

The macroeconomics signal mild activity. The US and the German 10-year government bond yields have reacted upwards but may moderate in the mid-term as the global economy is weakening.

What the recent macroeconomics indicate?

In the **US**, the ISM **manufacturing** index increased in December, but remains at contraction area for 14th consecutive month. **Eurozone** manufacturing PMI increased in December but remains at contraction area. In **China**, the Caixin manufacturing PMI slightly increased in December, signaling expansion of the sector. The Caixin **services** PMI also increased, signaling stabilization of economic activity.

What the recent macroeconomics signal about the policy of the Fed and the ECB?

The drop of US **inflation** to 3.1% in November from 3.2% in October and the milder **core inflation** (12/23: 4%) in November compared to the highest of 2023 (1/23: 5.6%), signal that inflation pressures have eased. Furthermore, the estimate of Atlanta Fed for US **GDP** at an annualized quarterly rate of 2.5% shows moderate growth around the 30-year average. **Lower inflation and weaker growth probably imply that the Fed will maintain its benchmark rate stable for some time, before cutting** it probably after March 2024.

Regarding the **ECB**, the fact that both the services and the manufacturing PMI indexes remain at contraction area probably implies that the ECB will lower the benchmark rate. However, some of the ECB officials have recently said that rate cuts may not happen in early 2024 but probably later in the year.

How the German and US bond yields ended the year?

The **German** 10-year yield has dropped to 2.1% from 3% area in early October. The **US** 10-year yield ended 2023 at the same level (3.88%) it had ended 2022, despite that in late October 2023 it was around 5%. **The drop of government bond yields is consistent with milder growth and inflation.** It is possible that US bond yields may retrace some of the drop which happened from late October until the end of December, however it appears that in the mid-term, government bond yields may continue lower.

What does the moderation of bond yields suggest about equities?

The drop of the US 10-year bond yield below 4% at the end of 2023 from 5% in late October 2023, has supported market sentiment. Furthermore, the equity market has been supported by the rise of the forward 12-month earnings estimate at historic high.

The week ahead

In the **US**, **inflation** (11/1) may have slightly increased in December, while the **core inflation** is expected lower at 3.8% in December from 4% in November. The initial jobless claims will be released (11/1).

Eurozone Sentix investor confidence index will be released on January 8. The economic confidence index for December will be announced on January 8 and the unemployment rate for November on January 9. The ECB will publish its economic bulletin (11/1). It is possible that the wording of the ECB will signal stable rates for some time, as the **ECB** at its December meeting said that a temporary rise of inflation is expected. Inflation may drop in the mid-term and the ECB will probably start cutting rates later in the year.

In **Japan**, the ECO Watchers economic indexes for December will be released (12/1). In **China**, inflation for December is expected on January 12.

“Quote of the Week”

According to the minutes of the **Fed**: “the policy rate is at or near its peak for this tightening cycle. They said that it would be appropriate to maintain restrictive stance for some time until inflation drops further”.

January 5, 2024

The **earnings** of the S&P 500 index may have risen on year over year basis in the fourth quarter (by at least 1%-2%). Along with the yearly rise of the earnings in the third quarter, it appears that profitability has started recovering after a mild earnings recession from the fourth quarter of 2022 until the second quarter of 2023. In the second half of 2023, the communications **sector** (14.4%), the financials (12.7%) and the technology (10.5%) had the highest total return. The communications sector has benefited by the rise of its earnings 12-month forward estimate at a high since November 2021 and the technology sector by the rise of its EPS 12-month forward estimate at historic high. The financials index has P/E 12-month forward ratio of 11.5 times, almost at its 10-year average.

Can a correction be excluded?

Corrections cannot be excluded as the 5-year total return of the S&P 500 index stands significantly above (15%) the historic average (9.5%). Mild pullbacks can be useful for "buying into the dips" and so as the rise of the index does not become excessive and vulnerable to more significant retreat.

In the **Eurozone**, a mild pull-back of the Stoxx 50 index happened at the start of the current year. If the German 10-year bond yield is maintained mild, the Stoxx 50 Eurozone index may continue higher in the mid-term. A short-term correction cannot be excluded, as its one-year total return is high (16.4%) and could mean-revert via a mild correction. It has P/E 12-month forward ratio of 12.3 times compared to its 10-year average of 13.

What is the sentiment in emerging markets?

The MSCI **emerging** markets index recently increased at the highest close since August. However, its one-

year total return is lower (6.1%) than that of the **developed** index (21.3%). If the US **dollar** weakens and **bond yields** moderate, it is possible that the emerging index may continue rising in the mid-term, as its 12-month forward earnings estimate has recovered by almost 5% above the level of June 2023.

The MSCI **India** increased at historic high, in parallel with the rise of its earnings 12-month forward estimate at historic high. The MSCI **China** index dropped by -17% on year over year basis, as economic activity has been weak. Its P/E 12-month forward ratio can be considered attractive at 9 times. If US-China geopolitics do not worsen, it cannot be excluded that Chinese equity market may recover.

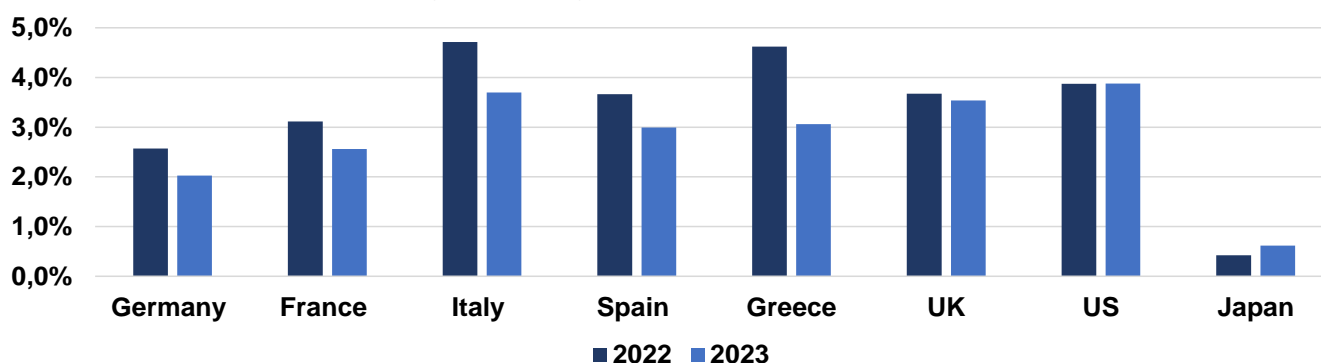
In **Greece**, the ASE index has risen at the highest close since late August 2023. Its earnings 12-month forward estimate is at almost the highest high since mid-2011.

In fx markets, the **EUR/USD** dropped on January 3, 2024 at a low (\$1.0893) since mid-December 2023, as the reduced appetite for risk-taking in the short term does not favour the Euro.

If **US bond yields** continue lower in the mid-term after the short-term reaction, then the **EUR/USD** may recover towards the resistance area of \$1.1150, while if US yields retracement mildly higher continues for some time, it is possible that the euro may be corrective towards the support area of \$1.0770. The **EUR/JPY** remains above (¥158.80) its 200-day average (¥155.50 area), as German bond yields have slightly recovered at the start of the current year.

The 10-year bond yields were lower at the end of 2023 compared to the end of 2022.

10-year bond yields at the end of 2022, 2023



Source: Bloomberg







January 5, 2024

Global Markets Minesweeper

Event Risk Calendar, 8 - 12 January 2023

		Monday 8/1				
Date Time	Country	Event	Period	Survey	Prior	🌐📅
8/1 09:00	GE	Factory Orders (MoM)	Nov	1.00%	-3.70%	
8/1 09:00	GE	Trade Balance SA (EUR)	Nov		17.7b	
8/1 11:30	EC	Sentix Investor Confidence	Jan	-15.5	-16.8	🌐📅
8/1 12:00	EC	Retail Sales (MoM)	Nov	-0.10%	0.10%	🌐📅
8/1 12:00	EC	Retail Sales (YoY)	Nov	-1.30%	-1.20%	
8/1 12:00	EC	Consumer Confidence	Dec F	-15.1	-15.1	
8/1 12:00	EC	Economic Confidence	Dec	94.1	93.8	
8/1 18:00	US	NY Fed 1Y Inflation Expectations	Dec		3.36%	
8/1 22:00	US	Consumer Credit	Nov	\$9.500b	\$5.134b	
Eco Event	US	Atlanta Fed President Raphael Bostic speaks (19:00)				
		Japan markets closed (Coming of age Day)				
		Tuesday 9/1				
Date Time	Country	Event	Period	Survey	Prior	🌐📅
9/1 01:30	JN	Tokyo CPI (YoY)	Dec	2.50%	2.70%	
9/1 01:30	JN	Tokyo CPI Ex-Fresh Food (YoY)	Dec	2.10%	2.30%	
9/1 09:00	GE	Industrial Production SA (MoM)	Nov	0.00%	-0.40%	
9/1 12:00	EC	Unemployment Rate	Nov	6.60%	6.50%	🌐📅
9/1 13:00	US	NFIB Small Business Optimism	Dec	90.5	90.6	
9/1 15:30	US	Trade Balance	Nov	-\$64.8b	-\$64.3b	
Eco Event	US	Vice Chair for supervision Michael Barr speaks (19:00)				
		Wednesday 10/1				
Date Time	Country	Event	Period	Survey	Prior	🌐📅
10/1 01:30	JN	Real Cash Earnings (YoY)	Nov	-2.00%	-2.30%	
10/1 17:00	US	Wholesale Inventories (MoM)	Nov F	-0.20%	-0.20%	
		Thursday 11/1				
Date Time	Country	Event	Period	Survey	Prior	🌐📅
11/1 07:00	JN	Leading Index CI	Nov P	107.9	108.9	
11/1 07:00	JN	Coincident Index	Nov P	114.5	115.9	
11/1 15:30	US	CPI (MoM)	Dec	0.20%	0.10%	🌐📅
11/1 15:30	US	CPI Ex Food and Energy (MoM)	Dec	0.20%	0.30%	🌐📅
11/1 15:30	US	CPI (YoY)	Dec	3.30%	3.10%	🌐📅
11/1 15:30	US	CPI Ex Food and Energy (YoY)	Dec	3.80%	4.00%	🌐📅
11/1 15:30	US	Initial Jobless Claims	6-Jan		202k	
11/1 15:30	US	Real Avg Weekly Earnings (YoY)	Dec		0.50%	

January 5, 2024

11/1 21:00	US	Monthly Budget Statement	Dec		-\$314.0b	
Eco Event	EC	ECB publishes economic bulletin (11:00)				
		Friday 12/1				
Date Time	Country	Event	Period	Survey	Prior	
12/1 01:50	JN	BoP Current Account Adjusted	Nov	¥2177.0b	¥2621.7b	
12/1 01:50	JN	Trade Balance BoP Basis	Nov	-¥533.0b	-¥472.8b	
12/1 03:30	CH	CPI (YoY)	Dec	-0.40%	-0.50%	
12/1 03:30	CH	PPI (YoY)	Dec	-2.60%	-3.00%	
12/1 07:00	JN	Eco Watchers Survey Current	Dec	49.8	49.5	
12/1 07:00	JN	Eco Watchers Survey Outlook	Dec	49.5	49.4	
12/1 09:00	UK	Monthly GDP (3M/3M)	Nov		0.00%	
12/1 09:00	UK	Trade Balance GBP/Mn	Nov		-£4480m	
12/1 15:30	US	PPI Final Demand (MoM)	Dec	0.20%	0.00%	
12/1 15:30	US	PPI Ex Food and Energy (MoM)	Dec	0.20%	0.00%	
12/1 15:30	US	PPI Final Demand (YoY)	Dec	1.40%	0.90%	
12/1 15:30	US	PPI Ex Food and Energy (YoY)	Dec	2.00%	2.00%	
Eco Event	US	Fed Minneapolis President N. Kashkari speaks (17:00)				
Corp. Results	US	JPMorgan, Bank of America, Citigroup, Blackrock, UnitedHealth				

Global Markets Analysis

+30 210-3268410

marketanalysis@alpha.gr

Konstantinos Anathreptakis, CFA

konstantinos.anathreptakis@alpha.gr

Maria Koutouzi

maria.koutouzi@alpha.gr

Ioannis Kouravelos, CFA

ioannis.kouravelos@alpha.gr

Nikolaos Sakarelis

nikolaos.sakarelis@alpha.gr

Disclaimer: The information herein is believed to be reliable and has been obtained from sources believed to be reliable, but we make no representation or warranty, express or implied, with respect to the fairness, correctness, accuracy or completeness of such information. In addition we have no obligation to update, modify or amend this communication or to otherwise notify a recipient in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. We are not acting and do not purport to act in any way as an advisor or in a fiduciary capacity. We therefore strongly suggest that recipients seek their own independent advice in relation to any investment, financial, legal, tax, accounting or regulatory issues discussed herein. Analyses and opinions contained herein may be based on assumptions that if altered can change the analyses or opinions expressed. Nothing contained herein shall constitute any representation or warranty as to future performance of any financial instrument, credit, currency rate or other market or economic measure. Furthermore, past performance is not necessarily indicative of future results. This communication is provided for information purposes only. It is not an offer to sell, or a solicitation of an offer to buy, any security, nor to enter into any agreement or contract with Alpha bank or any affiliates. In addition, because this communication is a summary only it may not contain all material terms, and therefore this communication in and of itself should not form the basis for any investment decision. Financial instruments that may be discussed herein may not be suitable for all investors, and potential investors must make an independent assessment of the appropriateness of any transaction in light of their own objectives and circumstances, including the possible risks and benefits of entering into such a transaction. By accepting receipt of this communication the recipient will be deemed to represent that they possess, either individually or through their advisers, sufficient investment expertise to understand the risks involved in any purchase or sale of any financial instrument discussed herein. Any duplication, copy, reprint or transmission of this document is prohibited without the prior written permission of the issuer.