

The initial estimate of US GDP confirmed mild yearly growth, slightly below the long-term average. The Fed (1/11) will probably keep its rate stable. Eurozone consumer confidence was the lowest since March, indicating slowdown.

In the **US**, **GDP increased on annualized quarterly basis in the 3rd quarter** by 4.9%. In the quarterly rise of GDP, consumption (2.7%), private investment (15%) and government spending (0.8%) had positive contribution, while net exports slightly negative (-0.1%). **On yearly basis, GDP increased by 2.9% in the 3rd quarter from 2.4% in the 2nd quarter.** The average year over year rise of GDP in the three quarters has been slightly milder (2.3%) than the 30-year average (2.5%), indicating **mild economic conditions**.

The **Fed** will most probably keep its benchmark rate unchanged on November 1, however the FOMC can have significant effect on markets, if the wording of the Fed is modified.

What Fed members have recently said about monetary policy and government bond yields?

Some Fed officials have recently mentioned the effect of **high bond yields** on financials conditions. The President of Cleveland Fed (Mester) said that the elevated bond yields may impact the decisions of the Central Bank, implying stable rate, without excluding the likelihood for one more hike.

The **US 10-year government bond yield has been volatile year to date**. Some pivotal points since the start of the year, were on March 1 when the **10-year yield** increased above 4% for the first-time year to date and on April 6 when it dropped to 3.3% area. The 10-year bond yield below 4% for the most part from April until July 31 along with recovering **earnings** 12 month forward estimate for the main **equity** indexes, have been consistent with the rise of the global equity index and the US equity index at the highest close year to date on July 31.

More recently, the US 10-year yield started rising at an average of 4.3% in the second half so far and at 5% in October. The volatile oil price and uncertainty about inflation may have triggered the rise of the US 10-year bond yield up to a point, while the rest of the rise of the bond yield may have been overreaction and the yield may gradually moderate (27/10: 4.87%).

The correction of the S&P 500 (31/7-26/10: -9.5%) has been mild compared to the rise previously (12/10/22-31/7/23: 30%). The **earnings** 12-month forward estimate recovered at the historic high of June 2022 and the P/E 12-month forward is the mildest (17.4) since March, converging to 10-year average (17.8, 20-year average: 15.8).

The week ahead

Eurozone economic confidence may have slightly dropped in October (30/10). Eurozone **GDP** may have been flat on quarterly basis in the 3rd quarter, while it may have slightly risen on yearly basis (median estimate: 0.2%). inflation (31/10) may have moderated in October to 3.2% from 4.3% in September.

In the **US**, the **ISM manufacturing** index (1/11) may have remain stable at contraction. The **ISM services** (3/11) may have slightly dropped in October but at level indicating expansion.

The focus at the **Fed** meeting (1/11) will mainly be on the wording. Stable rate is expected. The Fed may keep its rate stable until mid-2024 and rate cut may happen later, in the second half of 2024. Geopolitics are in focus.

The Bank of **Japan** (31/10) may hold its policy stable, so that Japan's **yields** can remain mild. It may consider intervening to support **JPY**, which is weaker than the possibly desirable.

In **China**, the official **manufacturing, services** PMI for October are expected (31/10).

“Quote of the Week”

The President of the **ECB** said: “The rise of bond yields does not reflect Eurozone fundamentals”.

Is the correction of equities excessive?

The MSCI all countries **world** corrected (-10.4%) from the highest year to date close (31/7) until October 26. Previously, it had risen by 31% (12/10/22-26/10/23). **Even after the recent correction, the annualized 3-year total return of the world index is positive (5.5%). The P/E 12-month forward ratio of the world index moderated at the most attractive (15 times) since March.** Its 12-month forward EPS estimate recovered and its currently near the level of June 2022, highlighting resilience. The MSCI **large cap** has been resilient in October at month to date total drop of -3.6% versus -6.6% of the MSCI **small cap** index in October.

In the **US**, the S&P 500 is lower (-3.4%) month to date, **indicating resiliency of large cap compared to the US S&P 600 small cap** which dropped in October by -6.1%, as the appetite for risk-taking has been reduced. The increased volatility and low appetite for risk-taking are favoring large caps. Almost half companies of the S&P 500 have reported quarterly results. Almost eight out of ten of these reported, have earnings above the expected, supporting the S&P 500 in mid-term.

What seasonality suggests?

The correction of the S&P 500 (31/7-26/10: -9.5%) during the seasonally weak months of August-September has been consistent with history, as this two-month period has been the weakest historically (on average). The October has been volatile. In the last 30 years, the index had risen in November (on average).

What the ECB said about monetary policy?

The **ECB** maintained its rates stable. The President of

the ECB said that the level of the benchmark rate must be maintained stable for sufficiently long time.

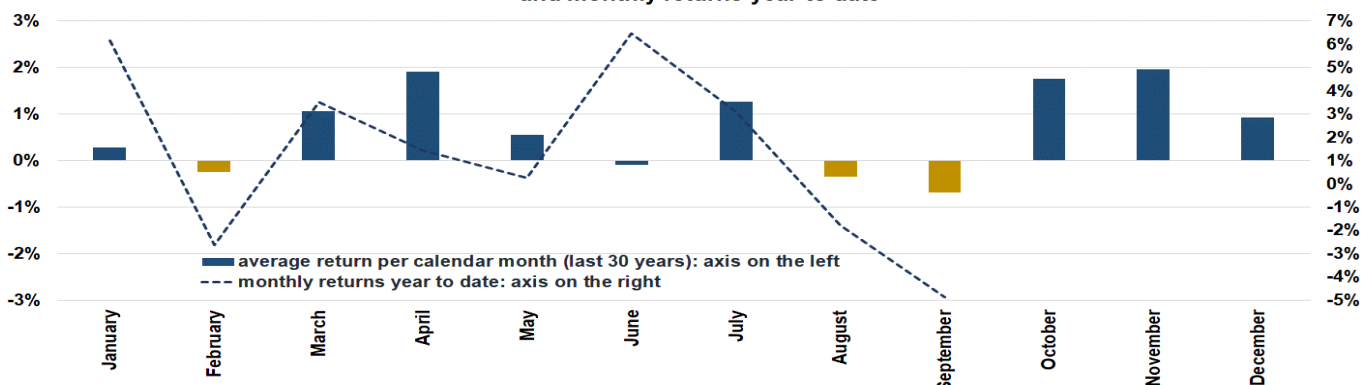
The elevated **bond yields** have been consistent with the correction of the **Eurozone** Stoxx 50 **equity** index (31/7-20/10: -9.8%). However, it maintains **positive total returns year to date (10%)** and its **P/E 12-month forward ratio is the most attractive (11)** since November 2022. The Stoxx 600 **Europe** corrected (27/7-26/10: -5.2%), while it has positive total return year to date (5.7%). Its P/E 12-month forward is milder (11.7) than 10-year average (14.7).

In **fx**, the **EUR/USD** has been in range. After it increased at \$1.0700 (24/10), it retreated again towards (26/10: \$1.0524) the support of \$1.0400-50 as geopolitics worsened. If US bond yields moderate, then the Euro may recover towards the area of \$1.0740-70. If geopolitics worsen, it can't be excluded that it may approach the \$1.0400.

In **emerging** markets, the MSCI **China** dropped at the lowest close since November 2022. Stimulus measures may support the economy, but the weakness of the Chinese currency vs the dollar has usually been negative for Chinese stocks. The MSCI **India** has normally mildly corrected (15/9-26/10: -6.2%), after rising by 31% previously (20/6/22-15/9/23). The earnings 12-month forward estimate of the indian index is almost at historic high, supporting its mid-term attractiveness. In **Greece**, the spread of 10-year bond yield vs the German, moderated at almost two-month low, after the S&P revised the sovereign rating at investment grade. After a correction (25/7-9/10: -17.3%), the ASE equity index bounced upwards (9-26/10: 6%).

The S&P 500 has been corrective during the seasonally weak months of August-September and volatile in October. Historically, it has exhibited positive return in November (on average).

S&P 500 index: Average return per calendar month (last 30 years) and monthly returns year to date













Source: Bloomberg

Global Markets Minesweeper
Event Risk Calendar, 30 October - 3 November 2023

Monday 30/10							
Date Time	Country	Event	Period	Survey	Prior		
30/10 11:00	GE	GDP SA (QoQ)	3Q P	-0.20%	0.00%		
30/10 11:00	GE	GDP WDA (YoY)	3Q P	-0.70%	-0.20%		
30/10 12:00	EC	Consumer Confidence	Oct F	-17.9	-17.9		
30/10 12:00	EC	Economic Confidence	Oct	92.9	93.3		
30/10 15:00	GE	CPI (MoM)	Oct P	0.20%	0.30%		
30/10 15:00	GE	CPI (YoY)	Oct P	4.00%	4.50%		
30/10 16:30	US	Dallas Fed Manf. Activity	Oct		-18.1		
Eco Event	CH	China's key financial policy gathering day (Chinese President attends).					
Corp. Results	US, UK	McDonald's Corp, Loews, HSBC					
Tuesday 31/10							
Date Time	Country	Event	Period	Survey	Prior		
31/10	JN	BOJ Policy Balance Rate	31-Oct	-0.10%	-0.10%		
31/10	JN	BOJ 10-Yr Yield Target	31-Oct	0.00%	0.00%		
31/10 03:30	CH	Manufacturing PMI	Oct	50.2	50.2		
31/10 03:30	CH	Non-manufacturing PMI	Oct	51.8	51.7		
31/10 12:00	EC	GDP SA (QoQ)	3Q A	0.00%	0.10%		
31/10 12:00	EC	GDP SA (YoY)	3Q A	0.20%	0.50%		
31/10 12:00	EC	CPI Estimate (YoY)	Oct	3.20%	4.30%		
31/10 12:00	EC	CPI (MoM)	Oct P	0.30%	0.30%		
31/10 12:00	EC	CPI Core (YoY)	Oct P	4.20%	4.50%		
31/10 15:00	US	FHFA House Price Index (MoM)	Aug		0.80%		
31/10 15:00	US	S&P CS 20-City (YoY) NSA	Aug		0.13%		
31/10 15:45	US	Chicago manufacturing PMI	Oct	44.8	44.1		
31/10 16:00	US	Conf. Board Consumer Confidence	Oct	100	103		
Corp. Results	US	AMD, Pfizer, Caterpillar					
Wednesday 1/11							
Date Time	Country	Event	Period	Survey	Prior		
1/11 02:30	JN	Jibun Bank Japan PMI Mfg	Oct F	48.5	48.5		
1/11 03:45	CH	Caixin China PMI Mfg	Oct	50.8	50.6		
1/11 11:30	UK	UK Manufacturing PMI	Oct F	45.2	45.2		
1/11 14:15	US	ADP Employment Change	Oct	135k	89k		
1/11 15:45	US	US Manufacturing PMI	Oct F	50	50		
1/11 16:00	US	JOLTS Job Openings	Sep		9610k		
1/11 16:00	US	ISM Manufacturing	Oct	49	49		
1/11 20:00	US	FOMC Rate Decision (Up Bound)	1-Nov	5.50%	5.50%		

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1/11 20:00	US	FOMC Rate Decision (Low Bound)	1-Nov	5.25%	5.25%	
Eco Event	US	Fed Chair holds press conference following FOMC meeting (20:30)				
Corp. Results	US	QUALCOMM, Kraft Heinz				
Thursday 2/11						
Date Time	Country	Event	Period	Survey	Prior	
2/11 10:55	GE	Germany Manufacturing PMI	Oct F	40.7	40.7	
2/11 11:00	EC	Eurozone Manufacturing PMI	Oct F	43	43	
2/11 14:00	UK	Bank of England Bank Rate	2-Nov	5.25%	5.25%	
2/11 14:30	US	Initial Jobless Claims	28-Oct		210k	
2/11 16:00	US	Factory Orders (MoM)	Sep	1.00%	1.20%	
2/11 16:00	US	Durable Goods Orders (MoM)	Sep F	4.70%	4.70%	
Corp. Results	EC	Ferrari, Lufthansa				
	US	Apple, Starbucks, Eli Lilly, Moderna				
Friday 3/11						
Date Time	Country	Event	Period	Survey	Prior	
3/11 03:45	CH	Caixin China PMI Services	Oct		50.2	
3/11 11:30	UK	UK Services PMI	Oct F	49.2	49.2	
3/11 12:00	EC	Unemployment Rate	Sep	6.40%	6.40%	
3/11 14:30	US	Change in Nonfarm Payrolls	Oct	168k	336k	
3/11 14:30	US	Unemployment Rate	Oct	3.80%	3.80%	
3/11 14:30	US	Average Hourly Earnings (MoM)	Oct	0.30%	0.20%	
3/11 14:30	US	Average Hourly Earnings (YoY)	Oct	4.00%	4.20%	
3/11 15:45	US	US Services PMI	Oct F	50.9	50.9	
3/11 16:00	US	ISM Services Index	Oct	53	53.6	
Corp. Results	EC	Societe Generale, BMW, Intesa San Paolo				

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