

## President Biden sets out an ambitious agenda for the 2022 Budget

- The S&P500 increased by 1.2% wow (+12% YtD), the EuroStoxx rose by 1.1% wow (+13% YtD) and the MSCI ACWI increased by 1.4% wow (+10% YtD) in the past week, with Emerging Markets overperforming their Developed Markets counterparts. Commodity prices edged higher with oil prices crossing the \$70/bbl threshold due to strong demand, as economies around the world reopen.
- Investors took a more constructive view on the inflation theme as central banks (Federal Reserve, ECB) continue to call for resolute patience on policy. Moreover, President Biden set a very high bar with its US budget proposal for the Fiscal Year 2022.
- Regarding the US Budget proposal, the respective political negotiations are expected to last into Autumn. For Fiscal Year 2022, the planned outlays amount to circa \$6 trillion, reflecting mostly the previously proposed American Jobs Plan (\$2.6 tn) & American Families Plan (\$1.75 tn), alongside an increase of \$0.6 tn in nondefense discretionary spending.
- Revenues are estimated at circa \$4.2 trillion, reflecting, *inter alia*, \$3.6 tn of new revenue (\$2.9 tn via tax increases and \$0.7 tn through corroborating tax enforcement), while also incorporating \$0.2 tn of budget cuts and savings, mainly regarding defense spending.
- The resulting \$1.8 trillion deficit in Fiscal Year 2022, is estimated at -7.8% of nominal GDP, from -16.7% in Fiscal Year 2021, based on nominal GDP growth of +6.7% for Fiscal Year 2022.
- Looking forward, the deficit is estimated to moderate, albeit to a still elevated -4.9% of GDP on average per annum, for fiscal years 2023 to 2031. The federal debt is set to increase from 108% of GDP in fiscal year 2021, towards 117% of GDP by fiscal year 2028 and to stabilize at these levels up to 2031, as interest paid in real terms is significantly lower than real GDP growth (see graph below).
- The Organization for Economic Co-operation and Development (OECD) revised up by 0.2 pps and 0.4 pps, respectively, its global real GDP growth estimates, to +5.8% in 2021 and +4.4% in 2022 following a contraction of -3.5% in 2020, mainly due to the progress in the vaccinations programs against Covid-19.
- Recall that for the European Union (EU), disbursements of the Recovery and Resilience Facility funds, which are part of the Next Generation EU, are incorporated in the projections. As a result, euro area real GDP growth is expected at +4.3% in 2021 and +4.4% in 2022, from +3.8% in 2021 and +3.8% in 2022 three months ago.
- Having said that, all 27 EU countries have now ratified the new Own Resources Decision, which raises the upper limit for national contributions to the EU budget by 0.6 pp to 2.0% of each country's Gross National Income, and was necessary to allow the EU to borrow on the markets.
- The last two pending Member States, Austria and Poland completed the procedure on Thursday, enabling the European Commission to start borrowing in order to finance the €750bn recovery plan within June. The first disbursements (up-front payment of 13% of each member state's financial contribution) are expected until late July.

Ilias Tsirigotakis<sup>AC</sup>  
Head of Global  
Markets Research  
210-3341517  
tsirigotakis.ilias@nbg.gr

Panagiotis Bakalis  
210-3341545  
mpakalis.pan@nbg.gr

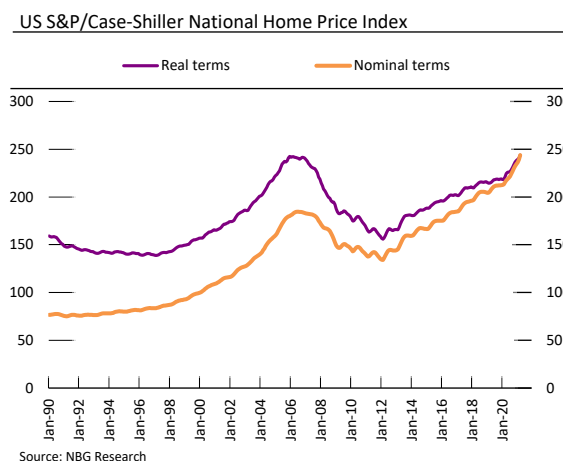
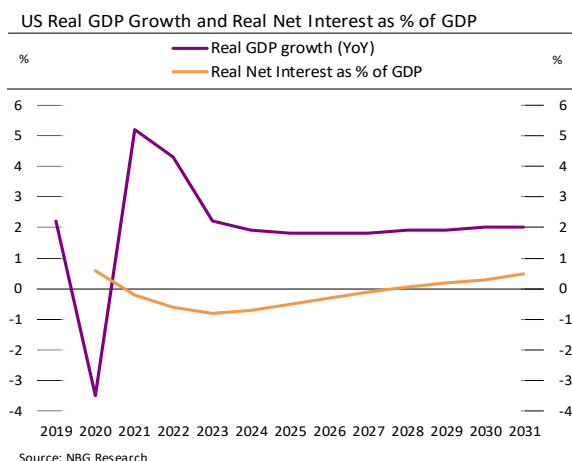
Vasiliki Karagianni  
210-3341548  
karagianni.vasiliki@nbg.gr

Leonidas Patsios  
210-3341553  
Patsios.Leonidas@nbg.gr

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Charts of the week



## The US housing market posts some early signs of cooling, albeit activity in the sector remains robust

- **The latest US housing market data, suggest that significantly higher building costs and a partial bottoming out of mortgage interest rates, are starting to take a toll on residential construction.** In the event, housing starts fell by 9.5% mom in April (the annual pace of growth stood at +67.3%, with large base effects at play though), to 1569k (annualized rate), albeit from a 15-year high of 1733k in the previous month. The latest outcome undershot consensus estimates for 1710k. Nevertheless, it remains well above a long term (since 1990) average of 1307k. Meanwhile, building permits, a precursor for housing starts in subsequent months, declined by 1.3% mom (+58.4% yoy), to 1733k (annualized rate | average of 1327k since 1990).
- **Regarding residential demand,** existing home sales decreased by 2.7% mom in April (+33.9% yoy, again with large base effects at play), a 3<sup>rd</sup> consecutive monthly decline, to 5.85 mn (on an annualized basis). The aforementioned reading undershot expectations for 6.09mn, it remains though well above an average of 4.91mn since 1990. At the same time, new home sales fell by 5.9% mom in April (+48.3% yoy), to 863k (annualized | consensus for 950k). The latest outcome compares with an average of 701k since 1990.
- **Affordability** issues likely played a role in the aforementioned deceleration of sales. Recall that the annual growth of the median existing home sales price, stood at +19.1% in April and the respective trend for new homes at +20.1%, with both supply and demand factors contributing to the surge in valuations. On the production side, supply chain bottlenecks regarding building materials (and also to some extent, labor), combined with a sharp increase in international commodity prices (alongside energy prices having recovered), have pushed prices paid for goods used in residential construction, up by 18.9% yoy in April (and with the upward momentum continuing to build). Indicatively, softwood lumber prices and prices of steel mill products have surged by +121% yoy and +67% yoy, respectively, in April. Given also solid demand, supply is struggling to cope. In the event, note that the inventory of existing homes remains particularly low, at 1.16mn in April, even with a modest bottoming out compared with the record (since 1999) low of 1.03 in past March (average of 2.35 mn since 1999).
- **Mortgage interest** rates remain low and a major supporting factor for the sector, albeit with some bottoming out in recent months. Indeed, according to data from Freddie Mac, the 30-year fixed mortgage rate, on average, hovered at 3.06% in April, compared with a record (since 1971) low of 2.68% in December and a long-term (since 1990) average of 6.0%.
- In all, the Atlanta Fed's GDPNowcast model points to growth of +2.3% qoq saar for residential investment in Q2:21 (+26.0% yoy) and +9.1% qoq saar (+12.8% yoy) for overall real GDP.

## US corporate profits were stable in Q1:21, according to the national accounts

- **Corporate profits (including inventory valuation and capital consumption adjustments) of public and private companies (National Income and Product Accounts - NIPA) were unchanged on a quarterly basis in Q1:2021 at \$2.3 tn (in annualized terms).** Looking past the quarterly growth, annual profit growth came out at +12.7% compared with -0.7% yoy in Q4:20, albeit the improvement was mainly due to favorable base effects (low base of comparison, as the pandemic was starting to take a toll on corporate profitability in Q1:20). Profits from domestic non-financial activities were up by 22.5% on an annual basis, profits from domestic financial activities posted a rise of 12.2% yoy, while the annual pace of growth of profits from abroad remained at a deeply negative territory (-10.1%), unsurprisingly given that the economic recovery outside the US, substantially lags the respective domestic trend.

## Euro area bank lending to corporations eased in April

- **The annual pace of growth of overall private sector borrowing from commercial banks, decelerated in April, by 0.4 pps to 3.2% yoy, due to a substantial easing in the respective pace for loans to corporations.** Indeed, the two major private sector components, performed as follows in April: i) loan growth to households (adjusted for sales and securitizations) accelerated by 0.5 pps to +3.8% yoy, the highest since December 2008, due to both favorable base effects and a robust momentum regarding lending for house purchases (+5.4% yoy in non-adjusted for sales and securitizations terms | +0.3% yoy for consumer credit) and; ii) the annual growth of loans to non-financial corporations (NFCs) decelerated sharply, by 2.1 pps to +3.2% yoy, due to both a substantially negative net monthly flow (-€27 bn) and unfavorable base effects. In the event, note that NFCs had built large liquidity buffers in the start of the pandemic (especially in March and April 2020) via, *inter alia*, bank loans and the recent easing of new lending can also be viewed, at least partly, in the context of the re-opening the economies and the subsequent rise in business confidence, prompting a drawing from these buffers. The developments for NFC deposits support that view, decreasing by €16 bn in April and with the annual growth decelerating to +12.8% yoy from +18.0% yoy in March. Finally, recall that country-wise, the annual growth rate of loans to non-financial corporations stood at +2.1% in Germany, +6.5% in France, +4.4% in Italy and +0.9% yoy in Spain.

## China's PMIs indicate a largely stable momentum for economic activity

- **Business surveys for May, were little changed.** Specifically, the Caixin/Markit manufacturing PMI was broadly stable at 52.0 in May, broadly in line with consensus estimates. Similarly, the "official" manufacturing PMI, i.e. the one from the National Bureau of Statistics (NBS) of China was largely unchanged at 51.0, in line with expectations. At the same time, the official non-manufacturing PMI (which covers the services and construction sectors) rose slightly, by 0.3 pts to 55.2, overshooting consensus estimates for 52.7. The construction sub-index was 60.1, while its services peer came out at 54.3.

## Equities

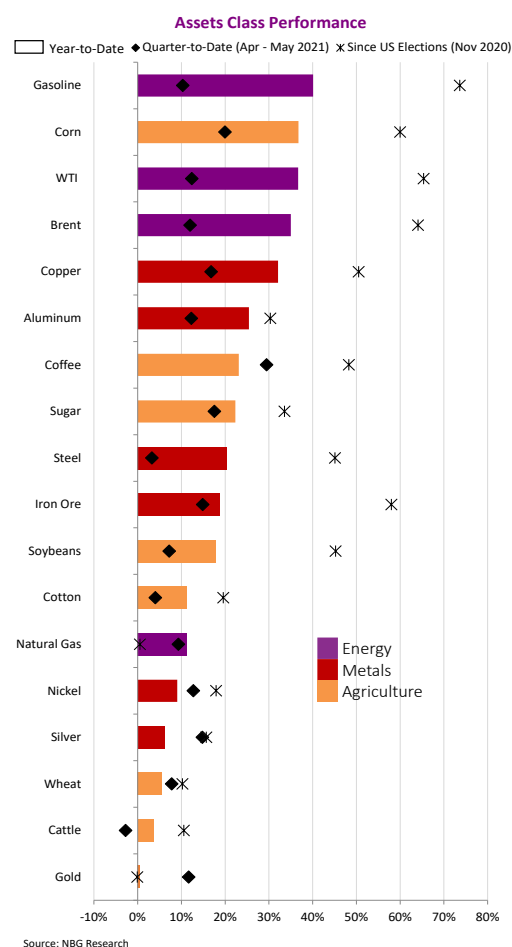
- Global equity markets rose in the past week.** Overall, the MSCI ACWI ended the week up by 1.4% (+10% ytd), with emerging markets (+2.3% wow | +5% ytd) overperforming their developed markets peers (+1.2% wow | +11% ytd). In the US, the S&P500 rose by 1.2% wow and ending May (on May 31<sup>st</sup> the market was closed) up by 1%, recording its 4<sup>th</sup> consecutive positive month and 6<sup>th</sup> out of past 7. The index remains 1% below its all-time high reached on May 7<sup>th</sup> (4233). Meanwhile, the equity implied volatility subsided further with the VIX index declining to 17% from an average of 21% during the previous week. Investors' inflation concerns seemed to have eased and the sentiment rose following the better-than-expected data regarding initial jobless claims, which posted their lowest level since March 2020 (406k), declining for a 4<sup>th</sup> consecutive week. Sector-wise, the Automobiles sector led the increase (+7.2% wow) with Ford overperforming (+9%), after the company revealed its plans to increase spending on vehicle electrification to \$30 bn up until 2025, a significant upward revision from \$22 bn previously, as well as company's expectations that nearly 40% of its global vehicle sales will come from EVs by 2030. Semiconductors increased by 4.7% wow, with Nvidia overperforming (+8.4%), following the company's stronger-than-expected Q1 results (revenue: +84% yoy | EPS: +103% yoy) and the announcement of a 4-for-1 stock split in the form of a stock dividend. On the other side of the Atlantic, the Eurostoxx rose by 1.1% wow, following the better-than-expected data of Economic confidence index, which reached its highest level since early 2018 amid better vaccine developments and the gradual easing of lockdown restrictions.

## Fixed Income

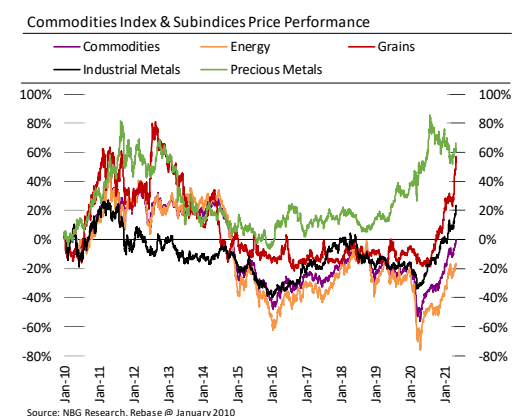
- Government bond yields declined in major advanced economies in the past week.** Specifically, the US Treasury 10-year yield, ended the week down by 4 bps wow to 1.58%, recording intra-week its lowest level since mid-April, following comments from Federal Reserve's officials that inflation pressures would be temporary. In Germany, the 10-year yield decreased by 6 bps to -0.17%. The downward trend was also extended at periphery bond yields in the 10-year tenor, as investors now expect that the ECB will not reduce the pace of purchases through its emergency bond-buying programme (PEPP) in its June 10<sup>th</sup> meeting, following ECB officials' dovish comments (Italy: -12 bps to 0.90%, its highest level since September 2020, Spain: -9 bps to 0.47%, Portugal: -9 bps to 0.42% and Greece: -13 bps to 0.84%, with the country's 10-year GGB vs Bund spread reaching 98 bps on May 31<sup>st</sup>, recording its lowest level since October 2008). **Corporate bond spreads narrowed in the past week, especially in the HY spectrum.** Specifically, US high yield spreads declined by 8 bps to 329 bps, while their euro area counterparts were down by 7 bps to 298 bps. In the Investment Grade spectrum, US and EUR spreads declined by 1 bp to 90 bps and 85 bps respectively.

## FX and Commodities

- The Japanese Yen depreciated in the past week due to, *inter alia*, the extension of the Covid-19 state of emergency in 9 prefectures (including Tokyo) up to June 20<sup>th</sup>.** Specifically, the Yen ended the week down by 0.9% against the euro to ¥133.97, its lowest level since February 2018 and by 0.9% against the US dollar to ¥109.98. Finally, in commodities, oil prices ended the week higher, due to heightened expectations for a significant increase in global demand that outweighed the concerns regarding the possible partial removal of the US sanctions that have been imposed to Iran's oil sector. Overall, Brent prices ended the week up by 4.8% to \$69.6/barrel (+34% ytd), and the WTI by 4.3% to \$66.3/barrel (+37% ytd), recording its highest level since October 2018.



Graph 1.



Graph 2.

**Quote of the week:** "Uncertainty over the timing and the strength of the recovery require that financial conditions remain supportive for a long time... Large and persistent rises in interest rates are not justified by the current economic prospects and will be countered.", **ECB Governing Council Member, Ignazio Visco, May 31<sup>st</sup> 2021.**

### Interest Rates & Foreign Exchange Forecasts

10-Yr Gov. Bond Yield (%)	May 28th	3-month	6-month	12-month	Official Rate (%)	May 28th	3-month	6-month	12-month
<b>Germany</b>	-0.17	-0.30	-0.20	-0.10	<b>Euro area</b>	0.00	0.00	0.00	0.00
<b>US</b>	1.58	1.40	1.50	1.60	<b>US</b>	0.25	0.25	0.25	0.25
<b>UK</b>	0.80	0.78	0.81	0.84	<b>UK</b>	0.10	0.10	0.08	0.06
<b>Japan</b>	0.08	0.08	0.14	0.14	<b>Japan</b>	-0.10	-0.10	-0.10	-0.10

Currency	May 28th	3-month	6-month	12-month	May 28th	3-month	6-month	12-month	
<b>EUR/USD</b>	1.22	1.17	1.18	1.20	<b>USD/JPY</b>	110	107	106	105
<b>EUR/GBP</b>	0.86	0.87	0.87	0.87	<b>GBP/USD</b>	1.42	1.35	1.36	1.38
<b>EUR/JPY</b>	134	125	125	126					

Forecasts at end of period

### Economic Forecasts

United States	2019a	Q1:20a	Q2:20a	Q3:20a	Q4:20a	2020a	Q1:21a	Q2:21f	Q3:21f	Q4:21f	2021f
<b>Real GDP Growth (YoY) (1)</b>	2.2	0.3	-9.0	-2.8	-2.4	-3.5	0.4	12.6	6.8	7.0	6.3
<b>Real GDP Growth (QoQ saar) (2)</b>	-	-5.0	-31.4	33.4	4.3	-	6.4	8.4	8.2	5.1	-
<b>Private Consumption</b>	2.4	-6.9	-33.2	41.0	2.3	-3.9	11.3	10.5	9.8	5.6	8.4
<b>Government Consumption</b>	2.3	1.3	2.5	-4.8	-0.8	1.1	5.8	0.9	0.2	2.3	1.2
<b>Investment</b>	1.9	-1.4	-29.2	31.3	18.6	-1.8	11.3	5.2	4.6	3.2	8.9
<b>Residential</b>	-1.7	19.0	-35.6	63.0	36.6	6.1	12.7	8.1	5.0	1.1	14.7
<b>Non-residential</b>	2.9	-6.7	-27.2	22.9	13.1	-4.0	10.8	7.5	4.5	3.8	7.6
<b>Inventories Contribution</b>	0.0	-1.6	-4.3	6.7	1.4	-0.7	-2.8	1.2	0.5	0.2	0.3
<b>Net Exports Contribution</b>	-0.2	1.5	0.3	-5.5	-2.2	0.0	-1.2	-1.7	0.0	0.0	-1.7
<b>Exports</b>	-0.1	-9.5	-64.4	59.6	22.3	-12.9	-2.9	11.7	9.5	7.9	6.4
<b>Imports</b>	1.1	-15.0	-54.1	93.1	29.8	-9.3	6.7	17.8	6.4	5.1	14.4
<b>Inflation (3)</b>	1.8	2.1	0.3	1.2	1.3	1.2	1.9	4.2	3.5	3.2	3.2

Euro Area	2019a	Q1:20a	Q2:20a	Q3:20a	Q4:20a	2020a	Q1:21a	Q2:21f	Q3:21f	Q4:21f	2021f
<b>Real GDP Growth (YoY)</b>	1.3	-3.3	-14.6	-4.2	-4.9	-6.8	-1.8	12.3	2.7	4.8	4.3
<b>Real GDP Growth (QoQ saar)</b>	-	-14.2	-38.8	59.9	-2.6	-	-2.5	4.5	12.0	5.7	-
<b>Private Consumption</b>	1.3	-16.8	-41.6	69.5	-11.5	-8.1	-3.3	6.0	17.7	7.2	3.5
<b>Government Consumption</b>	1.8	-1.1	-8.4	19.9	1.7	1.1	1.5	1.5	1.5	1.8	2.9
<b>Investment</b>	5.0	-21.7	-50.5	68.3	6.4	-8.5	0.5	7.9	12.1	6.4	6.9
<b>Inventories Contribution</b>	-0.3	2.1	0.0	-5.8	2.5	-0.2	0.1	0.0	0.0	0.1	-0.1
<b>Net Exports Contribution</b>	-0.5	-1.9	-3.4	10.4	-0.3	-0.6	-1.0	-0.9	-0.1	0.0	0.4
<b>Exports</b>	2.5	-14.1	-56.6	85.4	14.9	-9.8	1.9	3.7	10.7	7.7	8.4
<b>Imports</b>	4.0	-11.3	-55.1	56.1	17.4	-9.3	4.4	6.0	11.9	8.3	8.0
<b>Inflation</b>	1.2	1.1	0.2	0.0	-0.3	0.3	1.0	1.6	2.1	2.3	1.7

a: Actual, f: Forecasts, 1. Seasonally adjusted YoY growth rate, 2. Seasonally adjusted annualized QoQ growth rate, 3. Year-to-year average % change

### 12-Month View & Key Factors for Global Markets

	US	Euro Area	Japan	UK
<b>Equity Markets</b>	<ul style="list-style-type: none"> <li>+ Massive Fiscal loosening will support the economy</li> <li>+ 2021 EPS growth expectations have further room to increase</li> <li>+ Share buybacks could resume</li> <li>- Peaking profit margins</li> <li>- High market cap concentration</li> <li>- P/Es (Valuations) approaching dot-com levels</li> </ul> <p>● <b>Neutral/Positive</b></p>	<ul style="list-style-type: none"> <li>+ Still high equity risk premium relative to other regions</li> <li>+ Modest fiscal loosening in 2021</li> <li>+ 2021 EPS estimates remain pessimistic</li> <li>- Political uncertainty (Italy, German Elections) could intensify</li> <li>- Logistic disruptions (vaccine) and renewed lockdowns delay the recovery</li> </ul> <p>● <b>Neutral</b></p>	<ul style="list-style-type: none"> <li>+ Still aggressive QE and "yield-curve" targeting by the BoJ</li> <li>- Signs of policy fatigue regarding structural reforms and fiscal discipline</li> <li>- Strong appetite for foreign assets</li> <li>- JPY appreciation in a risk-off scenario could hurt exporters</li> </ul> <p>● <b>Neutral</b></p>	<ul style="list-style-type: none"> <li>+ 65% of FTSE100 revenues from abroad</li> <li>+ Undemanding valuations in relative terms</li> <li>- Elevated Policy uncertainty to remain</li> </ul> <p>● <b>Neutral/Negative</b></p>
<b>Government Bonds</b>	<ul style="list-style-type: none"> <li>+ Valuations appear rich with term-premium below 0%</li> <li>+ Sizeable fiscal deficit</li> <li>+ Underlying inflation pressures under Average Inflation Targeting</li> <li>- Global search for yield by non-US investors continues</li> <li>- Safe haven demand</li> <li>- Fed to remain at ZLB in 2021</li> <li>- Fed: Unlimited QE purchases</li> </ul> <p>▲ <b>Slightly higher yields expected</b></p>	<ul style="list-style-type: none"> <li>+ Valuations appear excessive compared with long-term fundamentals</li> <li>- Political Risks</li> <li>- Fragile growth outlook</li> <li>- Medium-term inflation expectations remain low</li> <li>- ECB QE net purchases</li> <li>- ECB QE "stock" effect</li> </ul> <p>▲ <b>Slightly higher yields expected</b></p>	<ul style="list-style-type: none"> <li>+ Sizeable fiscal deficits</li> <li>+ Restructuring efforts to be financed by fiscal policy measures</li> <li>- Safe haven demand</li> <li>- Extremely dovish central bank</li> <li>- Yield-targeting of 10-Year JGB at around 0%</li> </ul> <p>● <b>Stable yields expected</b></p>	<ul style="list-style-type: none"> <li>+ Elevated Policy uncertainty to remain</li> <li>+ Inflation expectations could drift higher due to supply disruptions post Brexit</li> <li>- The BoE is expected to remain on hold with risks towards rate cuts</li> <li>- Slowing economic growth post-Brexit</li> </ul> <p>▲ <b>Slightly higher yields expected</b></p>
<b>Foreign Exchange</b>	<ul style="list-style-type: none"> <li>+ Safe-haven demand</li> <li>- Fed's interest rate differential disappeared following cuts to 0%-0.25%</li> <li>- Global political uncertainty to decline</li> </ul> <p>● <b>Broadly Flat EUR against the USD with high volatility around \$1.20</b></p>	<ul style="list-style-type: none"> <li>+ Reduced short-term tail risks</li> <li>+ Current account surplus</li> <li>- Sluggish growth</li> <li>- Deflation concerns</li> <li>- The ECB's monetary policy to remain extra loose (Targeted-LTROs, Quantitative Easing)</li> </ul> <p>● <b>Broadly Flat EUR against the USD with high volatility around \$1.20</b></p>	<ul style="list-style-type: none"> <li>+ Safe haven demand</li> <li>+ More balanced economic growth recovery (long-term)</li> <li>+ Inflation is bottoming out</li> <li>- Additional Quantitative Easing by the Bank of Japan if inflation does not approach 2%</li> </ul> <p>▲ <b>Slightly higher JPY</b></p>	<ul style="list-style-type: none"> <li>+ Valuations appear undemanding with REER below its 15-year average</li> <li>- Sizeable Current account deficit</li> </ul> <p>▲ <b>Higher GBP expected</b></p>





**Equity Markets** (in local currency)

Developed Markets		Current Level	1-week change (%)	Year-to-Date change (%)	1-Year change (%)	2-year change (%)	Emerging Markets		Current Level	1-week change (%)	Year-to-Date change (%)	1-Year change (%)
US	<b>S&amp;P 500</b>	4204	1.2	11.9	38.8	51.1	MSCI Emerging Markets	75481	1.8	5.3	40.3	
Japan	<b>NIKKEI 225</b>	29149	2.9	6.2	33.0	38.8	MSCI Asia	1174	1.8	4.3	43.1	
UK	<b>FTSE 100</b>	7023	0.1	8.7	12.9	-2.3	China	108	2.0	-0.2	34.8	
Canada	<b>S&amp;P/TSX</b>	19852	1.7	13.9	30.1	23.1	Korea	983	0.3	6.1	55.2	
Hong Kong	<b>Hang Seng</b>	29124	2.3	7.0	25.9	6.9	MSCI Latin America	104096	1.9	4.2	35.3	
Euro area	<b>EuroStoxx</b>	451	1.1	13.4	31.9	25.4	Brazil	386181	2.2	3.3	39.3	
Germany	<b>DAX 30</b>	15520	0.5	13.1	31.7	31.1	Mexico	45804	0.6	12.7	35.0	
France	<b>CAC 40</b>	6484	1.5	16.8	35.9	24.2	MSCI Europe	6661	2.3	10.9	24.0	
Italy	<b>FTSE/MIB</b>	25169	0.8	13.2	37.2	25.8	Russia	1487	2.2	12.5	24.5	
Spain	<b>IBEX-35</b>	9225	0.2	14.3	27.7	1.6	Turkey	1538194	-0.2	-9.1	16.9	

**World Market Sectors** (MSCI Indices)

in US Dollar terms		Current Level	1-week change (%)	Year-to-Date change (%)	1-Year change (%)	2-year change (%)	in local currency		Current Level	1-week change (%)	Year-to-Date change (%)	1-Year change (%)
Energy		163.4	-0.3	26.5	29.1	-15.4	Energy		161.9	-0.3	25.1	21.9
Materials		365.7	0.8	14.7	51.6	53.5	Materials		335.8	0.9	14.5	42.6
Industrials		345.4	2.0	13.5	47.0	41.2	Industrials		333.4	2.1	14.4	42.5
Consumer Discretionary		405.1	2.4	7.5	50.9	65.2	Consumer Discretionary		385.2	2.6	8.2	48.1
Consumer Staples		277.0	-0.2	4.7	18.9	20.5	Consumer Staples		269.6	-0.2	4.8	14.2
Healthcare		331.3	-0.3	6.0	17.4	40.7	Healthcare		321.4	-0.2	6.5	14.7
Financials		147.9	1.2	23.8	56.3	32.6	Financials		144.0	1.3	23.6	49.5
IT		468.1	1.8	5.5	43.8	88.0	IT		450.2	1.8	5.8	42.6
Telecoms		106.9	2.2	13.5	42.9	53.2	Telecoms		110.8	2.2	14.0	41.4
Utilities		156.4	-1.2	2.0	14.0	15.7	Utilities		155.9	-1.2	1.9	9.8

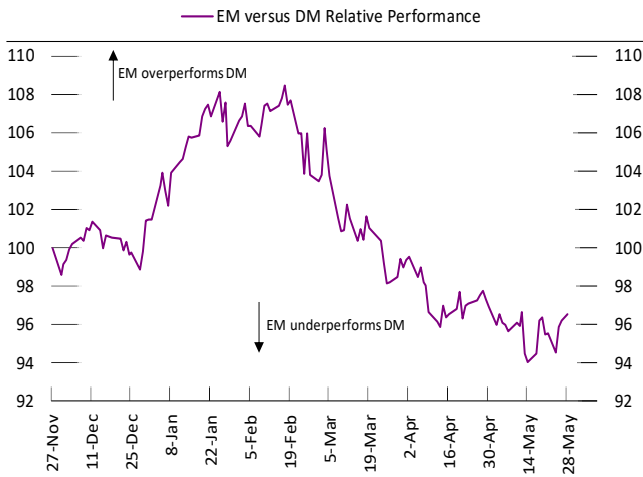
**Bond Markets (%)**

10-Year Government Bond Yields		Current	Last week	Year Start	One Year Back	10-year average	Government Bond Yield Spreads (in bps)		Current	Last week	Year Start	One Year Back
US		1.58	1.62	0.92	0.71	2.09	US Treasuries 10Y/2Y		144	146	80	50
Germany		-0.17	-0.11	-0.56	-0.40	0.65	US Treasuries 10Y/5Y		77	78	53	29
Japan		0.08	0.08	0.02	0.01	0.31	Bunds 10Y/2Y		50	56	16	25
UK		0.80	0.84	0.20	0.21	1.54	Bunds 10Y/5Y		40	40	18	22
Greece		0.84	0.97	0.62	1.49	8.71	Corporate Bond Spreads (in bps)		Current	Last week	Year Start	One Year Back
Ireland		0.16	0.23	-0.29	0.18	2.49	EM Inv. Grade (IG)		151	152	163	257
Italy		0.90	1.01	0.45	1.49	2.72	EM High yield		499	502	524	841
Spain		0.47	0.56	0.04	0.59	2.37	US IG		90	91	103	187
Portugal		0.41	0.50	0.05	0.51	3.93	US High yield		329	337	386	660
US Mortgage Market (1. Fixed-rate Mortgage)		Current	Last week	Year Start	One Year Back	10-year average	Euro area IG		85	86	93	167
30-Year FRM <sup>1</sup> (%)		3.18	3.15	2.90	3.42	4.07	Euro area High Yield		298	305	355	560
vs 30Yr Treasury (bps)		89.6	83.1	125.4	196.7	124.3						

**Foreign Exchange & Commodities**

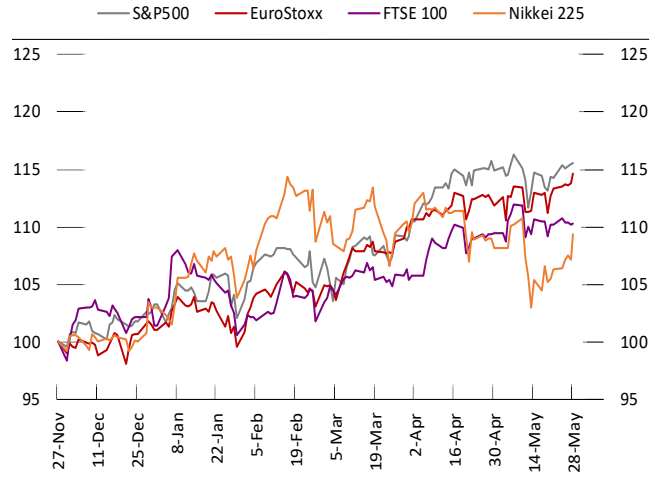
Foreign Exchange		Current	1-week change (%)	1-month change (%)	1-Year change (%)	Year-to-Date change (%)	Commodities		Current	1-week change (%)	1-month change (%)	1-Year change (%)
Euro-based cross rates							Agricultural		433	0.1	-1.4	64.8
EUR/USD		1.22	-0.1	0.8	10.2	-0.4	Energy		222	3.6	3.5	93.4
EUR/CHF		1.10	0.1	-0.7	2.7	1.4	West Texas Oil (\$)		66	4.3	3.9	96.7
EUR/GBP		0.86	-0.2	-1.2	-4.3	-4.0	Crude Brent Oil (\$)		70	4.8	3.5	97.3
EUR/JPY		133.97	0.9	1.8	12.6	6.0	Industrial Metals		477	4.1	3.8	71.9
EUR/NOK		10.18	-0.4	2.3	-6.0	-2.8	Precious Metals		2529	1.5	7.4	14.1
EUR/SEK		10.14	0.0	0.2	-3.8	0.9	Gold (\$)		1903	1.2	6.9	10.8
EUR/AUD		1.58	0.3	1.5	-4.8	-0.4	Silver (\$)		28	1.5	6.8	61.1
EUR/CAD		1.47	0.2	-1.6	-3.3	-5.6	Baltic Dry Index		2596	-9.5	-12.2	430.9
USD-based cross rates							Baltic Dirty Tanker Index		604	-1.8	0.0	-16.1
USD/CAD		1.21	0.2	-2.4	-12.2	-5.2						
USD/AUD		1.30	0.4	0.7	-13.6	0.1						
USD/JPY		109.98	0.9	1.0	2.2	6.5						

EM vs DM Performance in \$



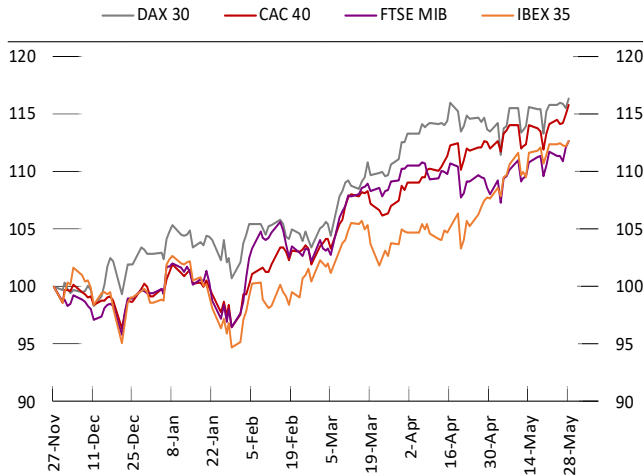
Data as of May 28<sup>th</sup> – Rebased @ 100

Equity Market Performance - G4



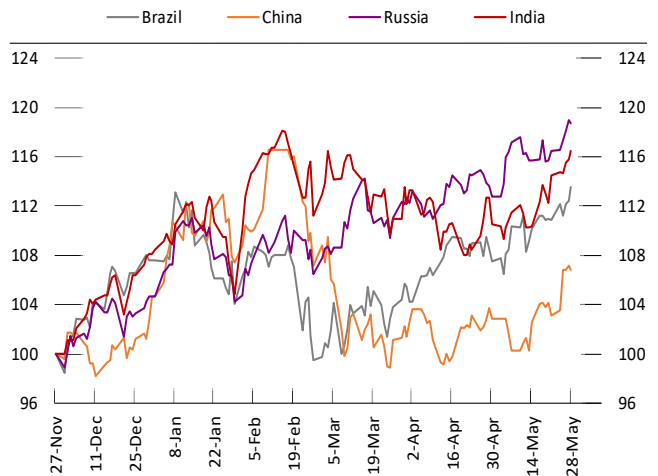
Data as of May 28<sup>th</sup> – Rebased @ 100

Equity Market Performance – Euro Area G4



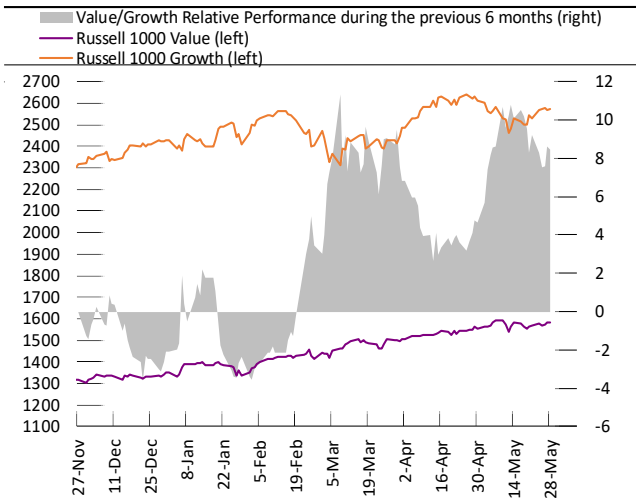
Data as of May 28<sup>th</sup> – Rebased @ 100

Equity Market Performance - BRICs



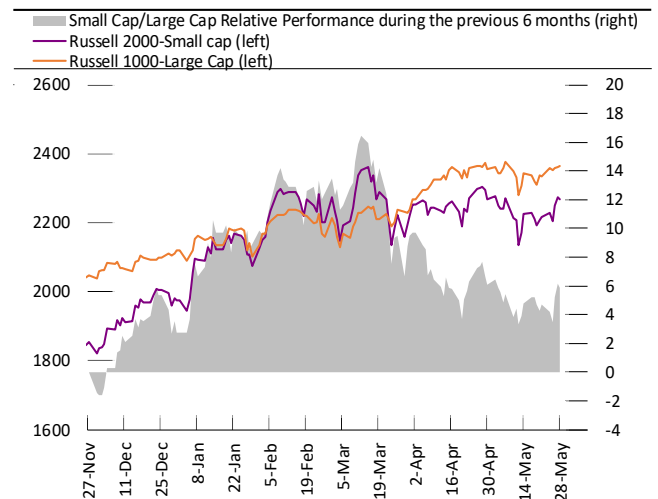
Data as of May 28<sup>th</sup> – Rebased @ 100

Russell 1000 Value & Growth Index



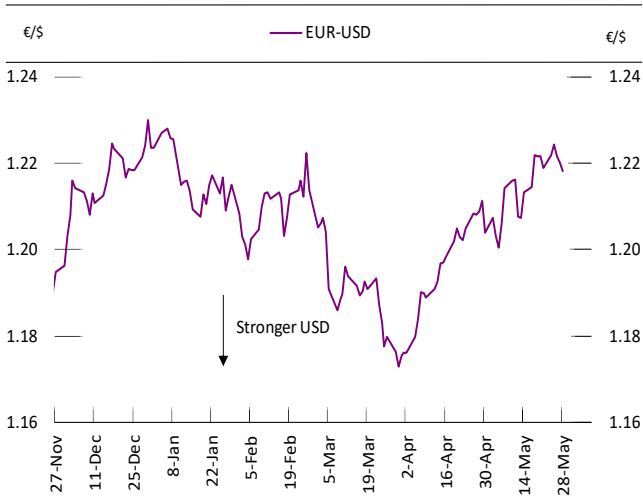
Data as of May 28<sup>th</sup>

Russell 2000 & Russell 1000 Index



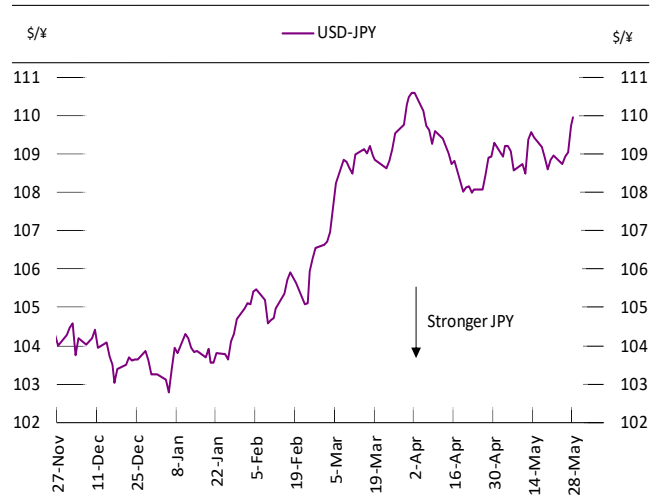
Data as of May 28<sup>th</sup>

EUR/USD



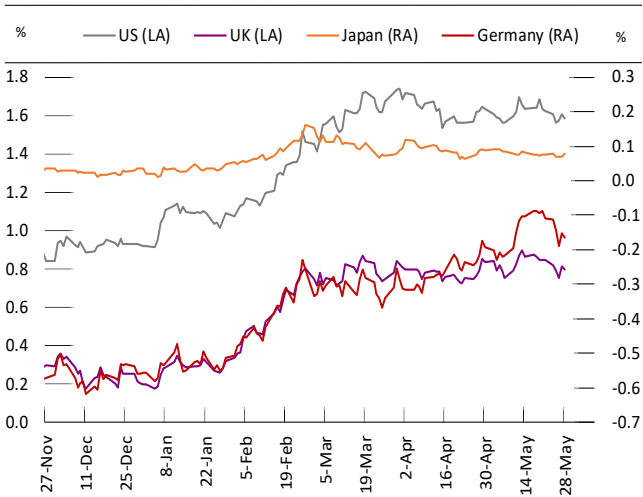
Data as of May 28<sup>th</sup>

JPY/USD



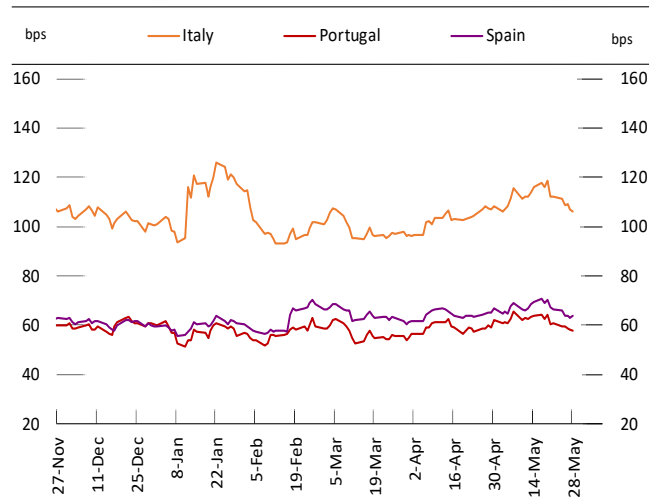
Data as of May 28<sup>th</sup>

10- Year Government Bond Yields



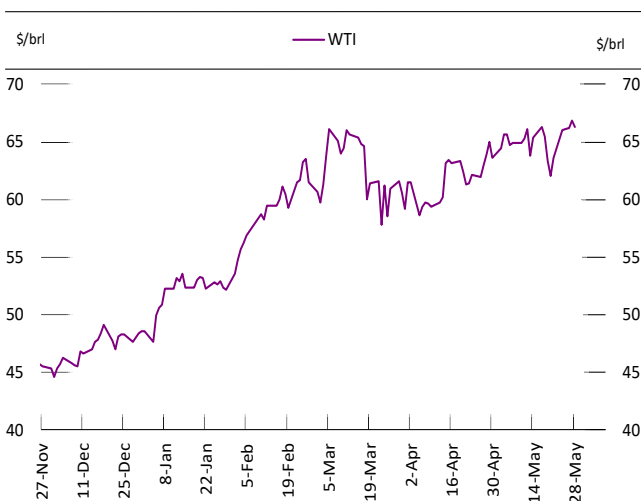
Data as of May 28<sup>th</sup>  
LA:Left Axis RA:Right Axis

10- Year Government Bond Spreads



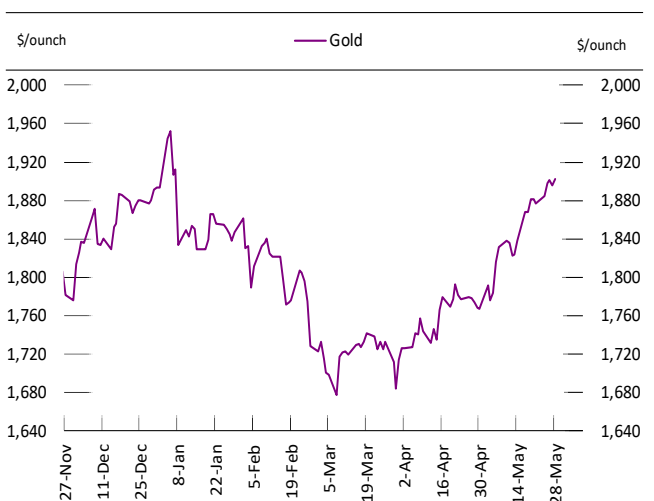
Data as of May 28<sup>th</sup>

West Texas Intermediate (\$/bbl)



Data as of May 28<sup>th</sup>

Gold (\$/ounce)



Data as of May 28<sup>th</sup>



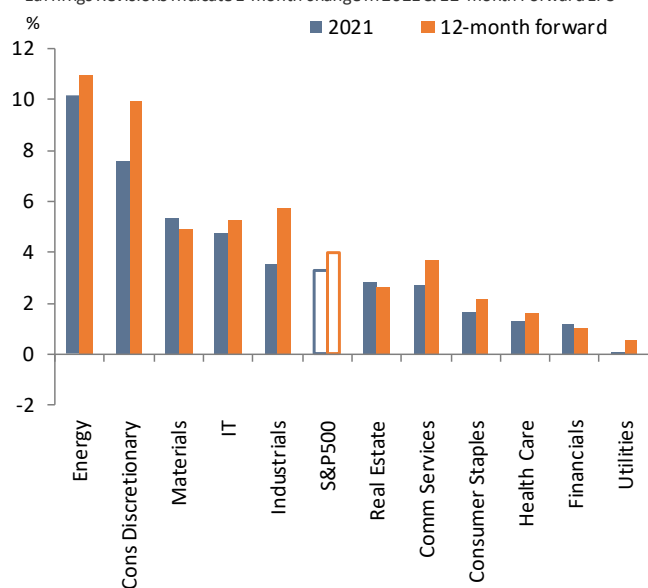
### US Sectors Valuation

	Price (\$)			EPS Growth (%)		Dividend Yield (%)		P/E Ratio				P/BV Ratio			
	28/5/21	% Weekly Change	%YTD	2020	2021	2020	2021	2020	2021	12m fwd	10Yr Avg	2020	2021	Current	10Yr Avg
<b>S&amp;P500</b>	4204	1.2	11.9	-14.0	35.9	1.5	1.4	27.6	22.4	21.5	16.2	4.2	4.4	4.2	2.7
<b>Energy</b>	390	0.0	36.2	N/A	N/A	4.8	4.2	N/A	19.9	18.2	17.3	1.7	1.7	1.7	1.7
<b>Materials</b>	547	0.6	20.1	-6.4	59.9	1.8	1.7	26.5	19.7	19.5	15.6	3.1	3.3	3.2	2.6
<b>Financials</b>															
Diversified Financials	1025	1.3	25.8	-6.4	37.9	1.3	1.2	20.1	17.3	17.2	14.3	2.0	2.1	2.1	1.5
Banks	427	0.9	35.1	-32.6	65.5	2.6	2.1	17.9	12.7	12.9	11.1	1.3	1.4	1.4	1.0
Insurance	520	0.8	21.6	-9.5	25.6	2.3	2.3	14.7	13.7	13.3	11.1	1.4	1.6	1.5	1.1
Real Estate	270	2.1	18.5	-5.0	8.0	3.0	2.6	21.5	23.2	22.7	18.4	3.3	4.0	4.1	3.2
<b>Industrials</b>															
Capital Goods	903	2.2	18.7	-30.9	54.2	1.6	1.4	33.3	24.8	23.2	16.4	5.1	5.5	5.3	3.7
Transportation	1120	1.9	20.3	N/A	N/A	1.4	1.2	N/A	48.2	N/A	10.8	7.1	7.7	7.3	3.7
Commercial Services	459	0.3	9.1	5.5	13.7	1.2	1.1	27.9	29.3	28.0	20.3	5.3	5.6	5.4	3.5
<b>Consumer Discretionary</b>															
Retailing	3798	0.6	6.6	20.5	30.8	0.5	0.5	40.6	33.9	31.9	25.1	15.2	13.2	11.8	8.1
Consumer Services	1445	3.1	9.5	N/A	N/A	1.1	0.9	N/A	210.5	N/A	23.6	17.2	23.1	21.8	8.6
Consumer Durables	487	3.1	10.6	-4.0	45.1	1.2	1.2	24.8	18.6	17.7	17.3	4.7	4.4	4.2	3.3
Automobiles and parts	130	7.2	-1.2	-66.9	49.8	0.2	0.1	68.3	44.5	N/A	12.2	7.2	6.3	6.0	2.2
<b>IT</b>															
Technology	2493	-0.4	-1.1	8.2	36.4	1.0	1.0	28.7	22.0	21.6	14.1	15.2	14.8	14.2	5.3
Software & Services	3312	1.5	7.6	8.3	17.5	0.8	0.8	35.1	32.0	30.3	19.4	10.0	9.7	9.2	5.7
Semiconductors	1996	4.7	12.8	10.5	26.8	1.2	1.2	25.6	21.1	20.2	14.8	7.6	6.9	6.4	3.5
Communication Services	257	2.5	16.0	0.1	24.1	0.9	0.8	26.7	23.9	22.7	18.3	4.1	4.2	4.0	3.0
Media	1016	3.0	18.8	5.0	36.7	0.2	0.2	34.2	27.9	26.2	21.4	5.2	5.3	5.0	3.4
<b>Consumer Staples</b>															
Food & Staples Retailing	587	-0.4	3.2	2.9	7.5	1.7	1.6	22.9	23.6	22.8	17.3	4.7	5.0	4.8	3.4
Food Beverage & Tobacco	783	0.0	7.7	1.4	8.3	3.5	3.2	18.6	19.6	19.1	18.0	5.1	5.5	5.5	5.0
Household Goods	836	-1.2	-1.4	11.2	6.8	2.3	2.3	24.3	24.6	23.9	20.4	9.5	10.6	10.5	6.0
<b>Health Care</b>															
Pharmaceuticals	1130	-1.4	5.6	9.9	14.5	2.2	2.2	15.6	14.5	14.3	14.8	5.2	5.5	5.2	4.1
Healthcare Equipment	1762	0.1	11.8	5.3	16.4	0.9	1.0	21.8	21.2	20.5	16.2	3.8	4.0	3.8	2.8
<b>Utilities</b>	330	-1.6	3.3	1.5	2.6	3.5	3.2	18.1	19.7	19.2	16.5	1.9	2.1	2.0	1.7

Blue box indicates a value more than +2standard deviation from average, light blue a value more than +1standard deviation from average. Orange box indicates a value less than -2standard deviation from average, light orange a value less than -1standard deviation from average

### 1-month revisions to 2021 & 12-month Forward EPS

Earnings Revisions indicate 1-month change in 2021 & 12-month Forward EPS

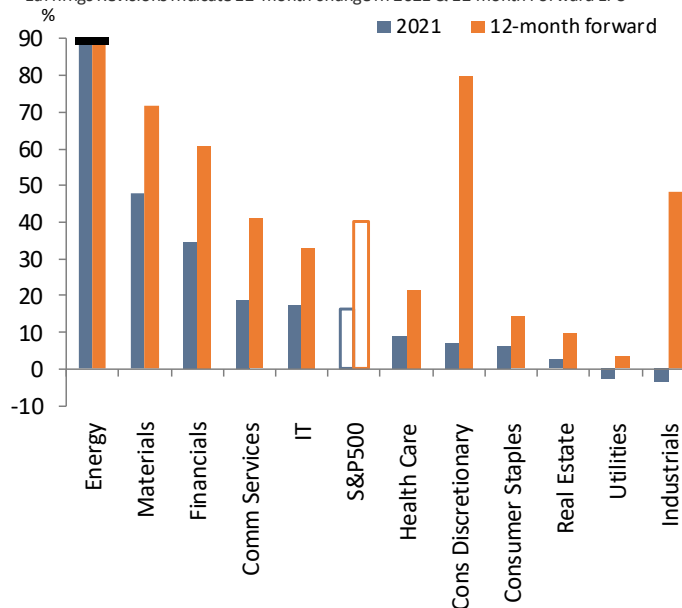


Data as of May 28<sup>th</sup>

12-month forward EPS are 59% of 2021 EPS and 41% of 2022 EPS

### 12-month revisions to 2021 & 12-month Forward EPS

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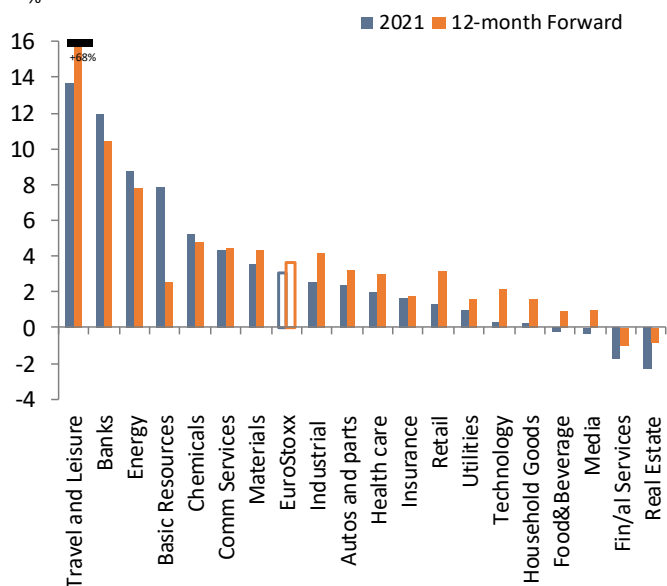
### Euro Area Sectors Valuation

	Price (€)			EPS Growth (%)		Dividend Yield (%)		P/E Ratio				P/BV Ratio			
	28/5/21	% Weekly Change	%YTD	2020	2021	2020	2021	2020	2021	12m fwd	10Yr Avg	2020	2021	Current	10Yr Avg
<b>EuroStoxx</b>	451	1.1	13.4	-35.3	49.2	2.2	2.5	25.8	19.2	18.2	14.0	1.8	1.9	1.9	1.4
<b>Energy</b>	271	-0.6	7.5	-79.4	285.2	4.1	4.7	55.5	14.5	13.7	12.8	1.4	1.3	1.3	1.1
<b>Materials</b>	521	0.7	20.9	-35.3	47.1	2.9	2.7	22.8	17.7	16.7	14.5	1.8	2.0	1.9	1.4
<b>Basic Resources</b>	235	0.4	13.1	N/A	N/A	2.2	2.3	N/A	7.9	9.3	12.0	1.1	1.0	1.0	0.7
<b>Chemicals</b>	1391	0.0	10.5	-7.7	33.5	2.5	2.4	24.8	21.0	20.6	16.1	2.4	2.7	2.6	2.3
<b>Financials</b>															
<b>Fin/Al Services</b>	529	0.4	7.7	-27.2	20.8	2.4	2.6	18.8	16.8	16.9	14.0	1.3	1.4	1.3	1.2
<b>Banks</b>	99	1.2	33.6	-47.6	55.6	2.1	4.4	14.8	11.2	10.5	9.6	0.6	0.6	0.6	0.6
<b>Insurance</b>	290	-0.5	10.9	-24.1	37.6	5.5	5.3	12.9	10.0	9.7	9.4	0.8	0.9	0.9	0.9
<b>Real Estate</b>	227	4.3	2.9	-14.5	0.0	3.2	3.1	18.4	20.4	19.5	17.1	0.9	1.0	1.0	1.0
<b>Industrial</b>	1095	2.3	11.9	-24.6	16.3	1.5	1.6	28.1	26.4	24.3	16.4	3.4	3.6	3.5	2.5
<b>Consumer Discretionary</b>															
<b>Media</b>	258	0.7	17.7	-23.2	13.7	2.3	2.3	21.7	21.1	20.2	16.1	2.7	2.7	2.6	1.9
<b>Retail</b>	790	1.7	19.0	-41.7	63.2	1.8	2.0	43.8	33.7	31.4	22.5	5.6	6.4	6.2	4.2
<b>Automobiles and parts</b>	623	2.9	23.7	-77.8	579.9	1.7	3.5	52.5	9.0	8.5	8.8	1.0	1.1	1.1	1.0
<b>Travel and Leisure</b>	215	2.4	0.7	N/A	N/A	0.3	0.5	N/A	N/A	N/A	N/A	2.7	3.3	3.1	2.1
<b>Technology</b>	832	3.1	16.0	-5.3	26.1	0.6	0.7	36.2	31.2	29.1	19.9	5.4	5.1	4.8	3.4
<b>Communication Services</b>	283	0.0	14.4	6.7	-17.8	4.6	3.6	12.1	16.7	15.9	14.1	1.4	1.5	1.5	1.7
<b>Consumer Staples</b>															
<b>Food&amp;Beverage</b>	561	-0.4	7.9	-39.9	26.5	1.5	1.6	28.6	26.1	24.6	19.2	2.4	2.7	2.7	2.6
<b>Household Goods</b>	1437	2.9	18.0	-31.4	49.9	1.0	1.0	51.6	41.0	38.9	23.7	6.5	7.0	6.7	3.8
<b>Health care</b>	874	-0.9	7.6	-8.9	7.9	1.9	2.0	20.4	20.3	19.5	16.1	2.4	2.5	2.4	2.2
<b>Utilities</b>	384	-1.6	0.9	-21.6	19.5	4.4	4.2	18.7	16.8	16.3	13.3	1.6	1.7	1.7	1.1

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### 1-month revisions to 2021 & 12-month Forward EPS

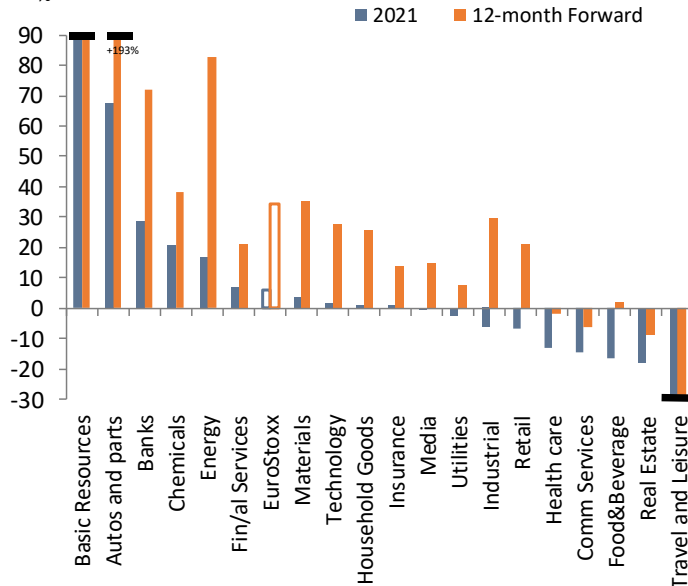
Earnings Revisions indicate 1-month change in 2021 & 12-month Forward EPS %



Data as of May 28<sup>th</sup>  
12-month forward EPS are 59% of 2021 EPS and 41% of 2022 EPS

### 12-month revisions to 2021 & 12-month Forward EPS

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