January (3.5%).

“Quote of the Week”

The President of the **Fed** said: "The latest economic announcements have been stronger than expected, which suggests that the ultimate level of rates is likely to be higher than previously anticipated. If the totality of the data would indicate that faster tightening is warranted, the Fed would be prepared to increase the pace of rate hikes. No decision made about the meeting of the FOMC in March".

The mid-term trend of **EUR/USD** will partly be determined by US **employment** figures announcements today (10/3), the **ECB** meeting (16/3) and the **Fed** meeting (22/3) and how these will be reflected into the **German-US 2-year yield** differential, which currently is (10/3: -1.67%, 6-month average: -2.05%) mildly supportive for the Euro.

In **European** equity, the stoxx 50 **Eurozone equity** index posted the highest close (6/3: 4,313.8) since January 2022, supported by mild valuation multiple (price to 12-month forward earnings estimate ratio at 12.5 times vs 10-year average of 13.6). The Stoxx 600 **Europe equity** index slightly retreated (10/3: 455) from the area of 468 (intraday high: 16/2), which is key resistance (76.4% Fibonacci retracement: 495-380). The **European** index has one-month total return of -0.2% (9/2-9/3), with a mix of defensive (telecom: 5.4%) and aggressive (automobiles: 3.1%) **sectors**, increasing, while higher yields affected the real estate (-10.9%).

In **US** equity, the S&P 500 index struggles with higher US bond **yields**, retreating on close basis below (9/3: 3,918) the 200-day average (3,940), for the first time since January 20. In the most recent one-month period (9/2-9/3), the S&P 500 industrials **sector** index (total return in USD: -0.5%, in Euro: 1.1%) and the defensive consumer staples sector (in USD: -1.3%, in Euro: 0.3%) have been resilient, while aggressive sectors such as financials (-7.7%) have been under pressure. Furthermore, financials have been impacted by worries for the quality of the assets of some small banks. In **Japan**, the Nikkei index increased at the highest close level (10/3: 28,143) since August 2022 before

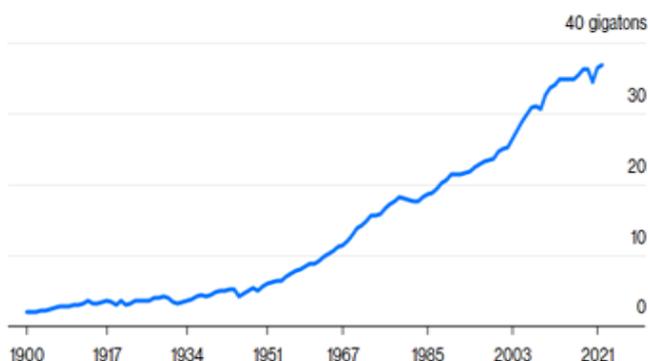
retreating (10/3: 28,144). From mid-term perspective, the Japanese index is supported by quite mild valuation multiple (price to 12-month forward earnings estimate ratio at 16.5 vs 10-year average of 17.8) and mild Japan 10-year government bond yield (0.40%). In **emerging** equity, the MSCI China is consolidating, after wide moves during the last two years (17/2/21-31/10/22: -62%, 31/10/22-27/1/23: 59%, 27/1-28/2/23: -14%). Sentiment may be affected by **US-China** relations and chinese currency policy. The **USD/CNY** is near (6.95) the "threshold" (7.00), which in the past had been associated with relative strong equity sentiment (below 7.00) vs relatively weak equity sentiment (above 7.00). In **Greece**, the ASE index pulled-back, after reaching (1/3: 1,141) the key resistance area of 1,155 (76.4% Fibonacci retracement of: 1,379 on 19/3/14 to 421 on 11/2/16). It is now above (10/3: 1,057) the area of 1,000, which had previously been key resistance, now turned into indicative support (38.2% Fibonacci retracement: 779 on 5/7/22 to 1,141 on 1/3/23).

In **global** context, the International Energy Agency said that total global CO2 emissions grew by 0.9% in 2022 to an all-time high, affected by extreme weather, geopolitics and increased use of coal for heat and electricity generation. However, the deployment of solar, wind and other clean energy technologies prevented about 550 million tons of carbon dioxide entering the atmosphere. Indicatively, the global solar theme peer equity index (Bloomberg) has in the recent two years (3/21-3/23), annualized total return of 10.5% (in USD, Euro: 17%, P/E 12-month forward: 14, 52-week volatility: 32%) vs -0.9% (USD, Euro: 5%) of the MSCI all countries world.

The carbon dioxide emissions increased at record high, but solar, wind and other clean energy technologies contributed to the prevention of even worse outcome

Carbon dioxide emissions rose 0.9% in 2022 to set a new record

Global CO2 emissions

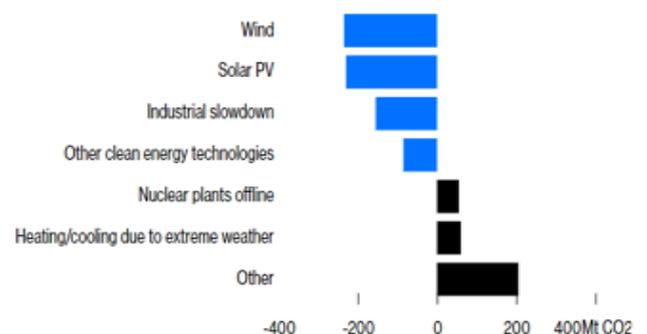


Source: International Energy Agency 2022 emissions report, Bloomberg

Global Markets Minesweeper

Renewables and clean energy technology helped prevent 550 million tonnes of CO2 in emissions

■ Avoided emissions ■ Increased emissions



Global Markets Minesweeper
Event Risk Calendar, 13-17 March 2023

Monday 13/3						
Date Time	Country	Event	Period	Survey	Prior	
13/3 01:50	JN	BSI Large Manufacturing (QoQ)	1Q		-3.6	
Tuesday 14/3						
Date Time	Country	Event	Period	Survey	Prior	
14/3 09:00	UK	ILO Unemployment Rate 3Mths	Jan	3.80%	3.70%	
14/3 12:00	US	NFIB Small Business Optimism	Feb		90.3	
14/3 14:30	US	CPI (MoM)	Feb	0.40%	0.50%	
14/3 14:30	US	CPI Ex Food and Energy (MoM)	Feb	0.40%	0.40%	
14/3 14:30	US	CPI (YoY)	Feb	6.00%	6.40%	
14/3 14:30	US	CPI Ex Food and Energy (YoY)	Feb	5.50%	5.60%	
14/3 14:30	US	Real Avg Weekly Earnings (YoY)	Feb		-1.50%	
Corp. Results	EU	Generali				
Wednesday 15/3						
Date Time	Country	Event	Period	Survey	Prior	
15/3 03:20	CH	1Y Med.Term Lend. Facility Rate	15-Mar	2.75%	2.75%	
15/3 04:00	CH	Industrial Production YTD (YoY)	Feb	2.60%	3.60%	
15/3 04:00	CH	Retail Sales YTD (YoY)	Feb	3.50%	-0.20%	
15/3 04:00	CH	Surveyed Jobless Rate	Feb	5.30%	5.50%	
15/3 12:00	EC	Industrial Production SA (MoM)	Jan	0.50%	-1.10%	
15/3 14:30	US	PPI Final Demand (MoM)	Feb	0.30%	0.70%	
15/3 14:30	US	PPI Ex Food and Energy (MoM)	Feb	0.40%	0.50%	
15/3 14:30	US	PPI Final Demand (YoY)	Feb	5.40%	6.00%	
15/3 14:30	US	PPI Ex Food and Energy (YoY)	Feb	5.20%	5.40%	
15/3 14:30	US	Empire Manufacturing	Mar	-7.4	-5.8	
15/3 14:30	US	Retail Sales Advance (MoM)	Feb	0.20%	3.00%	
15/3 14:30	US	Retail Sales Ex Auto (MoM)	Feb	0.30%	2.30%	
15/3 14:30	US	Retail Sales Ex Auto and Gas	Feb		2.60%	
15/3 16:00	US	Business Inventories	Jan	0.00%	0.30%	
15/3 16:00	US	NAHB Housing Market Index	Mar	41	42	
Corp. Results	EU	BMW, E. ON, Industria de Diseno Textil				
Thursday 16/3						
Date Time	Country	Event	Period	Survey	Prior	
16/3 01:50	JN	Trade Balance	Feb	-¥1235.3b	-¥3498.6b	
16/3 01:50	JN	Trade Balance Adjusted	Feb	-¥1427.2b	-¥1821.3b	
16/3 06:30	JN	Industrial Production (YoY)	Jan F	-2.30%	-2.30%	

March 10, 2023

16/3 14:30	US	Initial Jobless Claims	11-Mar		211k	
16/3 14:30	US	Import Price Index (MoM)	Feb	-0.20%	-0.20%	
16/3 14:30	US	Export Price Index (MoM)	Feb	-0.30%	0.80%	
16/3 14:30	US	Housing Starts (MoM)	Feb	0.10%	-4.50%	
16/3 14:30	US	Building Permits (MoM)	Feb	0.80%	0.10%	
16/3 14:30	US	Philadelphia Fed Business Outlook	Mar	-16.6	-24.3	
16/3 15:15	EC	ECB Main Refinancing Rate	16-Mar	3.50%	3.00%	🌩️
16/3 15:15	EC	ECB Marginal Lending Facility	16-Mar	3.75%	3.25%	
16/3 15:15	EC	ECB Deposit Facility Rate	16-Mar	3.00%	2.50%	🌩️
Eco Event	EC	ECB President C. Lagarde holds press conference (15:45)				🌩️
		Friday 17/3				
Date Time	Country	Event	Period	Survey	Prior	🌩️
17/3 12:00	EC	CPI (MoM)	Feb F	0.80%	0.80%	
17/3 12:00	EC	CPI (YoY)	Feb F	8.50%	8.60%	🌩️
17/3 12:00	EC	CPI Core (YoY)	Feb F	5.60%	5.60%	🌩️
17/3 15:15	US	Industrial Production (MoM)	Feb	0.50%	0.00%	🌩️
17/3 16:00	US	Leading Index (MoM)	Feb	-0.20%	-0.30%	🌩️
17/3 16:00	US	U. of Mich. Sentiment	Mar P	67	67	🌩️
17/3 16:00	US	U. of Mich. 1 Yr Inflation	Mar P		4.10%	
17/3 16:00	US	U. of Mich. 5-10 Yr Inflation	Mar P		2.90%	
Eco Event	EC	OECD publishes Interim Economic Outlook				🌩️

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