

Markets volatility reduced during the current week after the recent markets' turmoil. FOMC meeting, US labor market data as well as Eurozone GDP and CPI are included in next week's calendar. Corporate announcements remain in focus.

Does the recent macroeconomic data justify a divergence of the ECB's monetary policy from that of the Fed?

The latest data confirmed that economic activity remains uneven, with divergences in sectors and countries. In the US, economy remains resilient despite some signs that the economic activity lost momentum and disinflation process has stalled. The US economy grew at its lowest pace (1.6%) in nearly 2 years in the first quarter. The PMI services decreased in April to the lowest level in 5 months, while the manufacturing index fell slightly below (49.9) the level (50) that indicates expansion. It seems that the Fed policy is closer to high-for-longer. The forward market prices in less than 2 rate cuts in the current year. In the Eurozone, the data released this week confirmed the strength in services and the weakness in manufacturing. The PMI manufacturing index fell in April to a three-month low (45.6), remaining below 50, the threshold for economic contraction, for 22 consecutive months. On the contrary the PMI services index rose to a 11-month high (52.9), suggesting the recovery of the economy is gathering momentum. The forward market prices in that the ECB will cut its rates three times until the end of 2024, probably starting from June. Eurozone's economy is weak, but we expect that activity will strengthen later this year. The inflation has fallen sharply since its peak and keeps decelerating, but it is still above the ECB's 2% target. The different macroeconomic picture in the Eurozone related to that in the US, allows the ECB to diverge from the Fed, but not without limits given that both economies face many of the same headwinds and they are large trading partners. We expect the ECB to lower interest rates before the Fed but to move cautiously, and its easing policy may be slowed by a Fed on hold.

Do we expect high volatility in the coming months?

The geopolitical uncertainty along with concern about the inflation outlook caused elevated volatility in the markets last week. This week optimism about the profitability of large cap tech companies combined with easing concerns about escalation of the tension in the Middle East improved markets sentiment. Israel's limited retaliatory attack and Iran's soft rhetoric seem as attempts to avoid further escalation. However, geopolitics remain a major factor of concern and could trigger volatility. In case of an imminent threat to oil supply, the price of oil could rise significantly, fueling stickier inflation. The persistent inflation especially in the US and the geopolitical landscape, including the European Parliament elections (June 6-9) and US presidential elections (Nov. 5) could cause periods of volatility.

The week ahead

In the **Eurozone**, the final reading of consumer confidence and the economic confidence indexes for April are expected on April 29. The CPI estimate for April and the GDP data for first quarter will be released on April 30. The final PMI manufacturing index for April is expected on May 2. The unemployment rate for May will be released on May 3.

In the **US**, the conference board consumer confidence for April is expected on April 30. The ISM manufacturing index for April will be released on May 1. The Fed is expected to maintain its interest rate unchanged on May 1. The factory orders and durable goods orders for March will be released on May 2. The change in nonfarm payrolls, the unemployment rate and the ISM services index for April will be released on May 3.

In **China**, the PMI manufacturing and services indexes, as well as Caixin PMI manufacturing for April will be released on April 30.

“Quote of the Week”

Bundesbank President (J. Nagel) said: “June rate move won't necessarily start series of cuts.”

What is the impact of Magnificent 7 megacaps profits on S&P 500 index?

This week the S&P 500 edged higher following the sell-off in the previous week. Markets focus shifted to earnings outlook, while worries regarding Middle East tensions eased. Elevated treasury yields as the Fed seems in no rush to cut rates in the coming months, continue to negatively affect equity valuations.

During the week four out of Magnificent 7 companies announced earnings results for the first quarter. According to markets consensus, the Magnificent Seven megacaps profits will increase in 2024 by around 25%, while the annual eps growth rate for the S&P 500 is estimated around 8%. Therefore, the Magnificent 7 companies have a significant impact on the equity index, as a large part of earnings and sales growth comes from megacaps stocks. Magnificent Seven stocks have improved the performance of the S&P 500, but the concentration risk has increased. The top 10 largest US companies account around 38% of the S&P 500, which is the highest in history. Noted that, during the Dot-com bubble in 2000, the top 10 companies share of S&P 500 reached 30%.

Tesla shares rebounded this week, as the company announced the launch of less-expensive new electric vehicle models. However, quarterly earnings and revenues missed analysts' estimates. Noted that the Tesla is the worst-performing stock in the S&P 500 index since the start of the year.

Meta platforms' revenues and earnings were slightly above expectations, but the stock price moved down substantially, as the guidance for Q2 revenues was weaker than expected.

Alphabet beats revenues and earnings estimates in the first quarter. The company also announced dividend for the first time and a \$70 billion stock buyback plan. The shares soared at a new all-time high after the announcement of quarterly results.

Microsoft's profits and revenues were above estimates, as the demand for cloud and AI software increased. Earnings growth is expected to remain strong in 2024, mainly due to demand for AI services.

What is the US Dollar trend?

The eur/usd remains in downwards trend in the short term. The expectation that the ECB will start cutting rates earlier and more aggressively than the Fed keeps the euro under pressure. However, the positive risk sentiment this week in combination with the improved services sector data in the Eurozone helped the eur/usd to rebound. Support is placed at \$1.0600 (16/4/24 low). Resistance at the area of \$1.0800 (200 DMA).

The USD/JPY climbed on April 26 to the highest level (¥156.82) since June 1990, increasing the probability that Japanese authorities will intervene in FX market to prop up the yen.








US Magnificent 7 Stocks, details vs S&P 500

Name	Total Return Year to Date	Total Return one Month	Forward P/E	Q1 2024, EPS, GAAP Estimate	Q1 2024, EPS, GAAP Actual	Announcement Date	2024, EPS GAAP Growth
Apple	-11.6%	0.1%	24.7	1.500		05-May-24	7%
Microsoft	6.3%	-5.4%	30.5	2.831	2.940	25-Apr-24	21%
Alphabet	11.7%	3.5%	21.3	1.529	1.890	25-Apr-24	18%
Amazon.com	14.3%	-2.6%	31.4	0.827		30-Apr-24	48%
NVIDIA	66.9%	-10.7%	31.7	5.277		22-May-24	97%
Tesla	-31.5%	-4.2%	60.3	0.411	0.340	23-Apr-24	-48%
Meta Platforms	24.8%	-11.0%	20.0	4.305	4.710	24-Apr-24	35%
Average Mag. 7	11.5%	-4.3%	31.4	-	-	-	25.4%
S&P 500	6.3%	-2.9%	20.1	-	-	-	8.0%
S&P Ex Magnificent 7	5.2%	-2.4%	18.1	-	-	-	6.3%

Source: Bloomberg (25/4/2024)

Global Markets Minesweeper
Event Risk Calendar, 29 April - 3 May, 2024

Monday 29/4						
Date Time	Country	Event	Period	Survey	Prior	
29/4 12:00	EC	Consumer Confidence	Apr F	--	-14.7	
29/4 12:00	EC	Economic Confidence	Apr	97	96.3	
29/4 15:00	GE	CPI (YoY)	Apr P	2.30%	2.20%	🔥
29/4 17:30	US	Dallas Fed Manf. Activity	Apr	-11.3	-14.4	
Tuesday 30/4						
Date Time	Country	Event	Period	Survey	Prior	
30/4 02:30	JN	Jobless Rate	Mar	2.50%	2.60%	
30/4 02:50	JN	Retail Sales (YoY)	Mar	2.50%	4.70%	
30/4 02:50	JN	Industrial Production (YoY)	Mar P	-6.20%	-3.90%	
30/4 04:30	CH	Manufacturing PMI	Apr	50.3	50.8	🔥
30/4 04:30	CH	Non-manufacturing PMI	Apr	52.2	53	
30/4 04:45	CH	Caixin China PMI Mfg	Apr	51	51.1	🔥
30/4 09:45	FR	CPI (YoY)	Apr P	2.10%	2.30%	
30/4 10:55	GE	Unemployment Claims Rate SA	Apr	5.90%	5.90%	
30/4 11:00	GE	GDP SA (QoQ)	1Q P	0.10%	-0.30%	
30/4 11:00	GE	GDP WDA (YoY)	1Q P	-0.30%	-0.20%	
30/4 12:00	EC	CPI Estimate (YoY)	Apr	2.40%	2.40%	🔥
30/4 12:00	EC	CPI Core (YoY)	Apr P	2.70%	2.90%	
30/4 12:00	EC	GDP SA (QoQ)	1Q A	0.20%	0.00%	🔥
30/4 12:00	EC	GDP SA (YoY)	1Q A	0.20%	0.10%	
30/4 16:00	US	FHFA House Price Index (MoM)	Feb	0.10%	-0.10%	
30/4 16:00	US	S&P CoreLogic CS 20-City (MoM) SA	Feb	0.10%	0.14%	
30/4 16:45	US	MNI Chicago PMI	Apr	45	41.4	
30/4 17:00	US	Conf. Board Consumer Confidence	Apr	104.1	104.7	🔥
30/4 17:30	US	Dallas Fed Services Activity	Apr	--	-5.5	
Corp. Results	US	American Tower, Coca-Cola, PayPal Holdings, Eli Lilly, Amazon.com, AMD				
Wednesday 1/5						
Date Time	Country	Event	Period	Survey	Prior	
1/5 11:30	UK	S&P Global UK Manufacturing PMI	Apr F	48.7	48.7	
1/5 15:15	US	ADP Employment Change	Apr	185k	184k	
1/5 16:45	US	S&P Global US Manufacturing PMI	Apr F	49.9	49.9	
1/5 17:00	US	ISM Manufacturing	Apr	50.1	50.3	🔥
1/5 21:00	US	FOMC Rate Decision (Upper Bound)	1-May	5.50%	5.50%	🔥
1/5 21:00	US	FOMC Rate Decision (Lower Bound)	1-May	5.25%	5.25%	🔥
Labour Day holiday across Europe						

Eco Event	US	Fed Chair Powell to discuss policy at post-meeting new conference					
Corp. Results	US	Pfizer, CVS Health, Mastercard, QUALCOMM					
Thursday 2/5							
Date Time	Country	Event	Period	Survey	Prior		
2/5 10:55	GE	Germany Manufacturing PMI	Apr F	42.3	42.2		
2/5 11:00	EC	Eurozone Manufacturing PMI	Apr F	45.6	45.6		
2/5 15:30	US	Trade Balance	Mar	-\$69.0b	-\$68.9b		
2/5 15:30	US	Initial Jobless Claims	27-Apr	--	207k		
2/5 17:00	US	Factory Orders (MoM)	Mar	1.60%	1.40%		
2/5 17:00	US	Durable Goods Orders (MoM)	Mar F	--	2.60%		
2/5 17:00	US	Durables Ex Transportation (MoM)	Mar F	--	0.20%		
Eco Event	EC	OECD Publishes Economic Outlook (12:00)					
Corp. Results	US	ConocoPhillips, Booking Holdings, Apple, EOG Resources					
Friday 3/5							
Date Time	Country	Event	Period	Survey	Prior		
3/5 09:45	FR	Industrial Production (YoY)	Mar	1.10%	-0.80%		
3/5 09:45	FR	Industrial Production (MoM)	Mar	0.30%	0.20%		
3/5 11:30	UK	S&P Global UK Services PMI	Apr F	54.9	54.9		
3/5 12:00	EC	Unemployment Rate	Mar	6.50%	6.50%		
3/5 15:30	US	Change in Nonfarm Payrolls	Apr	250k	303k		
3/5 15:30	US	Unemployment Rate	Apr	3.80%	3.80%		
3/5 15:30	US	Average Hourly Earnings (YoY)	Apr	4.00%	4.10%		
3/5 16:45	US	S&P Global US Services PMI	Apr F	50.9	50.9		
3/5 17:00	US	ISM Services Index	Apr	52	51.4		
Eco Event	US	Chicago Fed President Austan Goolsbee participates in a panel					

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