

***Eurozone economic confidence index mildly increased in December signaling resilience and German bond yields remain moderate, supporting Eurozone equities. In the US, the main equity index is near the historic high.***

#### **What do the US non-farm payrolls for December suggest?**

The US non-farm payrolls increased in December and remained above the historic average. The year over year rise of non-farm payrolls was below the long-term average, **signaling mildly lower than the long-term average economic growth**. The unemployment rate remained significantly below the historic average.

#### **How have the US government bond yields traded?**

The **US 10-year government bond yield** reacted upwards in short-term at 4% from the area of 3.8% in late December. Still, the US 10-year yield is moderate compared to the area it was at the end of October (5%). **Inflation increased at 3.4% in December from 3.1% in November, but the core inflation dropped at 3.9% from 4%. As economic growth and inflation have moderated and as the Fed may cut rates later in the first half**, it is possible that the yield will continue lower probably towards the area of 3.7%-3.8% in mid-term.

#### **What about German bond yields and the policy of the ECB?**

The **German** 10-year bond yield has reacted upwards to two-week high, however it is still significantly milder compared to the area it was in early October. German bond yields may remain moderate as the **ECB** will most probably cut its benchmark rate, starting from some time late in the current year.

#### **What is the sentiment in the US equity market?**

The S&P 500 index has been slightly higher at the start of the year near the historic high of January 2022. The one-year total return is significantly above (22.4%) the long-term average (9.5%).

The aggressive sectors, such as energy and materials, have corrected year to date. The technology **sector** is almost flat year to date, after a significant rise in 2023 of almost 58%. The S&P 500 technology index has 12-month forward earnings estimate at historic high. The technology sector may start increasing again after the recent slight pull-back in equity markets concludes. Another aggressive sector is financials, which is slightly higher in the current year. The S&P 500 financials has P/E 12-month forward ratio of 11.5 times, almost at its 10-year average. The defensive sectors of healthcare and consumer staples have risen year to date. The utilities sector has attractive P/E 12-month forward ratio at 14.5 compared to the 10-year average of 16.

#### **The week ahead**

In the **Eurozone**, industrial production index for November will be announced on January 15.

The inflation for December will be announced on January 17.

In **Germany**, the ZEW expectations index for January will be released on January 16.

In the **US**, industrial production (17/1) may have dropped on monthly basis in December.

In **China**, the economy appears to have stabilised. The year over year rise of GDP (17/1) in the fourth quarter has probably been higher (5.2%) in the 4<sup>th</sup> quarter compared to the 3<sup>rd</sup> quarter (4.9%).

Industrial production (17/1) is expected in December higher by 6.6% on year over year basis, the same as in November. Retail sales (17/1) may have risen on yearly basis by 8%.

In **Japan**, industrial production for November will be released on January 18.

#### **“Quote of the Week”**

According to the member of the **Fed** (Bowman): “if inflation continues to fall closer to 2%, it will become appropriate to begin lowering the rate to prevent policy from becoming overly restrictive”.

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Overall, the earnings 12-month forward estimate of the S&P 500 index is at historic high and the earnings are expected higher on year over year basis in the 4th quarter (by at least 1%-2%). The level of the S&P 500 index is near the historic high of January 2022.

In the **Eurozone**, the Stoxx 50 index has retreated by -1.7% year to date but maintains positive one-year total return of almost 12%. The P/E 12-month forward ratio of the Eurozone index is mild at 12 times.

In **Japan**, the drop of the 10-year Japanese yield at 0.6% from almost 1% two months ago, benefited the Nikkei index which increased at a high since 1990.

Regarding the S&P **Global** 1200 index, its one-month return remains positive at 3.4%, despite the mild pull-back at the start of the year. Its P/E 12-month ratio is not excessive at 16.9 times (10-year average: 16). During the last one-month a mix of aggressive and defensive **sectors** have risen the most. From the defensives, the healthcare sector has risen by almost 7%, while from the aggressive sectors the global financial sector is higher by 3.5%. The EPS 12-month forward estimate of the financials index have started recovering and it is currently by almost 3% higher than its level almost six months ago.

### What are the conditions in the main emerging equity markets?

During the last one month, the MSCI **emerging** markets index has risen by 2.4%. If its 12-month forward earnings estimate continues recovering, it is possible that the emerging index can continue rising. The EPS 12-month forward estimate is by almost 6% higher since mid-2023. The MSCI **L. America** index increased by 5% in the last one month and its P/E 12-month forward ratio is mild at 9 times.

If market sentiment continues to be favourable for aggressive investments, then the MSCI **L. America** index may continue higher in the mid-term. However, during corrective periods in global markets, **L. America** may correct. The MSCI **India** index has risen at historic high close on January 11, in parallel with the rise of its 12-month forward earnings estimate at historic high. The indian index can continue higher as economic growth is quite satisfactory and if the global equity market sentiment remains positive in the mid-term. In the short-term, correction cannot be excluded, as its P/E 12-month forward estimate is elevated at 22 times.

The MSCI **China** index dropped on January 10 at the lowest close since November 2022. Its drop of -28% in the period from February 27, 2023 until January 10, 2024 denotes a "bear market", which may however find its bottom soon, if geopolitics do not worsen and if the chinese currency does not weaken further. The P/E 12-month forward of the chinese index is attractive at 8.5, but a catalyst is needed so that the chinese market can start recovering.

In **Greece**, the ASE index increased at a high since 2014. Its P/E 12-month forward ratio is attractive at 8 times, as its earnings 12-month forward estimate is at almost 13-year high.

In fx markets, the **EUR/USD** remains above (\$1.0980) its 200-day average (\$1.0850). The **German-US** 2-year bond yields spread has risen at six-month high, which can be consistent with slightly higher Euro. Resistance is at \$1.1050 and at \$1.1140, while support is at \$1.0850-\$1.0770. The **USD/JPY** is higher than its 200-day average. As japanese yields remain low, the fluctuations of US government bond yields are key for the USD/JPY.

## The earnings of the S&P 500 have most probably increased on yearly basis in the fourth quarter.

S&P 500 index: quarterly adjusted earnings per share year over year %



Source: Bloomberg (the blue color bars are actual adjusted EPS year over year until Q3 2023, the golden bars are expected EPS yearly % from Q4 2023)








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## Global Markets Minesweeper

## Event Risk Calendar, 15 - 19 January 2024

		<b>Monday 15/1</b>				
Date Time	Country	Event	Period	Survey	Prior	
15/1 03:20	CH	1Y MT Lending Facility Rate	15-Jan	2.40%	2.50%	
15/1 03:20	CH	1Y MT Lending Facilities Volume	15-Jan	900.0b	1450.0b	
15/1 11:00	GE	GDP NSA (YoY)	2023	-0.40%	1.80%	
15/1 12:00	EC	Industrial Production WDA (YoY)	Nov	-5.90%	-6.60%	
15/1 12:00	EC	Trade Balance SA (EUR)	Nov		10.9b	
		Martin L. King Day in USA, markets closed				
		<b>Tuesday 16/1</b>				
Date Time	Country	Event	Period	Survey	Prior	
16/1 01:50	JN	PPI (YoY)	Dec	-0.30%	0.30%	
16/1 09:00	GE	CPI (MoM)	Dec F	0.10%	0.10%	
16/1 09:00	GE	CPI (YoY)	Dec F	3.70%	3.70%	
16/1 11:00	EC	ECB 1 Year CPI Expectations	Nov		4.00%	
16/1 11:00	EC	ECB 3 Year CPI Expectations	Nov		2.50%	
16/1 12:00	GE	ZEW Survey Expectations	Jan	12	12.8	
16/1 12:00	GE	ZEW Survey Current Situation	Jan	-76	-77.1	
16/1 12:00	EC	ZEW Survey Expectations	Jan		23	
16/1 15:30	US	Empire Manufacturing	Jan	-2.9	-14.5	
<b>Corp. Results</b>	US	Goldman Sachs, Morgan Stanley				
		<b>Wednesday 17/1</b>				
Date Time	Country	Event	Period	Survey	Prior	
17/1 03:30	CH	New Home Prices (MoM)	Dec		-0.37%	
17/1 04:00	CH	GDP (YoY)	4Q	5.20%	4.90%	
17/1 04:00	CH	GDP SA (QoQ)	4Q	1.00%	1.30%	
17/1 04:00	CH	Industrial Production (YoY)	Dec	6.60%	6.60%	
17/1 04:00	CH	Retail Sales (YoY)	Dec	8.00%	10.10%	
17/1 04:00	CH	Surveyed Jobless Rate	Dec	5.00%	5.00%	
17/1 09:00	UK	CPI (MoM)	Dec	0.20%	-0.20%	
17/1 09:00	UK	CPI (YoY)	Dec	3.80%	3.90%	
17/1 09:00	UK	CPI Core (YoY)	Dec		5.10%	
17/1 12:00	EC	CPI (YoY)	Dec F	2.90%	2.90%	
17/1 12:00	EC	CPI (MoM)	Dec F	0.20%	0.20%	
17/1 12:00	EC	CPI Core (YoY)	Dec F	3.40%	3.40%	
17/1 15:30	US	Retail Sales Advance (MoM)	Dec	0.40%	0.30%	
17/1 15:30	US	Retail Sales Ex Auto (MoM)	Dec	0.20%	0.20%	
17/1 16:15	US	Industrial Production (MoM)	Dec	-0.10%	0.20%	
17/1 17:00	US	NAHB Housing Market Index	Jan	38	37	

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<b>Eco Event</b>	US	Vice Chair for Supervision Michael Barr speaks (16:00)				
	US	Fed Governor Michelle Bowman speaks (16:00)				
	US	Federal Reserve releases Beige Book (21:00)				
		<b>Thursday 18/1</b>				
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	
18/1 06:30	JN	Industrial Production (YoY)	Nov F	-1.40%	-1.40%	
18/1 11:00	EC	ECB Current Account SA (EUR)	Nov		33.8b	
18/1 15:30	US	Building Permits	Dec	1480k	1467k	
18/1 15:30	US	Philadelphia Fed Bus. Outlook	Jan	-6.5	-12.8	
18/1 15:30	US	Housing Starts	Dec	1415k	1560k	
18/1 15:30	US	Initial Jobless Claims	13-Jan		202k	
<b>Eco Event</b>	EC	ECB publishes Account of December meeting (14:30)				
		<b>Friday 19/1</b>				
<b>Date Time</b>	<b>Country</b>	<b>Event</b>	<b>Period</b>	<b>Survey</b>	<b>Prior</b>	
19/1 01:30	JN	Natl CPI (YoY)	Dec	2.60%	2.80%	
19/1 01:30	JN	Natl CPI Ex Fresh Food (YoY)	Dec	2.30%	2.50%	
19/1 09:00	GE	PPI (MoM)	Dec	-0.40%	-0.50%	
19/1 09:00	GE	PPI (YoY)	Dec	-7.80%	-7.90%	
19/1 09:00	UK	Retail Sales Inc Auto Fuel (MoM)	Dec	0%	1.30%	
19/1 09:00	UK	Retail Sales Inc Auto Fuel (YoY)	Dec		0.10%	
19/1 17:00	US	U. of Mich. Sentiment	Jan P	68	69.7	
19/1 17:00	US	U. of Mich. 1 Yr Inflation	Jan P		3.10%	
19/1 17:00	US	U. of Mich. 5-10 Yr Inflation	Jan P		2.90%	
19/1 17:00	US	Existing Home Sales	Dec	3.84m	3.82m	
<b>Eco Event</b>	SZ	ECB's Lagarde, IMF's Georgieva speak in Davos (12:00)				

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