

The Fed signals three rate cuts in this year. The S&P 500 increased at historic high. As the one-year total returns of the main equity indexes are elevated, mild profit-taking may happen, which can be followed by “buying into the dips”.

What did the Fed said and how money market and bond markets were affected?

The **Fed** maintained its benchmark rate unchanged. **It continues to expect three rate cuts in the current year.** It expects the benchmark rate at 4.50%-4.75% at the end of 2024 and at 3.75%-4.00% at the end of 2025. In the longer run, the benchmark rate is expected at 2.6% from 2.5% previously. The **US 2-year bond yield** is currently milder at 4.60% from 4.73% at the end of the previous week.

What did the Bank of Japan decided at the recent policy meeting?

The Bank of **Japan** increased its benchmark rate from slightly negative (-0.10%) to slightly positive (0.10%), concluding the negative interest rates policy it had implemented to achieve the end of the deflation period. The policy may remain relatively accommodative as the growth rate is low. It is noted the Japanese yields are significantly lower than the bond yields in main developed markets, despite the higher rate.

What about the recent macroeconomics?

In the **US**, the University of Michigan **consumer confidence** index was lower. However, the 4-week average of initial jobless claims continues to signal relatively strong employment and mild economic growth. According to the Atlanta Fed, the annualized quarterly GDP growth is estimated at 2.1% in the first quarter, lower than the long-term average of 2.5%. In the **Eurozone**, **industrial production** was weaker than expected, signalling economic slowdown. It dropped on monthly basis (-3.2%) and on yearly basis (-6.7%) in January.

What is the market sentiment in equity markets?

The S&P 500 index is at historic high. A mild profit-taking could happen, as the one-year total return of the S&P 500 index is 33%, almost four times the historic average. While a short-term correction cannot be excluded, the mid-term upwards trend of the index can continue. Mild economic growth and Fed's rate cuts at some point, may translate into moderate bond yields which in combination with strong profitability, may support the US equity market. The 12-month forward earnings estimate is at historic high, signaling that the earnings trend is strong enough to support the US equity market.

The week ahead

In the **US**, the **consumer confidence** index (26/3) may have slightly risen in March, mildly above the 12-month average.

According to the final reading, **US GDP** (28/3) may have increased on annualized quarterly basis in the fourth quarter by 3.2%.

The **PCE inflation** measures will be announced on March 29. On yearly basis, the rise of the PCE deflator may have been 2.5% in February from 2.4% in January.

The core PCE deflator has probably increased on yearly basis by 2.8%, the same as in January. While the yearly rise of core deflator is milder than in the recent past, it is still higher than the 30-year average (2%).

In the **Eurozone**, the **economic confidence** index (27/3) will be released on March 27. It has recently been below the historic average.

As economic activity is weak and inflation has dropped, the **ECB** may cut its rate in June, as the President of the ECB has recently said (20/3).

“ Quote of the Week ”

The President of the **Fed** said:
 “It is appropriate to begin easing at some point in this year”.

What can go wrong?

If geopolitics worsen, the price of oil rises and US bond yields unexpectedly rise, then the equity market may retreat.

How to prepare for both the positive baseline scenario of upwards equity markets in the mid-term and the alternative scenario of lower equity markets due to geopolitical disruption?

Sectors such as global technology, financials and communications can rise in the mid-term, in the base case scenario of upwards equity market. The technology sector has historic high earnings 12-month forward estimate, the communication sector has earnings 12-month forward estimate at 3-year high and the financials sector has mild P/E 12-month forward ratio (12 times). The MSCI all countries world growth has 12-month forward estimate at historic high. The MSCI all countries large cap has strong profitability and the mid-cap index has more attractive P/E 12-month forward ratio (16 times).

Exposure on the above can have positive investment results in the mid-term at the base case scenario of upwards equity market. Combining the above with exposure to the defensive sector of utilities, world value and world ESG can be useful during corrective intervals and at the alternative scenario of downwards equity market due to geopolitics. The global utilities has attractive P/E 12-month forward ratio of 14 times, the world value mild P/E 12-month forward at 13 times. The world ESG index has total return of 9% year to date vs almost 8% of the overall global equity index.

What is the market sentiment in the European equity markets?

The Stoxx 600 Europe index increased at historic high and the Stoxx 50 Eurozone index at a high since 2000. While economic activity in Europe is weak, both the equity indexes are supported in the mid-term by the attractive P/E 12-month forward ratios of almost 14 times.

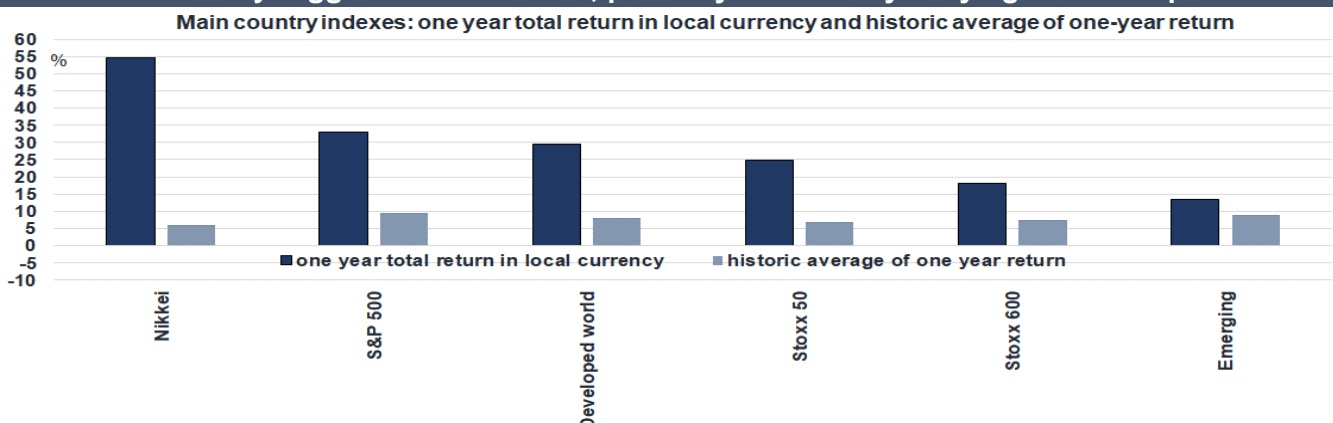
The European technology and auto **sectors** have the highest total returns year to date (almost 14.5%), supported by their aggressive characteristics in an upwards mid-term market. The auto sector has attractive P/E 12-month forward of 6.5 times. The European banks sector has also attractive P/E 12-month forward ratio of 7 times and can be supported in the mid-term, despite that a short-term pull-back cannot be excluded as it has one-year total return of 17% higher than that of the Stoxx 600 index.

How have the main emerging markets traded?











The MSCI **emerging** markets index increased on March 12 at the highest close since June 2022. Still, it has lower total return than the developed both year to date and on yearly basis. The year over year total return of the emerging is almost 13% versus almost 29% of the developed, a lag which is extreme by historical standards and could correct in the mid-term, supporting emerging markets exposures.

In **fx** markets, the **EUR/USD** is in range trading, as both the German and US 2-year yields have dropped in the current week. Support is at \$1.0800-\$1.0700, while resistance is at \$1.1050-\$1.1140.






The one-year total returns of the main indexes are significantly above the historic averages, which may trigger mild correction, probably followed by “buying into the dips”.



Global Markets Minesweeper
Event Risk Calendar, 25 - 29 March 2024

| Monday 25/3 | | | | | | |
|----------------|---------|----------------------------------|--------|--------|--------|---|
| Date Time | Country | Event | Period | Survey | Prior |  |
| 25/3 07:00 | JN | Leading Index CI | Jan F | 109.9 | 109.9 | |
| 25/3 07:00 | JN | Coincident Index | Jan F | 110.2 | 110.2 | |
| 25/3 14:30 | US | Chicago Fed Nat Activity Index | Feb | -0.34 | -0.3 | |
| 25/3 16:00 | US | New Home Sales | Feb | 675k | 661k | |
| 25/3 16:30 | US | Dallas Fed Manf. Activity | Mar | -13 | -11.3 | |
| Tuesday 26/3 | | | | | | |
| Date Time | Country | Event | Period | Survey | Prior |  |
| 26/3 09:00 | GE | GfK Consumer Confidence | Apr | -27 | -29 | |
| 26/3 14:30 | US | Durable Goods Orders (MoM) | Feb P | 1.40% | -6.20% |  |
| 26/3 14:30 | US | Durables Ex Transportation (MoM) | Feb P | 0.30% | -0.40% | |
| 26/3 15:00 | US | FHFA House Price Index (MoM) | Jan | | 0.10% | |
| 26/3 15:00 | US | S&P CS 20-City (MoM) SA | Jan | 0.20% | 0.21% | |
| 26/3 15:00 | US | S&P CS 20-City (YoY) NSA | Jan | | 6.13% | |
| 26/3 16:00 | US | Conf. Board Consumer Confidence | Mar | 107 | 106.7 |  |
| 26/3 16:00 | US | Richmond Fed Manufact. Index | Mar | | -5 | |
| Wednesday 27/3 | | | | | | |
| Date Time | Country | Event | Period | Survey | Prior |  |
| 27/3 03:30 | CH | Industrial Profits (YoY) | Feb | | 16.80% | |
| 27/3 12:00 | EC | Consumer Confidence | Mar F | -14.9 | -14.9 | |
| 27/3 12:00 | EC | Economic Confidence | Mar | 96 | 95.4 |  |
| Thursday 28/3 | | | | | | |
| Date Time | Country | Event | Period | Survey | Prior |  |
| 28/3 09:00 | UK | GDP (QoQ) | 4Q F | -0.30% | -0.30% | |
| 28/3 09:00 | UK | GDP (YoY) | 4Q F | -0.20% | -0.20% | |
| 28/3 11:00 | EC | M3 Money Supply (YoY) | Feb | 0.30% | 0.10% | |
| 28/3 14:30 | US | GDP Annualized (QoQ) | 4Q T | 3.20% | 3.20% |  |
| 28/3 14:30 | US | Initial Jobless Claims | 23-Mar | | 210k | |
| 28/3 15:45 | US | MNI Chicago PMI | Mar | 46 | 44 | |
| 28/3 16:00 | US | Pending Home Sales (MoM) | Feb | -- | -4.90% | |
| 28/3 16:00 | US | U. of Mich. Sentiment | Mar F | 76.6 | 76.5 | |
| 28/3 16:00 | US | U. of Mich. 1 Yr Inflation | Mar F | | 3.00% | |
| 28/3 16:00 | US | U. of Mich. 5-10 Yr Inflation | Mar F | | 2.90% | |
| Friday 29/3 | | | | | | |
| Date Time | Country | Event | Period | Survey | Prior |  |
| 29/3 01:30 | JN | Tokyo CPI (YoY) | Mar | 2.50% | 2.50% |  |
| 29/3 01:30 | JN | Tokyo CPI Ex-Fresh Food (YoY) | Mar | 2.40% | 2.50% | |

March 22, 2024

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|---|----|-----------------------------------|-------|----------|----------|---|
| 29/3 01:30 | JN | Jobless Rate | Feb | 2.40% | 2.40% | |
| 29/3 01:50 | JN | Retail Sales (YoY) | Feb | 2.70% | 2.30% | |
| 29/3 01:50 | JN | Industrial Production (YoY) | Feb P | -2.50% | -1.50% | |
| 29/3 14:30 | US | Personal Income | Feb | 0.40% | 1.00% | |
| 29/3 14:30 | US | Personal Spending | Feb | 0.50% | 0.20% | |
| 29/3 14:30 | US | PCE Deflator (MoM) | Feb | 0.40% | 0.30% |  |
| 29/3 14:30 | US | PCE Deflator (YoY) | Feb | 2.50% | 2.40% |  |
| 29/3 14:30 | US | PCE Core Deflator (MoM) | Feb | 0.30% | 0.40% |  |
| 29/3 14:30 | US | PCE Core Deflator (YoY) | Feb | 2.80% | 2.80% |  |
| 29/3 14:30 | US | Advance Goods Trade Balance | Feb | -\$89.7b | -\$90.5b | |
| 29/3 14:30 | US | Wholesale Inventories (MoM) | Feb P | | -0.30% | |
| 29/3 17:00 | US | Kansas City Fed Services Activity | Mar | | 12 | |
| | | | | | | |
| Eco Event | US | Fed's Powell speaks (17:30) | | | |  |
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| Catholic Good Friday. Exchanges closed in US and many other countries | | | | | | |

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