

***The recent US macroeconomic announcements indicated mild macroeconomic conditions in terms of activity. Inflation has dropped but remains above target. The main equity markets have maintained their recent recovery.***

In the **US**, **non-farm payrolls** dropped at a low since June, but remained above the historical average. The **unemployment** rate slightly increased, but it is lower than the historic average. The **ISM services** dropped in October at a low since May, while it continues to exhibit mild expansion of services. Overall, the macroeconomics indicate **milder than the long-term average growth**.

#### **What was the effect of macroeconomics into the bond market?**

On the day of the mild payrolls release, the **US 2-year bond yield** moderated at a low since early September. The **US 10-year bond yield** moderated to 4.47% on November 9, before rising again at around 4.60% after the speech of the President of the Fed. As the **Fed** has not fully clarified its intentions for rate policy, US bond yields remain volatile, but milder compared to late October.

#### **What was the effect of milder US bond yields into the equity market?**

The **moderation of government bond yields has supported equity market sentiment, along with the recovery of earnings 12-month forward estimate**. In the US, the S&P 500 **equity** index has bounced upwards by 5.7% since October 27. The 12-month forward **earnings** estimate of the S&P 500 index recovered at around the historic high. It was confirmed that the recovery of earnings started in the third quarter, with mild single-digit percentage rise of earnings on yearly basis. From the 458 companies of the S&P 500 index companies, which have reported quarterly earnings, more than 8 out of 10 had quarterly earnings higher than the expected.

The S&P **Global 1200 equity** index has mild P/E 12-month forward at the 10-year average. **The year to date total return of the global index is high** at 12.1%, **despite the two corrective intervals** of February 2 to March 15 (-7.1%) and of July 31 to October 27 (-10.3%), **indicating resilience**. The aggressive **sectors** of global technology and consumer discretionary have risen the most year to date, along with communications. Seven out of eleven sectors have positive total return year to date. During most of the current year, the equity market sentiment has been relatively risk-on, with defensives lagging. One of the defensives, which have lagged until the end of September, was the global utilities sector. Utilities recovered recently, with the third higher return in the 4<sup>th</sup> quarter, as bond yields moderated and as its P/E 12-month forward is near the most attractive since 2011.

#### **The week ahead**

In the **Eurozone**, the revised reading of GDP (14/11) may confirm slight drop on quarterly basis. Industrial production (15/11) may have dropped on monthly basis in September. The final reading of inflation will be announced on November 17.

**US** inflation (14/11) may have moderated further in October, while the core inflation may have remained stable.

In **Japan**, GDP (15/11) may have slightly dropped in the 3<sup>rd</sup> quarter after three quarters of increase. The Bank of Japan may have less scope for intervening in the FX market to support the JPY if the slowdown is confirmed. The weak JPY has usually been supportive for the economy, however an intervention to slow its drop or stabilise it, cannot be excluded. In **China**, industrial production (15/11) may have risen on yearly basis in October.

#### **“Quote of the Week”**

The President of the Fed said: “If it becomes appropriate to tighten policy further, the Fed will not hesitate to do so. The Fed is not confident that inflation will return to 2%. However, the Fed will continue to move carefully, being aware of the risk of overtightening.”

## What was the effect of milder US bond yields on the EUR/USD?

As the **US 2-year bond yield** declined, the spread of **German-US 2-bond yield** recovered from the lowest (31/10) since December 2022 to one-month high on November 3. In parallel with the recovery of the German-US 2-year yield spreads, the **EUR/USD** increased at a high (6/11: \$1.0756) since mid-September.

According to the futures money market, the implied Fed benchmark rate for the end of 2024 is at 4.64% (9/11) from 4.74% on October 31, before the Fed meeting, indicating that rate-cutting may start from mid-2024.

If expectations for the Fed benchmark rate continue lower, along with the US 2-year bond yield moderating, then the Euro may increase mildly towards the resistance area of \$1.0800-\$1.1000. During corrective periods, support is at \$1.0500.

## Where is the recent bounce of Eurozone and European equities mainly attributed to?

The Stoxx 50 **Eurozone equity** index has risen by 5.5% since October 27, in parallel with the moderation of the **German 10-year bond yield** at a low since mid-September. The **earnings** per share 12-month forward estimate of the Eurozone index is almost at the highest in 15 years, supporting the index in the mid-term.

The correction of the **WTI crude oil** price may also be supportive for the Eurozone economy, which has stagnated. The WTI crude oil dropped at a low since late July and is volatile due to geopolitical uncertainty.

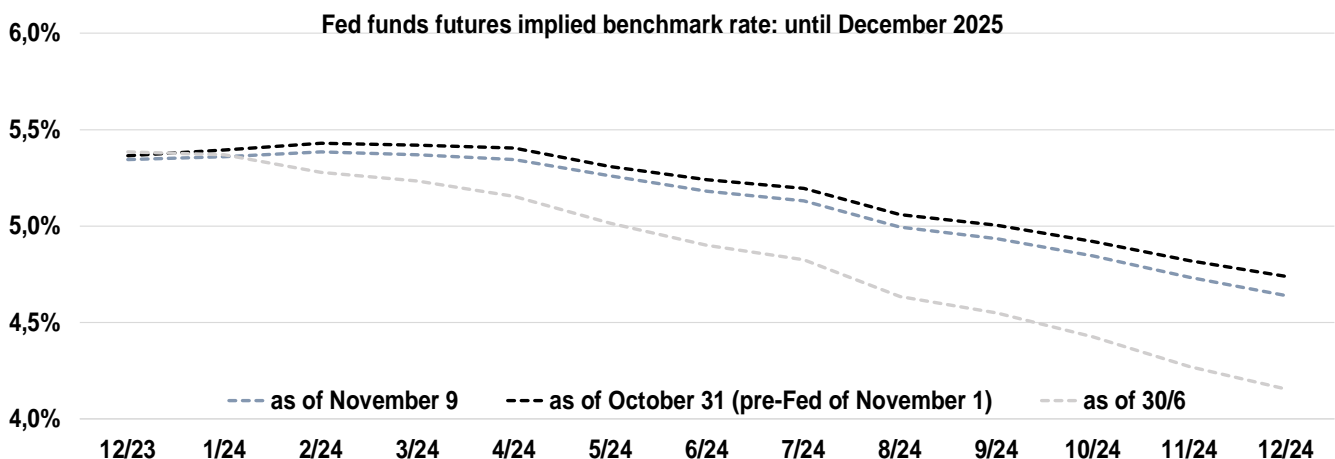
The Stoxx 600 **Europe** index recovered by 4% since October 27 at a level around the 50-day average. Its P/E 12-month forward ratio is attractive at 12 times, compared to the 10-year average of 14.7 times.

## Is the recent moderation of bond yields and the somewhat weaker dollar, enough for emerging equity to recover?

The recent **moderation of US government bond yields and the drop of the Dollar DXY index** by almost -2% in the period from October 3 until November 3, have supported the bounce of the MSCI **emerging equity** index by 5% in the period from October 26 to November 9. Still, **developed equity is preferable to emerging**, as the 12-month forward earnings estimate of the developed index has recovered significantly while that of the emerging only slightly. The recovery of the MSCI **China** index by 4% since October 24, could continue if geopolitics do not worsen and the USD/CNY moderates. Its P/E 12-month forward ratio is attractive at 9.5 times. The rise of Chinese imports on a yearly basis in October possibly indicates stabilization. After a mild pull-back from mid-September to late October, the MSCI **India** has continued in a potentially upwards mid-term trend as its earnings per share 12-month forward estimate has recovered at a multi-year high.




















In **Greece**, the ASE **equity** index increased at the highest close (6/11: 1,237) since mid-September, as its earnings 12-month forward estimate is at a high since 2011. It is currently lower at the area of 1,200 near its 200-day average.







**The implied benchmark rate of the Fed for the end of 2024 is at 4.64% (9/11) from 4.74% (31/10) pre-Fed, suggesting rate-cutting may start from the second half of 2024.**



Source: Bloomberg

**Global Markets Minesweeper**
**Event Risk Calendar, 13 - 17 November 2023**

Monday 13/11						
Date Time	Country	Event	Period	Survey	Prior	
13/11 01:50	JN	PPI (YoY)	Oct	0.90%	2.00%	
13/11 18:00	US	NY Fed 1-Yr Inflation Expectations	Oct		3.67%	
13/11 21:00	US	Monthly Budget Statement	Oct	-\$65.0b	-\$171.0b	
<b>Corp. Results</b>	EC	Porsche				
Tuesday 14/11						
Date Time	Country	Event	Period	Survey	Prior	
14/11 12:00	GE	ZEW Survey Expectations	Nov	4	-1.1	
14/11 12:00	GE	ZEW Survey Current Situation	Nov	-76.4	-79.9	
14/11 12:00	EC	ZEW Survey Expectations	Nov	--	2.3	
14/11 12:00	EC	GDP SA (QoQ)	3Q P	-0.10%	-0.10%	
14/11 12:00	EC	GDP SA (YoY)	3Q P	0.10%	0.10%	
14/11 13:00	US	NFIB Small Business Optimism	Oct		90.8	
14/11 15:30	US	CPI (MoM)	Oct	0.10%	0.40%	
14/11 15:30	US	CPI Ex Food and Energy (MoM)	Oct	0.30%	0.30%	
14/11 15:30	US	CPI (YoY)	Oct	3.30%	3.70%	
14/11 15:30	US	CPI Ex Food and Energy (YoY)	Oct	4.10%	4.10%	
14/11 15:30	US	Real Avg Hourly Earnings (YoY)	Oct		0.50%	
<b>Corp. Results</b>	US	Home Depot				
Wednesday 15/11						
Date Time	Country	Event	Period	Survey	Prior	
15/11 01:50	JN	GDP SA (QoQ)	3Q P	-0.10%	1.20%	
15/11 03:20	CH	1Y Med-Term Lend. Facility Rate	15-Nov	2.50%	2.50%	
15/11 04:00	CH	Industrial Production (YoY)	Oct	4.50%	4.50%	
15/11 04:00	CH	Retail Sales (YoY)	Oct	7.00%	5.50%	
15/11 09:00	UK	CPI (MoM)	Oct	-0.10%	0.50%	
15/11 09:00	UK	CPI (YoY)	Oct	4.80%	6.70%	
15/11 09:00	UK	CPI Core (YoY)	Oct	5.70%	6.10%	
15/11 12:00	EC	Industrial Production SA (MoM)	Sep	-1.00%	0.60%	
15/11 12:00	EC	Trade Balance SA (EUR)	Sep		11.9b	
15/11 15:30	US	Retail Sales Advance (MoM)	Oct	-0.30%	0.70%	
15/11 15:30	US	Retail Sales Ex Auto (MoM)	Oct	-0.20%	0.60%	
15/11 15:30	US	PPI Final Demand (MoM)	Oct	0.10%	0.50%	
15/11 15:30	US	PPI Final Demand (YoY)	Oct		2.20%	
15/11 15:30	US	Empire Manufacturing	Nov	-2.1	-4.6	
<b>Eco Event</b>	EC	EU Commission Economic Forecasts (12:00)				

Date Time	Country	Event	Period	Survey	Prior	
<b>Corp. Results</b>						
	US	Target				
<b>Thursday 16/11</b>						
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	
16/11 01:50	JN	Trade Balance	Oct	-¥674.0b	¥72.1b	
16/11 15:30	US	Initial Jobless Claims	11-Nov		217k	
16/11 15:30	US	Philadelphia Fed Business Outlook	Nov	-11	-9	
16/11 16:15	US	Industrial Production (MoM)	Oct	-0.40%	0.30%	
16/11 17:00	US	NAHB Housing Market Index	Nov	40	40	
16/11 18:00	US	Kansas City Fed Manf. Activity	Nov		-8	
<b>Eco Event</b>						
	EC	ECB's Lagarde speaks (13:30)				
	US	US and Chinese Presidents expected to speak at APEC summit				
	US	Fed Vice Chair for Supervision Michael Barr speaks (17:35)				
<b>Corp. Results</b>						
	EC	Siemens				
	US	Walmart				
<b>Friday 17/11</b>						
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	
17/11 11:00	EC	ECB Current Account SA (EUR)	Sep	--	27.7b	
17/11 12:00	EC	CPI (YoY)	Oct F	2.90%	4.30%	
17/11 12:00	EC	CPI (MoM)	Oct F	0.10%	0.10%	
17/11 12:00	EC	CPI Core (YoY)	Oct F	4.20%	4.20%	
17/11 15:30	US	Building Permits	Oct	1450k	1471k	
17/11 15:30	US	Housing Starts	Oct	1350k	1358k	
17/11 18:00	US	Kansas City Fed Services Activity	Nov	--	-1	
<b>Eco Event</b>						
	US	S. Francisco Fed's Daly speaks (17:00)				

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