

The US 10-year government bond yield has risen at a level which, in the past, it had been associated with in-parallel pull-back of equities. The period from mid-May until the end of June had been seasonally weak for equities in some years.

In the **Eurozone**, the **consumer confidence** index slightly increased in May, but less than the expected, while still better than the 12-month average. Eurozone PMI **manufacturing** index decreased at three-year low in May. While the **services** PMI index was also lower in May, it continues to indicate expansion and the composite PMI remained above 50. **German GDP** decreased on quarterly basis in the first quarter (-0.3%) for the second consecutive quarter, indicating that the economy has entered mild recession. The German **IFO** business climate index dropped in May, indicating weaker economic activity, while still slightly above (91.7) the 12-month average (89.6).

The Stoxx 50 **Eurozone equity** index is slightly lower from the highest close since late 2007, posted in late April. The pull-back (21/4-25/5: -3%) has been in parallel with the rise of the **German 10-year bond yield** at two-month high close (25/5: 2.52%). The Stoxx 600 **Europe equity** index has mildly retreated (21/4-25/5: -2.7%) from the highest close level since February 2022, posted in late April, while it is still above (458) its 200-day average (438). The mild P/E 12-month forward ratio of the European index (12.5 times, 10-year average: 14.5) may somewhat shield the index in the mid-term, even if the mild pull-back continues in the short-term.

In the last three months, a mix of aggressive and defensive **European sectors** have risen, indicating a balanced market environment, which includes both “upside and downside risks”. From the aggressive sectors, the European travel & leisure sector index has total return of 9.5% (25/2-25/5) and the technology has risen by 7%. From the defensives, the European healthcare sector index has three-month total return of 7.5%. In the defensive/balanced context and from global thematic perspective, the S&P **Global water** index has total return of 3.4% year to date and 3-year total return of almost 44.5% in USD (almost 47% in euro) versus 42.8% of the overall S&P Global index. Its EPS 12-month forward estimate has recently risen at a high since August 2022, while the P/E 12-month forward ratio is a bit stretched at 28 times versus the 5-year average of 26 times (10-year average: 22). From mid-term perspective, it is supported by the argument raised by some, that water security and scarcity emerge as “significant financial risks to the global economy”. According to estimates (Bloomberg, CDP: non-profit organization), since 1970 the world has seen 84% decline in freshwater biodiversity, with 2.3 billion people currently living in water-stressed areas.

The week ahead

In the **Eurozone**, the economic confidence index (30/5) may have slightly dropped in May indicating mild weakening of economic activity. The unemployment rate (1/6) is expected stable at 6.5% in April. The initial estimate of inflation may show slight moderation of inflation at 6.4% in May from 7% in April and of the core inflation at 5.5% from 5.6%.

US consumer confidence index (30/5) may have mildly declined in May. The ISM manufacturing index may have been slightly dropped in May (1/6) at contraction of the sector level.

The debt limit negotiations need to be concluded by June 1.

Non-farm payrolls (2/6) have probably dropped in May but at a level (median estimate: 180,000) still above the historic average (124,000). The unemployment rate is expected at 3.5% in May from 3.4%. In **China**, the official and the Caixin manufacturing PMI (31/5, 1/6) may indicate mild contraction of the sector, while the non-manufacturing PMI (31/5) will probably continue to indicate expansion of the sector.

“Quote of the Week”

The Bank of **France** Governor (F. Villeroy) said that: “the ECB could hike or pause in the next three policy decisions”.

In the **US**, according to the minutes of the Fed meeting in early May, “**several**” FOMC members expect that a pause of hikes at the current level may be needed as economic growth is weakening, while “**some**” members expect that further hikes of the interest rate may be needed, as the progress towards lower inflation has been slow. The more likely outcome of the **Fed’s** meeting in June is no hike of the benchmark rate, maintaining it stable for considerable period, which if reflected in milder bond yields can support equity market sentiment in the second half of the year. The S&P 500 **equity** index recently increased at the highest close (18/5:4,198) since August 2022, approaching near the key resistance area (4,290-4,300) where the 20% on close level from the bottom of 2022 (12/10/22: 3,577) is. **The increase of the public debt limit is pending, while some arrangement appears possible around the end of the month.** Despite the slight retreat in the last few days, the index is above (25/5 close: 4,151) the 21-day average (4,140). The recent slight pull-back has been almost in parallel with the increase of the **US 10-year bond yield** at two-month high (25/5: 3.83%). In case the US 10-year yield increases further, a mild retreat in equities may be possible. The current short-term period (mid-May to end of June) had been seasonally weak for equities in some years in the past. Support is at 4,050, where the intraday lows of May 4 and April 26 have been, along with the 3,975-4,000 area (200-day average, 29/3 low).

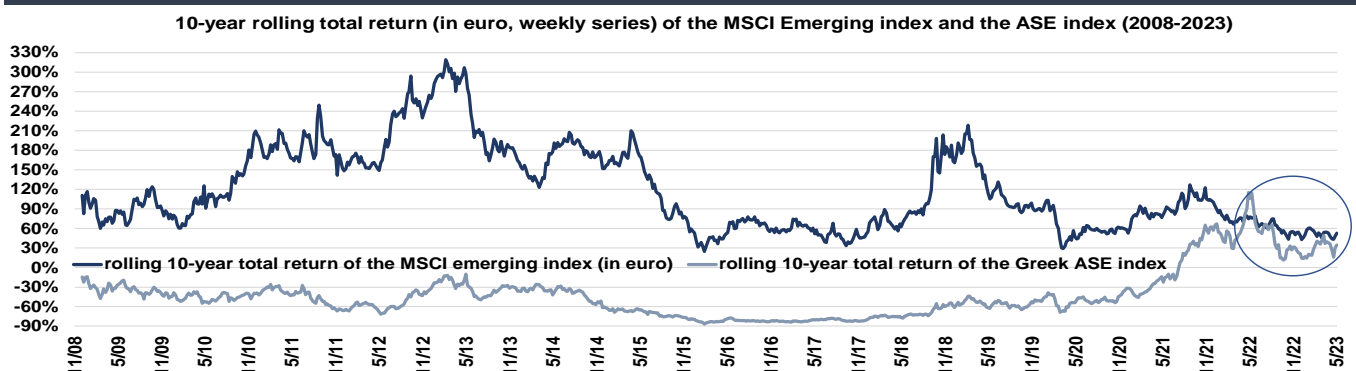
Since the lowest close level of 2022 for the S&P 500 index (12/10/22), the five **sector** indexes with the highest total return (until 25/5/23), include the aggressive sectors of technology and materials, but also the defensive sector of consumer staples. The energy sector has lagged in that period (12/10/22-25/5/23) as WTI **crude oil** price has corrected.

The S&P 500 energy **sector** is still lower (-8.6%) year to date and -5.4% on three-month basis. Saudi Arabia recently warned about its intention to potentially decrease oil production, but Russia said that does not support the prospect of further oil production cuts. In **Japan**, the manufacturing and services PMI increased in May, indicating resilient economic activity. The eps 12 month forward estimate of the Nikkei is near the multi-year high of January 2022 and the **Bank of Japan** continues accommodative policy. These conditions have supported the rise of the equity index at high since 1990, while short-term correction can’t be excluded.

The **EUR/USD** corrected at two-month low (25/5: \$1.0707), in parallel with the correction of the German-US 2-year bond yield spread at two-month low (25/5: -1.63%). Support is at \$1.0500, while resistance at \$1.0900-\$1.1100, with the focus on the ECB and Fed meetings in three weeks.

In **emerging equity**, the MSCI **India** maintains 10-year total return of 149% in euro vs 49% of the emerging index and mildly higher on yearly basis at 4.3% (in euro) versus -2.8% of the emerging. The MSCI **China** has 10-year total return of 53% in euro, mildly above the emerging (49%), while it has lagged in the last one year at a total return of -3%. Its P/E 12- month forward ratio is mild at 10. In **Greece**, the ASE index increased at the highest close (23/5: 1,205) since mid-2014. The earnings per share 12 month forward estimate of the ASE has risen at 12-year high. After rising by almost 41% in the last one year, the 10-year total return of the ASE index has approached near (40%) the 10-year total return of the MSCI emerging index (in euro: 49%), with the **Greek** equity market appearing in a possible long-term convergence path with main equity markets.

The rolling 10-year total return of the Greek ASE index is near converging with the 10-year rolling total return of the MSCI emerging index (in euro) after lagging for multi-year period.



* The rolling 10-year total return of the MSCI emerging index (Bloomberg) in euro (end of week series) and the rolling 10-year total return of the ASE index (2008-2023)

Global Markets Minesweeper
Event Risk Calendar, 29 May - 2 June 2023

Monday 29/5						
Date Time	Country	Event	Period	Survey	Prior	
29/5 08:00	JN	Leading Index CI	Mar F	97.7	97.7	
29/5 08:00	JN	Coincident Index	Mar F	98.8	98.8	
US Memorial Day holiday. Markets closed.						
Tuesday 30/5						
Date Time	Country	Event	Period	Survey	Prior	
30/5 02:30	JN	Jobless Rate	Apr	2.70%	2.80%	
30/5 11:00	EC	M3 Money Supply (YoY)	Apr	2.10%	2.50%	
30/5 12:00	EC	Consumer Confidence	May F		-17.4	
30/5 12:00	EC	Economic Confidence	May	99	99.3	
30/5 16:00	US	FHFA House Price Index (MoM)	Mar	0.30%	0.50%	
30/5 16:00	US	S&P CS 20-City (MoM) SA	Mar	0.00%	0.06%	
30/5 16:00	US	S&P 20-City (YoY) NSA	Mar		0.36%	
30/5 17:00	US	Conf. Board Consumer Confidence	May	99.9	101.3	
30/5 17:00	US	Conf. Board Expectations	May		68.1	
30/5 17:30	US	Dallas Fed Manufacturing index	May	-19.5	-23.4	
Corp. Results	US	Hewlett Packard				
Wednesday 31/5						
Date Time	Country	Event	Period	Survey	Prior	
31/5 02:50	JN	Retail Sales (YoY)	Apr	7.10%	6.90%	
31/5 02:50	JN	Industrial Production (YoY)	Apr P	1.90%	-0.60%	
31/5 04:30	CH	Manufacturing PMI	May	49.5	49.2	
31/5 04:30	CH	Non-manufacturing PMI	May	55.0	56.4	
31/5 08:00	JN	Consumer Confidence Index	May	36.1	35.4	
31/5 15:00	GE	CPI (MoM)	May P	0.20%	0.40%	
31/5 15:00	GE	CPI (YoY)	May P	6.50%	7.20%	
31/5 16:45	US	MNI Chicago PMI	May	47.5	48.6	
31/5 17:00	US	JOLTS Job Openings	Apr		9590k	
Eco Event	EC	ECB issues financial stability review				
	US	Federal Reserve Releases Beige Book (21:00)				
Corp. Results	US	Salesforce				
Thursday 1/6						
Date Time	Country	Event	Period	Survey	Prior	
1/6 03:30	JN	Jibun Bank Japan PMI Mfg	May F		50.8	

May 26, 2023

1/6 04:45	CH	Caixin China PMI Manufacturing	May	49.5	49.5	🌐*
1/6 10:55	GE	Germany Manufacturing PMI	May F	42.9	42.9	
1/6 11:00	EC	Eurozone Manufacturing PMI	May F	44.6	44.6	
1/6 11:30	UK	UK Manufacturing PMI	May F	46.9	46.9	
1/6 12:00	EC	CPI (MoM)	May P	0.30%	0.60%	
1/6 12:00	EC	Unemployment Rate	Apr	6.50%	6.50%	
1/6 12:00	EC	CPI Estimate (YoY)	May	6.40%	7.00%	🌐*
1/6 12:00	EC	CPI Core (YoY)	May P	5.50%	5.60%	🌐*
1/6 15:15	US	ADP Employment Change	May	160k	296k	🌐*
1/6 15:30	US	Initial Jobless Claims	27-May		229k	
1/6 16:45	US	US Manufacturing PMI	May F	47	48.5	
1/6 17:00	US	Construction Spending (MoM)	Apr	0.20%	0.30%	
1/6 17:00	US	ISM Manufacturing	May	47	47.1	🌐*
Eco Event	EC	ECB Account of May 3-4 Meeting (14:30)				
	US	Deadline for US government to run out of cash if the debt limit is not increased				
		Friday 2/6				
Date Time	Country	Event	Period	Survey	Prior	🌐*
2/6 02:50	JN	Monetary Base (YoY)	May		-1.70%	
2/6 15:30	US	Change in Nonfarm Payrolls	May	180k	253k	🌐*
2/6 15:30	US	Change in Private Payrolls	May	158k	230k	
2/6 15:30	US	Unemployment Rate	May	3.50%	3.40%	🌐*
2/6 15:30	US	Average Hourly Earnings (MoM)	May	0.30%	0.50%	
2/6 15:30	US	Average Hourly Earnings (YoY)	May	4.30%	4.40%	

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