

The Fed maintained its rate stable. US government bond yields moderated and US stock market increased. Eurozone economic confidence dropped in October at almost three-year low and inflation was the mildest in almost two years.

In the **US**, the consumer confidence index dropped in October at a low since May and below the 12-month average, indicating weakening of economic activity. According to the Atlanta Fed (1/11), the annualized quarterly GDP growth in the 3rd quarter is estimated low (1.2%) suggesting that economic growth pace is slowing.

What the Fed said about the economy and monetary policy and what are the implications in the mid-term?

The **Fed** maintained its rate stable, acknowledging that employment growth is slower than at the start of the year and noting that the full effects of monetary tightening have not yet been reflected into the economy. **The Fed noted that the monetary tightening already conducted is sufficiently restrictive, so that inflation can gradually moderate. The overall tone of the Fed implied that the rate hiking has probably already been concluded.**

The hint of the **Fed** towards possibly no further hike, stable rate likely for some months, contributed to the moderation of **bond yields**. The **US 2-year bond yield** dropped at a low (4.91%) since early September and the **US 10-year bond** yield moderated at a low (4.62%) since October 13. In parallel, the S&P 500 index has risen by 4.9% in the current week (27/10-2/11) and it is currently above the 200-day average. The 12-month forward **earnings** estimate for the S&P 500 index has recovered almost at the historic high (6/2022) and from the companies of the S&P 500 index already reported (398/500), almost eight out of ten have higher earnings than the expected. Blending the actual earnings (for these reported) and the expectations for these not reported yet, the expectation for the 3rd quarter is that **earnings increased on yearly basis mildly** single-digit (3%-5% area), which is **better than the initial expectation for flat earnings**.

Since the possible bottom (October 27) of the recent corrective interval, the real estate sector has increased by 6.1% but this is mostly “catch-up” after the moderation of bond yields, with the real estate sector still the worst in terms of returns in the second half (30/6-2/11: -8.2%). During the bounce of the overall market, aggressive sectors have risen significantly, as it usually happens in upwards markets. The S&P 500 financials **sector** index has risen by 6% (27/10-2/11), the consumer discretionary by 5.94% and the technology by 5.67%. Defensives have also risen but less. Utilities increased by 4.7% and consumer staples by 3.2%.

The week ahead

In the **Eurozone**, the final reading of services PMI for October and the Sentix investor confidence index are expected on November 6. **German** industrial production (7/11) may have dropped on monthly basis in September.

In the **US**, the trade balance for September (7/11), weekly initial jobless claims (9/11) and the initial reading of the University of Michigan consumer confidence index for November (10/11) will be announced.

In the **UK**, the revised reading of GDP for the 3rd quarter is expected on November 7.

In **Japan**, the final reading of PMI services index will be released on November 6.

In **China**, trade balance for October will be released (7/11).

In **Greece**, inflation for October along with industrial production for September (10/11) will be released.

“Quote of the Week”

The **Fed's** President implied that the rate hiking possibly ended, by saying that: “the question the Fed is asking is: should we hike more? Slowing down is giving the Fed a better sense of how much more the Fed needs to do, if it needs to do more”.

Since the possible bottom of the recent correction for the **global equity** index (27/10), the investment style of growth, with aggressive characteristics, has risen the most versus the quite defensive value. The MSCI all countries world **growth** index increased by 4.6% (27/10-2/11), while the **value** index increased by 3.6%.

If after non-farm payrolls today, US bond yields continue their moderation, then the mix of aggressive-defensive investment **styles, sectors** can possibly slightly tilted towards the aggressives.

Which are the possible implications of Eurozone economy slowdown?

In the **Eurozone**, the consumer confidence index declined in October at a low (-17.9) since March. Eurozone **GDP** dropped slightly on quarterly basis in the 3rd quarter by 0.1%, while on yearly basis it increased slightly (0.1%, 2nd quarter: 0.5%). Eurozone economy has stagnated, but inflation has moderated. According to Eurostat's **inflation estimate**, inflation moderated at a low (2.9%) since July 2021. While the stagnation of activity is worrying in economic terms, the financial markets implications could be mildly positive, conditionally upon that Eurozone bond yields will remain mild.

The economic stagnation and recently lower inflation triggered the recent moderation of **Eurozone** bond yields. The **German** 10-year bond yield is milder at 2.70% from 2.83% at the end of the previous week. **If this moderation of bond yields persists** and the price of **WTI** crude oil does not rise, then the Eurozone and the European equity market may recover after the recent correction. The Stoxx 50 **Eurozone** index has

already bounced by almost 4% (27/10-2/11) from the possible bottom (27/10) of the recent correction.

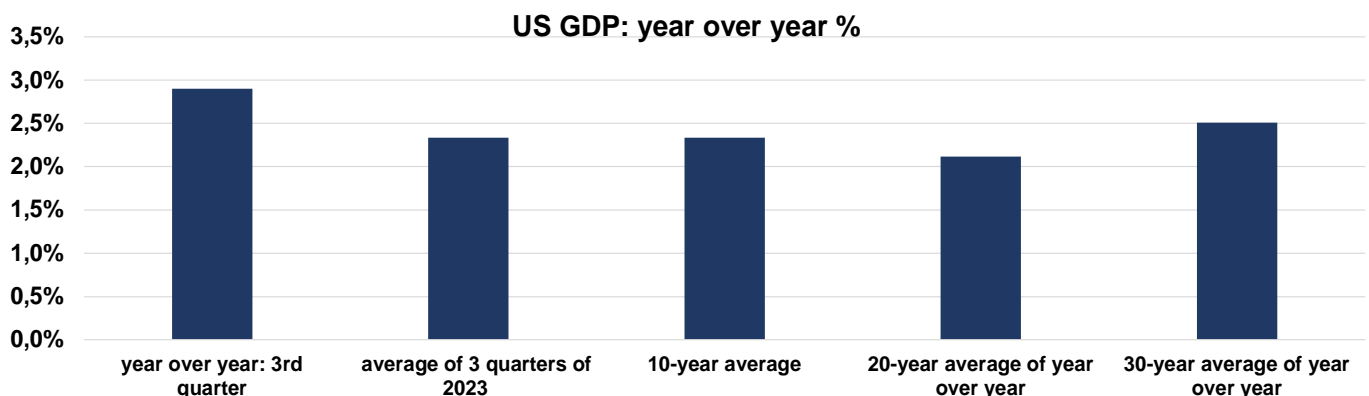
Which are the possible implications of the latest decisions by the Bank of Japan?

The Bank of **Japan** maintained its base rate unchanged, but it is now possible that it may allow its 10-year government bond yield to rise above 1% (current: 0.95%). However, the impact on the Japanese **equity** market of this mild tightening, has been so far almost negligible. The Nikkei equity index is upwards by 3.5% in November. This resilience is probably due to 12-month forward earnings estimate having recovered near the highest of January 2022, due to recovering equity market sentiment generally in developed markets in the last few days and due to the fact that the **JPY** remains weak against the **Euro** and the **USD** which is usually positive for Japanese equity.

The main risk in the short term for the Japanese equity market is the likelihood of fx intervention by the Bank of Japan to halt the weakening of the JPY. If intervention happens and the JPY strengthens, then in the short term the Japanese equity market may be volatile. Unilateral interventions usually do not have lasting impact. The **EUR/USD** remains in range in the short-term, between \$1.0500-\$1.0800. **US bond yields** may have more "room" to moderate than **German bond yields**, which may translate to slightly higher Euro in mid-term.

In **emerging** markets, the **greek ASE equity** index continues its upwards bounce (9/10-2/11: 10%), as the earnings 12-month forward estimate is at 12-year high and the Greek 10-year **bond yield** moderated.

The average yearly US GDP growth in the 3 quarters of the current year has been mild (2.3%, 30-year average: 2.5%), which can be consistent with gradually lower government bond yields.



Global Markets Minesweeper
Event Risk Calendar, 6 - 10 November 2023

Monday 6/11						
Date Time	Country	Event	Period	Survey	Prior	
6/11 02:30	JN	Jibun Bank Japan PMI Services	Oct F		51.1	
6/11 09:00	GE	Factory Orders (MoM)	Sep	-2.00%	3.90%	
6/11 09:00	GE	Factory Orders WDA (YoY)	Sep		-4.20%	
6/11 10:50	FR	HCOB France Services PMI	Oct F	46.1	46.1	
6/11 10:55	GE	HCOB Germany Services PMI	Oct F	48	48	
6/11 11:00	EC	HCOB Eurozone Services PMI	Oct F	47.8	47.8	
6/11 11:30	EC	Sentix Investor Confidence	Nov	-21.7	-21.9	
Eco Event	EC	European Central Bank Governing board member R. Holzmann speaks (14:45)				
Tuesday 7/11						
Date Time	Country	Event	Period	Survey	Prior	
7/11	CH	Trade Balance	Oct	\$84.20b	\$77.83b	
7/11	CH	Imports (YoY)	Oct	-4.50%	-6.30%	
7/11	CH	Exports (YoY)	Oct	-2.90%	-6.20%	
7/11 01:30	JN	Real Cash Earnings (YoY)	Sep	-2.40%	-2.80%	
7/11 09:00	GE	Industrial Production SA (MoM)	Sep	-0.50%	-0.20%	
7/11 12:00	EC	PPI (MoM)	Sep	0.30%	0.60%	
7/11 12:00	EC	PPI (YoY)	Sep	-12.90%	-11.50%	
7/11 15:30	US	Trade Balance	Sep	-\$60.5b	-\$58.3b	
7/11 22:00	US	Consumer Credit	Sep	\$10.000b	-\$15.628b	
Eco Event	EC	ECB governing council member Joachim Nagel speaks				
	US	Dallas Fed President Lorie Logan speaks (20:30)				
Corp. Results	US	eBay Inc, Occidental Petroleum Corp				
	EU	Enel SpA, UBS Group AG				
Wednesday 8/11						
Date Time	Country	Event	Period	Survey	Prior	
8/11 07:00	JN	Leading Index CI	Sep P	108.7	109.2	
8/11 09:00	GE	CPI (MoM)	Oct F	0.00%	0.00%	
8/11 09:00	GE	CPI (YoY)	Oct F	3.80%	3.80%	
8/11 12:00	EC	Retail Sales (MoM)	Sep	0.10%	-1.20%	
8/11 12:00	EC	Retail Sales (YoY)	Sep		-2.10%	
Eco Event	US	New York Fed President John Williams speech				
Corp. Results	US	Biogen, MGM Resorts International				
	EU	Bayer AG, adidas AG, Airbus SE, Commerzbank AG, E.ON SE				

Thursday 9/11						
Date Time	Country	Event	Period	Survey	Prior	
9/11 01:50	JN	BoP Current Account Balance	Sep	¥2988.9b	¥2279.7b	
9/11 01:50	JN	Trade Balance BoP Basis	Sep	¥231.6b	-¥749.5b	
9/11 02:01	UK	RICS House Price Balance	Oct	-60%	-69%	
9/11 03:30	CH	CPI (YoY)	Oct	-0.20%	0.00%	
9/11 03:30	CH	PPI (YoY)	Oct	-2.80%	-2.50%	
9/11 15:30	US	Initial Jobless Claims	4-Nov		217k	
Eco Event	EC	ECB Publishes Economic Bulletin (11:00)				
	US	Fed Chair Powell participates in panel at the IMF's annual conference				
Corp. Results	EU	Merck KGaA, AstraZeneca PLC, Deutsche Telekom AG				
Friday 10/11						
Date Time	Country	Event	Period	Survey	Prior	
10/11 09:00	UK	Monthly GDP (MoM)	Sep	0.00%	0.20%	
10/11 09:00	UK	Industrial Production (MoM)	Sep	-0.10%	-0.70%	
10/11 09:00	UK	Trade Balance GBP/Mn	Sep	--	-£3415m	
10/11 09:00	UK	GDP (QoQ)	3Q P	-0.10%	0.20%	
10/11 09:00	UK	GDP (YoY)	3Q P	0.60%	0.60%	
10/11 17:00	US	U. of Mich. Sentiment	Nov P	63.5	63.8	
10/11 17:00	US	U. of Mich. 1 Yr Inflation	Nov P	--	4.20%	
10/11 17:00	US	U. of Mich. 5-10 Yr Inflation	Nov P	--	3.00%	
10/11 21:00	US	Monthly Budget Statement	Oct	--	-\$171.0b	
Eco Event	EC	ECB's President Christine Lagarde speech				
Corp. Results	EU	Allianz SE				

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