

The main US and European equity indexes are near their historic highs. The US equity index is supported by strong earnings and the European index is supported by its mild P/E twelve-month forward ratio.

How the expected rate cuts affect markets?

The **Fed** anticipates that it will cut its benchmark rate three times in the current year. While the US 10-year yield has recently risen, the expected rate cuts by the Fed may possibly contribute to relatively mild government bond yields in the mid-term and relatively positive market sentiment in equity markets.

In the **US equity** market, the S&P 500 index is near historic high. The expected rate cuts by the Fed can support market sentiment, along with strong profitability. The first quarter of the current year will be the third consecutive of year over year rise of earnings for the S&P 500 index. In terms of seasonality, the S&P 500 index has exhibited the highest return on average in April (during the last 30 years).

The **ECB** may start cutting its rate from June. This is reflected into already mild bond yields. Both the **German 2-year bond yield** and the **German 10-year bond yields** are moderate, compared to the recent past, i.e. lower than the 200-averages, contributing to relatively positive market sentiment in equity markets.

In the **Eurozone**, the Stoxx 50 index has risen at a high since 2000, as its 12-month forward estimate is near the highest since 2008 and as the German 10-year yield is relatively mild. If bond yields are maintained moderate, the Eurozone index will most probably continue higher in the mid-term, despite short-term corrections.

The Stoxx 600 **Europe** index has attractive P/E 12-month forward ratio of 14 times. European banks sector index is benefited in the mid-term by the mild P/E 12-month ratio (7 times) and by the overall mild financial conditions.

What can disrupt the current market environment?

Seasonality in April has been positive. It is noted in the last 30 years, the MSCI all countries world index had highest return in April (on average). However during the current April, a correction cannot be excluded as the one-year total return of the world index is significantly higher (23%) than the historic average (7.8%). If geopolitics worsen, oil rises, central banks hesitate to trim interest rates, bond yields unexpectedly increase, then stocks may correct in the short term, while the mid-term trend may remain upwards.

The week ahead

In the **Eurozone**, the Sentix investor confidence index will be released on April 8.

The **ECB** will most probably keep its rates stable at the meeting of April 11.

However, the wording may signal that the ECB will most probably start rate cuts in June.

In the **US**, the inflation for March (10/4) is expected at 3.7% and the core inflation at 3.5%.

The University of Michigan consumer confidence index for April is expected in April 12. The minutes of the **Fed** will be released on April 10.

In **Japan**, the eco watchers current index and the outlook index for March will be released on April 8.

The final reading of industrial production for February is expected on April 11.

In **China**, the inflation for March will be released on April 11.

“Quote of the Week”

The President of the **Fed** (Powell) said: “the Fed does not expect that it will be appropriate to lower the policy rate until there will be greater confidence that inflation will further drop to 2%”.

What characteristics can the core of investments have?

The combination of moderate macroeconomics, i.e. mild growth and declining inflation, along with rising profitability and estimated interest rate cuts, is supporting investments with blend to aggressive characteristics.

From mid-term perspective, the global technology **sector** is supported by the rise of its earnings at historic high. It is noted that the 12-month forward earnings estimate of the technology sector is currently higher by almost 12% compared to six months ago.

In the short term, a mild correction of technology cannot be excluded as its one-year total return is 43% versus 12.5% of the historic average. Its P/E 12-month forward ratio is elevated at 27 times.

The global financials sector can rise in the mid-term as its P/E 12-month forward ratio is attractive at 12.5 times. The global communications sector has earnings 12-month forward estimate at 3-year high and P/E 12 month forward ratio milder (18 times) compared to technology.

The **global growth** investment style can continue higher in the mid-term, as its aggressive characteristics are favoured in a risk-on environment. Its earnings 12-month forward estimate is at historic high. The MSCI world **mid-cap** index has relatively attractive P/E 12-month forward ratio at 16 times, slightly milder than the 10-year average. It can continue higher in the mid-term, assuming that the generally risk-on conditions will be maintained.

Regarding more aggressive investments, the MSCI **emerging** markets index can increase in the mid-term, if the USD is not strong and if the US yields do not increase. The P/E 12-month forward ratio of the emerging index is attractive at 12 times, around its 10-year average and substantially milder than that of the developed index (19). Both the MSCI India and the Greek index are supported by earnings 12-month forward estimate at multi-year high. Furthermore, the Greek index has attractive P/E 12-month forward ratio at around 8 times.

Which investments can be resilient in case of a short-term correction?

As both the US and the European equity index appear overbought, with one-year total return significantly higher than the respective averages, a short-term correction cannot be excluded. **Large-cap** may also correct, but its mid-term trend can be maintained supported by earnings 12-month forward estimate at multi-year high.

The world **value** index has P/E 12-month forward ratio relatively attractive at 13.5 times compared to growth (25.5) and can be resilient in case of a short-term correction. The S&P global utilities 1200 **sector** index has attractive P/E 12-month ratio (14.5 times) and can also be supported during a correction if US yields do not increase.

In **fx**, the **EUR/USD** is lower than its 200-day average, as the spread of German-US 10-year yield is at a low since mid-February. Support is at \$1.0700 and at \$1.0650, while if market sentiment remains risk-on, resistance is at \$1.1000-\$1.1050.



The upwards mid-term trend of the S&P 500 index is supported by the rise of earnings on yearly basis and by the increase of 12-month forward earnings estimate at historic high.

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








Source: Bloomberg

Global Markets Minesweeper
Event Risk Calendar, 8 - 12 April 2024

Global Markets Minesweeper							
Event Risk Calendar, 8 - 12 April 2024							
		Monday 8/4					
Date Time	Country	Event	Period	Survey	Prior		
08/04/2024 02:50	JN	BoP Current Account Adj.	Feb	¥1995.0b	¥2727.5b		
08/04/2024 02:50	JN	Trade Balance BoP Basis	Feb	-¥192.7b	-¥1442.7b		
08/04/2024 09:00	GE	Industrial Production (YoY)	Feb	-7.10%	-5.50%		
08/04/2024 11:30	EC	Sentix Investor Confidence	Apr	-8.5	-10.5		
08/04/2024 18:00	US	NY Fed 1Yr Inflation	Mar		3.04%		
		Tuesday 9/4					
Date Time	Country	Event	Period	Survey	Prior		
09/04/2024 08:00	JN	Consumer Confidence Index	Mar	39.6	39.1		
09/04/2024 13:00	US	NFIB Small Bus.Optimism	Mar	90	89.4		
		Wednesday 10/4					
Date Time	Country	Event	Period	Survey	Prior		
10/04/2024 02:50	JN	PPI (YoY)	Mar	0.80%	0.60%		
10/04/2024 15:30	US	CPI (MoM)	Mar	0.30%	0.40%		
10/04/2024 15:30	US	CPI Ex Food and Energy (MoM)	Mar	0.30%	0.40%		
10/04/2024 15:30	US	CPI (YoY)	Mar	3.50%	3.20%		
10/04/2024 15:30	US	CPI Ex Food and Energy (YoY)	Mar	3.70%	3.80%		
10/04/2024 15:30	US	Real Avg Hour. Earnings (YoY)	Mar		1.10%		
10/04/2024 15:30	US	Real Avg Weekly Earnings (YoY)	Mar		0.50%		
10/04/2024 17:00	US	Wholesale Inventories (MoM)	Feb F		0.50%		
10/04/2024 21:00	US	Monthly Budget Statement	Mar		-\$296.3b		
Eco Event	US	FOMC meeting minutes (21:00)					
		Thursday 11/4					
Date Time	Country	Event	Period	Survey	Prior		
11/04/2024 04:30	CH	PPI (YoY)	Mar	-2.80%	-2.70%		
11/04/2024 04:30	CH	CPI (YoY)	Mar	0.40%	0.70%		
11/04/2024 15:15	EC	ECB Main Refinancing Rate	11-Apr	4.50%	4.50%		
11/04/2024 15:15	EC	ECB Marginal Lending Facility	11-Apr	4.75%	4.75%		
11/04/2024 15:15	EC	ECB Deposit Facility Rate	11-Apr	4.00%	4.00%		

April 5, 2024

11/04/2024 15:30	US	PPI Final Demand (MoM)	Mar	0.30%	0.60%	
11/04/2024 15:30	US	PPI Ex Food Ener. (MoM)	Mar	0.20%	0.30%	
11/04/2024 15:30	US	PPI Final Demand (YoY)	Mar		1.60%	
11/04/2024 15:30	US	Initial Jobless Claims	6-Apr		221k	
Eco Event	EC	ECB President Christine Lagarde holds press conference (15:45)				
		Friday 12/4				
Date Time	Country	Event	Period	Survey	Prior	
12/04/2024 07:30	JN	Industrial Production (YoY)	Feb F		-3.40%	
12/04/2024 09:00	GE	CPI (YoY)	Mar F	2.20%	2.20%	
12/04/2024 09:00	GE	CPI (MoM)	Mar F	0.40%	0.40%	
12/04/2024 09:00	UK	Monthly GDP ((MoM))	Feb	0.10%	0.20%	
12/04/2024 09:00	UK	Monthly GDP (3M/3M)	Feb	0.10%	-0.10%	
12/04/2024 09:00	UK	Index of Services (MoM)	Feb	0.10%	0.20%	
12/04/2024 09:00	UK	Trade Balance GBP/Mn	Feb		-£3129m	
12/04/2024 17:00	US	U. of Mich. Sentiment	Apr P	78.7	79.4	
12/04/2024 17:00	US	U. of Mich. 1 Yr Inflation	Apr P		2.90%	

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