



## Rising interest rates set off alarms in the US equity market amid elevated P/E multiples

- Most US equity market benchmark indices are at (or near) all-time highs. The recent acceleration in the move to higher nominal Government bond yields, has brought questions regarding the risk to US equities from higher interest rates (see graph below).
- Since the US Elections (November 3<sup>rd</sup>), US 10-Year Treasury nominal yields have increased by 44 bps to 1.34% due to higher growth and inflation expectations amid supportive fiscal policy and positive medical developments. At the same time, the Federal Reserve's flexible average inflation targeting framework, reinforces the low-for-longer interest rate policy.
- Since the US Elections, breakeven inflation interest rates, albeit stalling lately, have increased by 42 bps to 2.16%, suggesting that market participants expect inflation to average circa 2.10-2.20% in the next ten years. Real interest rates, as obtained by Treasury Inflation-Protected Securities, which measure the returns which investors can expect once inflation is considered, have remained broadly flat, at -0.82% (+2 bps).
- This constructive setting came under question in the past week, as the S&P500 recorded five consecutive negative sessions. The abrupt move higher in market-implied real interest rates by 20 basis points, as, *inter alia*, market participants brought forward their expectations regarding the first interest rate increase by the Fed (2022) weighed, in light of elevated equity valuations (see graph below).
- Equities' response to higher real interest rates, depends significantly on the underlying driver of the increase, and particularly on the extent to which it is "growth-driven" as opposed to "monetary policy-driven." If growth expectations remain firm, the impact on US equities is likely to be positive, even if the market experiences temporary nervousness.
- On the other hand, positive shifts in real interest rates driven by expectations of more hawkish monetary policy by the Federal Reserve, as occurred within the 2013 "taper tantrum" by then-Chair Bernanke or Chair Powell's comments that interest rates were a "long way" from neutral in 2018, are negative for the S&P500.
- A Fed tapering of its large-scale asset purchases is not likely this year, though additional communication by Fed speakers in that direction, could shift investors' perception. In that context, attention will shift to Chair Powell's semi-annual testimony to the Congress (23 and 24 February). Realized inflation surprising to the upside in the course of 2021 (>2.5% on a sustained basis), could test the Fed's tolerance of low interest rates.
- For US equities, based on data retrieved from Professor Shiller's database since 1929, the strongest annualized monthly returns, tend to occur when inflation is below 1% but rises (+22% in real terms versus an unconditional average of +13%), which is often associated with a recovery from a recession and the diminishing risk of deflation. In contrast, when inflation is above 3% and rising, both US equities (-3%) and 10-year Government bonds (-5%) underperform, a "double-edge sword" for multi-asset portfolios (cont'd on page 2).

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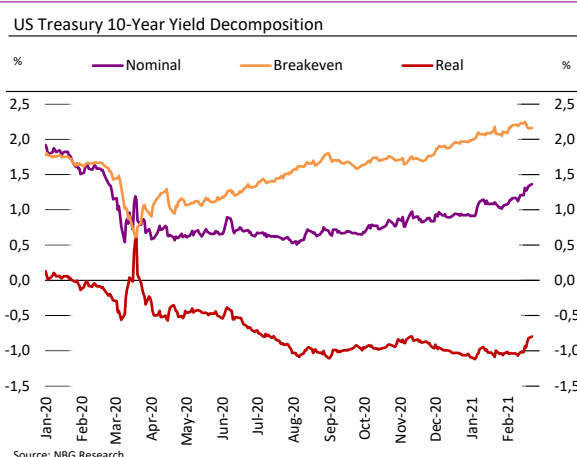
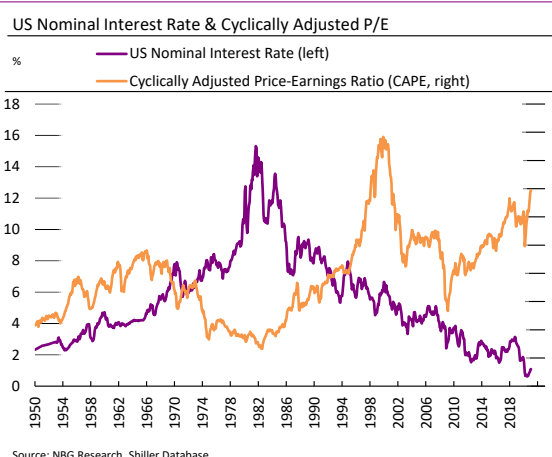
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Charts of the week



Moreover, in the current environment, rising bond yields from extremely low levels, could be positive for equities as long as they reflect higher economic growth feeding through to strong corporate earnings revision momentum (see Graph 2, page 3). If momentum falters, equity inflows (\$172 billion Year-to-Date or 2.5% of ETFs and Long-only mutual funds AUMs) could stall too.

- Regarding sectors, the biggest beneficiaries from rising US nominal 10-year Treasury yields, are Cyclical names such as Banks, Energy and Autos, which exhibit a strong positive correlation with rising interest rates. On the other hand, large-dividend payers such as Consumer Staples and Utilities, exhibit a sustained negative relationship with interest rates.

### US retail sales rose sharply in January, boosted by the latest fiscal stimulus package

- **Nominal retail sales surged in January, exceeding consensus estimates by a wide margin.** Specifically, in value terms, retail sales were up by 5.3% mom (consensus for +1.0% mom), from -1.0% mom in December. The latest extraordinary performance came on the back of the \$900 bn (4.2% of 2019 GDP) fiscal stimulus bill, which was approved in December and with the respective funds starting to be disbursed as of late in that month. Recall that the major elements in the aforementioned package included, *inter alia*: i) support for small businesses mainly via a second round of forgivable loans (Paycheck Protection Program), with the respective appropriated funds at \$284 bn; ii) direct payments of \$600 per person (total appropriated funds: \$166 bn) and; iii) supplementary unemployment benefits of \$300 per week (combined with expanded eligibility and duration of coverage, the cost is estimated at \$120 bn). Regarding the annual pace of growth for retail sales, it improved sharply in January, to +7.3% from +2.5% yoy in the previous month.
- Recall that, contrary to the respective trend for retail sales, which mainly include sales of goods, the annual growth of overall personal consumption was still in negative territory in December (-2.0% yoy in nominal terms), as it also includes expenditures for services (c. ⅓ of overall private consumption) which are relatively more heavily weighed down by the pandemic, especially expenditures on transportation, recreation, accommodation, education and personal care. In the event, the annual growth of personal spending in services, in nominal terms, stood at -5.4% in December, with consensus estimates for an increase of +2.4% mom for overall personal spending in January (data due on February 26<sup>th</sup>).

### Euro area PMIs posted mixed changes, with manufacturing and services diverging further

- **Overall business activity in the euro area decreased further in February, according to PMIs.** Specifically, the composite index was little changed, at 48.1 (47.8 in January), largely in line with consensus estimates and remaining below the expansion/contraction threshold of 50 for a 4<sup>th</sup> consecutive month. The services PMI continued to underperform (-0.7 pts to 44.7, below consensus for 45.8), as the social distancing measures to stem the spread of Covid-19, weigh sharply (and disproportionately) on the sector, in which a big part of activities (e.g. food services, leisure & hospitality) involve face-to-face interaction of people, while travel (tourism, business conferences) is also restricted.

- In a contrarian note, the manufacturing PMI remained robust (+2.9 to 57.7), well above consensus expectations for 54.3. On a positive note, the ongoing vaccine rollout has led to a substantial improvement in respondents' expectations for their output one year ahead across sectors, with the respective indicator standing at its highest since March 2018 at the composite level. Meanwhile, consumer confidence was modestly up in February, by 0.7 pts to -14.8 (consensus: -15.0), albeit remaining below an average of -11.5 since 2001.

- **Regarding PMI performance by country, Germany overperformed France and the rest of the euro area (where the composite PMI, on a country weighted basis, was below the expansion/contraction threshold of 50 for a 7<sup>th</sup> consecutive month).** Specifically, in France the composite PMI was 45.2 in February, from 47.7 in the previous month, below expectations for 47.5. The decline was solely on account of the services PMI (-3.7 pts to 43.6), whereas its manufacturing counterpart rose considerably (+3.4 pts to 55.0).

- **German PMIs recorded relatively modest changes.** Specifically, the services PMI fell by 0.8 pts to 45.9. At the same time, its manufacturing counterpart increased substantially, by 3.5 pts to 60.6, a 3-year high. Regarding the latter, the improvement was export driven, in view of robust demand from regions which represent major export destinations for German manufactured goods (eastern Asia and especially China, as well as the US). In the event, according to Markit, the new export orders component stood at its highest in over three years in February. Overall, the composite PMI was up by 0.5 pts to 51.3, modestly above consensus estimates for 50.5. In addition, the IFO business climate index rose by 2.1 pts in February, to 92.4 (average of 97.0 since 2005), above consensus estimates for a broadly unchanged reading. The expectations component (expectations for business conditions in the next six months) led the improvement (+2.7 pts to 94.2), while the component regarding the assessment of current conditions also increased, by 1.4 pts to 90.6. Sector-wise, solid confidence in manufacturing, contrasted with still subdued readings in the services, construction and trade sectors, albeit improvement was recorded in all the aforementioned sectors.

### UK PMIs improved considerably in February, pointing to a stabilization of overall business activity, albeit at subdued levels

- **PMIs in February surprised positively, posting an increase across sectors.** Specifically, the PMI in the dominant services sector (80% of UK GDP) came out at 49.7, exceeding by a wide margin consensus estimates for 41. The latest outcome suggests a stabilization of activity, albeit at subdued levels following a sharp contraction in the previous month (39.5). At the same time, the manufacturing PMI rose by 0.8 pts to 54.9 in February, well above the expansion/contraction threshold of 50 and overshooting expectations for 53.2. Notably, the latest improvement came despite supply chain disruptions related, *inter alia*, to Brexit. In the event, as IHS Markit/CIPS noted, exports of manufactured goods suffered (the respective index was below 50 for a 2<sup>nd</sup> consecutive month), with panelists citing difficulties fulfilling orders to European Union clients, in view of higher costs and transportation delays. Overall, the composite PMI came out at 49.8 in February, from 41.2 in January.

## Equities

- Global equity markets took a breather in the past week, due to profit taking following the extended gains during the previous months, as well as concerns about rising bond yields that set the discount rate on future nominal earnings higher.** Overall, the MSCI ACWI ended the week down by 0.4%, ending an 11-session positive streak. The S&P500 fell by 0.7% wov (-0.8% on Monday), with investors taking some of their profits as the index has risen by 75% since its March lows. Sector-wise, Automobiles led the decline (-3.5% wov), as Tesla stock fell by 4.3% wov, following the company's overperformance (+981%) since its 2020 low. The IT sector declined by 1.9%, as Apple ended the week down by -4.1%, following Warren Buffett's Berkshire Hathaway announcement that it reduced its position in the company. On the contrary, Banks (+5.5%) overperformed as higher long-term interest rates boost future earnings expectations. At the same time, positive corporate earnings surprises continue. Specifically, out of the 423 S&P 500 companies that have reported Q4:2020 results, the 80% of them exceeded consensus EPS estimates, with consensus analyst expectations for EPS growth in Q4:2020 standing at +3% yoy versus -9% yoy at the start of the season and -5.7% yoy in the previous quarter. On the other side of the Atlantic, the EuroStoxx ended the week up by 0.2% (-0.5% on Monday), following the large increase on Friday (+0.9%), due to better-than-expected manufacturing PMI data and strong quarterly earnings, with consensus analyst expectations for EPS growth in Q4:2020 standing at +6.5% yoy versus +3.4% yoy in the previous week.

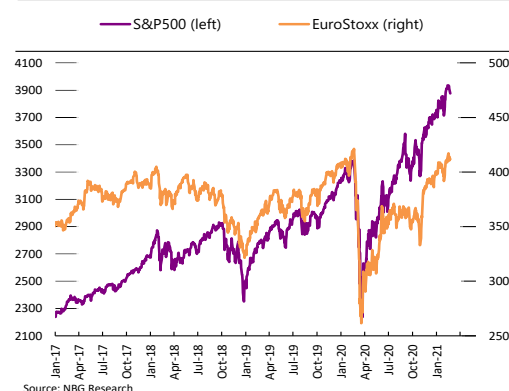
## Fixed Income

- Government bond yields increased sharply in major advanced economies in the past week.** Specifically, the US Treasury 10-year yield ended the week up by 15 bps wov to 1.34%, a 12-month high. A modest market-implied repricing of Fed's interest rate path contributed to the upside of longer maturities bonds' yields, with the 30-year bond yield rising by 13 bps to 2.12%. On the contrary, the 2-year yield remained broadly stable at 0.14%, which led to the further steepening of the yield curve, with the spread between US Treasury 10-year and 2-year yield, widening to 120 bps, its highest level since March 2017 (see Graph 3). Similarly, in the UK, the 10-year yield rose by 17 bps wov to 0.76%, recording its largest weekly increase since the week ending June 5<sup>th</sup>. In Germany, the 10-year yield increased by 11 bps to -0.31%, posting an 8-month high, as PMI manufacturing data reached a 36-month high. Periphery bond yields spreads over the Bund in the 10-year tenor, increased across the board (Italy: +2 bps to 95 bps, Spain: +8 bps to 66 bps, Portugal: +3 bps to 58 bps, Greece: +2 bps to 119 bps). **Corporate bond spreads narrowed further.** Indeed, EUR HY bond spreads decreased by 8 bps to 312 bps and their US counterparts narrowed by 7 bps to 341 bps. In the investment grade spectrum, EUR spreads fell by 2 bps to 86 bps and USD spreads declined by 3 bps to 94 bps.

## FX and Commodities

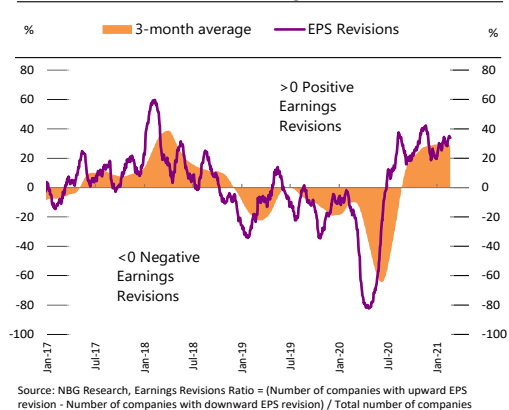
- The British pound appreciated in the past week, due to better-than-expected economic data (PMIs, CPI) and the fast inoculation pace that have resulted in over 25% of the country's population having received at least one dose of a vaccine, the highest between the G10 economies.** Investors discount that the imposed restrictive measures in the country will be lifted sooner-than-expected, supporting economic activity. Overall, the British Pound rose by 1.2% wov against the US dollar surpassing the \$1.40 threshold for the first time since April 2018 (\$1.401) and by 1.1% against the euro to €/0.865, its highest level since February 2020. Finally, in commodities, **oil prices ended the week mixed.** The larger-than-expected decline in US oil inventories and the significant disruptions in oil production in the US due to freezing temperatures were offset by expectations that OPEC+ members will decide a reduction in their oil cuts in their next meeting in early-March. Overall, Brent crude ended the week up by 0.8% to \$62.9/barrel (+21% ytd), and the WTI declined by 0.4% to \$59.2/barrel (+22% ytd).

S&P 500 vs. Euro Stoxx



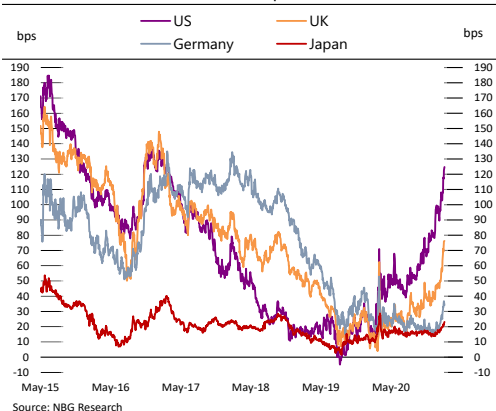
Graph 1.

S&P500 12-month forward Earnings Revisions Ratio



Graph 2.

Government Bond Yields Term Spread: 10/2s



Graph 3.

**Quote of the week:** "The ECB will continue to support all sectors of the economy by preserving favorable financing over the pandemic period, as it has done since the start of the crisis.", **ECB President, Christine Lagarde, February 22<sup>nd</sup> 2021**

### Interest Rates & Foreign Exchange Forecasts

10-Yr Gov. Bond Yield (%)	February 19th	3-month	6-month	12-month	Official Rate (%)	February 19th	3-month	6-month	12-month
<b>Germany</b>	-0,31	-0,50	-0,40	-0,30	<b>Euro area</b>	0,00	0,00	0,00	0,00
<b>US</b>	1,34	1,20	1,30	1,40	<b>US</b>	0,25	0,25	0,25	0,25
<b>UK</b>	0,76	0,37	0,41	0,54	<b>UK</b>	0,10	0,10	0,08	0,06
<b>Japan</b>	0,10	0,01	0,05	0,09	<b>Japan</b>	-0,10	-0,10	-0,10	-0,10

Currency	February 19th	3-month	6-month	12-month	February 19th	3-month	6-month	12-month	
<b>EUR/USD</b>	1,21	1,17	1,18	1,20	<b>USD/JPY</b>	106	105	104	101
<b>EUR/GBP</b>	0,87	0,89	0,90	0,90	<b>GBP/USD</b>	1,40	1,31	1,32	1,34
<b>EUR/JPY</b>	128	123	122	121					

Forecasts at end of period

### Economic Forecasts

United States	2019a	Q1:20a	Q2:20a	Q3:20a	Q4:20a	2020a	Q1:21f	Q2:21f	Q3:21f	Q4:21f	2021f
<b>Real GDP Growth (YoY) (1)</b>	2,2	0,3	-9,0	-2,8	-2,5	-3,6	0,3	12,4	6,2	6,1	6,0
<b>Real GDP Growth (QoQ saar) (2)</b>	-	-5,0	-31,4	33,4	4,0	-	6,4	8,1	6,4	3,5	-
<b>Private Consumption</b>	2,4	-6,9	-33,2	41,0	2,5	-3,9	7,7	12,8	9,9	4,7	8,1
<b>Government Consumption</b>	2,3	1,3	2,5	-4,8	-1,2	1,1	0,5	1,3	1,5	1,7	0,0
<b>Investment</b>	1,9	-1,4	-29,2	31,3	18,4	-1,8	6,8	6,5	4,2	3,2	8,2
<b>Residential</b>	-1,7	19,0	-35,6	63,0	33,5	5,9	14,2	6,3	2,4	0,8	14,3
<b>Non-residential</b>	2,9	-6,7	-27,2	22,9	13,8	-4,0	7,8	6,5	4,7	3,9	7,1
<b>Inventories Contribution</b>	0,0	-1,6	-4,3	6,7	1,0	-0,7	0,6	-1,6	-1,2	-0,6	0,3
<b>Net Exports Contribution</b>	-0,2	1,5	0,3	-5,5	-2,2	0,0	-0,7	-0,4	-0,3	-0,1	-1,3
<b>Exports</b>	-0,1	-9,5	-64,4	59,6	22,0	-13,0	7,9	8,2	8,5	7,0	7,8
<b>Imports</b>	1,1	-15,0	-54,1	93,1	29,5	-9,3	9,6	7,5	7,3	5,3	13,5
<b>Inflation (3)</b>	1,8	2,1	0,3	1,2	1,3	1,2	1,7	2,9	2,7	2,7	2,5

Euro Area	2019a	Q1:20a	Q2:20a	Q3:20a	Q4:20f	2020f	Q1:21f	Q2:21f	Q3:21f	Q4:21f	2021f
<b>Real GDP Growth (YoY)</b>	1,3	-3,2	-14,7	-4,3	-5,0	-6,8	-1,9	12,8	3,0	5,2	4,5
<b>Real GDP Growth (QoQ saar)</b>	-	-14,1	-39,2	59,9	-2,4	-	-2,0	6,2	10,9	6,0	-
<b>Private Consumption</b>	1,3	-16,7	-41,2	68,5	-4,6	-7,6	-2,4	7,3	12,3	6,2	4,8
<b>Government Consumption</b>	1,8	-2,4	-8,6	20,8	-1,1	0,7	0,3	1,8	1,8	1,8	2,4
<b>Investment</b>	5,0	-21,1	-50,0	66,8	-4,2	-8,9	0,2	11,2	13,5	8,0	5,3
<b>Inventories Contribution</b>	-0,3	2,4	-0,9	-5,0	0,1	-0,4	0,0	0,9	1,3	0,6	-0,3
<b>Net Exports Contribution</b>	-0,5	-2,0	-3,6	9,7	0,9	-0,5	-0,9	-1,3	-0,2	0,0	0,5
<b>Exports</b>	2,5	-14,3	-56,8	85,9	3,6	-10,4	0,4	5,8	11,3	8,0	6,0
<b>Imports</b>	4,0	-11,3	-55,2	58,6	1,7	-10,0	2,6	9,4	12,7	8,8	5,3
<b>Inflation</b>	1,2	1,1	0,2	0,0	-0,3	0,3	1,2	1,9	2,2	2,2	1,9

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>● Neutral/Positive</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>● Neutral</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>● Neutral</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>● Neutral/Negative</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>▲ Slightly higher yields expected</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>▲ Slightly higher yields expected</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>● Stable yields expected</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>▲ Slightly higher yields expected</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>● Broadly Flat EUR against the USD with high volatility around \$1.20</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>● Broadly Flat EUR against the USD with high volatility around \$1.20</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>▲ Slightly higher JPY</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>▲ Higher GBP expected</p>

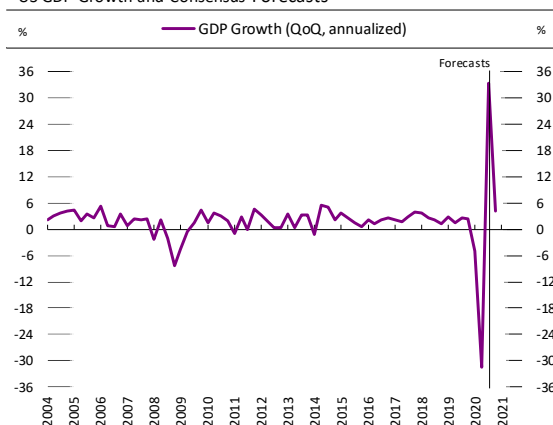
## Economic Calendar

In the US, the main macro event next week is the second estimate of GDP for Q4:20, which is released on Thursday. GDP growth is expected to be unchanged compared with the previous estimate at +4% qoq saar. On Friday, January's personal income and consumption and PCE data (the Fed's preferred measure for gauging inflation developments) for January will gather investors' attention. On Monday, the ISM Manufacturing survey (latest: 58.7 | consensus of 57.0) will provide an update on business confidence.

In Japan, high frequency activity indicators for January (industrial production, retail sales) will be closely monitored to assess the economic momentum.

In China, February's PMI manufacturing is released on Monday. Official Manufacturing PMI is expected at 51.5 from 51.3 in January.

US GDP Growth and Consensus Forecasts



Source: NBG Research

### Economic News Calendar for the period: February 16 - March 1, 2021

Tuesday 16				Wednesday 17				Thursday 18									
US		S	A	P	US		S	A	P	US		S	A	P			
Empire Manufacturing	February	8.0	+	12.1	3.5	FOMC Minutes	January 27				Initial Jobless Claims (k)	February 13	772	-	861	848	
Net Long-term TIC Flows (\$ bn)	December	..		121.0	149.2	Retail Sales Advance MoM	January	1.0%	+	5.3%	-1.0%	Continuing Claims (k)	February 6	4457	-	4494	4558
<b>EURO AREA</b>						Retail sales ex-autos (MoM)	January	1.0%	+	5.9%	-1.8%	Building permits (k)	January	1672	+	1881	1704
GDP (QoQ)	Q4:20	-0.7%	+	-0.6%	-0.7%	Industrial Production (MoM)	January	0.5%	+	0.9%	1.3%	Housing starts (k)	January	1658	-	1580	1680
GDP (YoY)	Q4:20	-5.1%	+	-5.0%	-5.1%	NAHB housing market confidence index	February	82.5	+	84.0	83.0	Philadelphia Fed Business Outlook	February	20.0	+	23.1	26.5
<b>GERMANY</b>						<b>UK</b>					<b>EURO AREA</b>						
ZEW survey current situation	February	-66.8	-	-67.2	-66.4	CPI (YoY)	January	0.5%	+	0.7	0.6%	Consumer Confidence Indicator	February	-15.0	+	-14.8	-15.5
ZEW survey expectations	February	60.0	+	71.2	61.8	Core CPI (YoY)	January	1.3%	+	1.4%	1.4%						
						<b>JAPAN</b>											
						Exports YoY	January	6.6%	-	6.4%	2.0%						
						Imports YoY	January	-8.4%	-	-9.5%	-11.6%						
<b>Friday 19</b>				<b>Monday 22</b>													
<b>US</b>					<b>GERMANY</b>												
Existing home sales (mn)	January	6.61	+	6.69	6.65	IFO- Business Climate Indicator	February	90.5	+	92.4	90.3						
<b>UK</b>						IFO-Expectations	February	91.4	+	94.2	91.5						
Markit UK PMI Manufacturing	February	53.2	+	54.9	54.1	IFO- Current Assessment	February	89.1	+	90.6	89.2						
Markit/CIPS UK Services PMI	February	41.0	+	49.7	39.5												
Retail sales Ex Auto MoM	January	-3.0%	-	-8.8%	0.4%												
<b>JAPAN</b>																	
PMI manufacturing	February	..		50.6	49.8												
CPI (YoY)	January	-0.6%	-	-0.6%	-1.2%												
Core CPI (YoY) - ex. Fresh Food	January	-0.6%	-	-0.6%	-1.0%												
Core CPI (YoY) - ex. Fresh Food and Energy	January	..		0.1%	-0.4%												
<b>EURO AREA</b>																	
Markit Eurozone Manufacturing PMI	February	54.3	+	57.7	54.8												
Markit Eurozone Services PMI	February	45.8	-	44.7	45.4												
Markit Eurozone Composite PMI	February	48.0	+	48.1	47.8												
<b>Tuesday 23</b>				<b>Wednesday 24</b>				<b>Thursday 25</b>									
<b>US</b>					<b>US</b>					<b>US</b>							
S&P Case/Shiller house price index 20 (YoY)	December	..		..	9.1%	New home sales (k)	January	855	..	842	GDP (QoQ, annualized)	Q4:20	4.0%	..	4.0%		
Conference board consumer confidence	February	90.0	..	..	89.3	<b>GERMANY</b>					Durable goods orders (MoM)	January	1.0%	..	0.5%		
<b>UK</b>						GDP (QoQ)	Q4:20	0.1%	..	0.1%	Durable goods orders ex transportation (MoM)	January	0.7%	..	1.1%		
ILO Unemployment Rate	December	5.1%	..	..	5.0%	GDP (wda, YoY)	Q4:20	-3.9%	..	-3.9%	Initial Jobless Claims (k)	February 20	..	..	861		
						Private Consumption (QoQ)	Q4:20	-1.5%	..	10.8%	Continuing Claims (k)	February 13	..	..	4494		
						Government Spending QoQ	Q4:20	0.3%	..	0.8%	Pending home sales (MoM)	January	-1.0%	..	-0.3%		
											<b>EURO AREA</b>						
											Business Climate Indicator	February	-0.2	..	-0.3		
											Economic confidence indicator	February	91.6	..	91.5		
											M3 money supply (YoY)	January	12.4%	..	12.3%		
<b>Friday 26</b>				<b>Monday 1</b>													
<b>US</b>					<b>US</b>												
PCE Deflator (YoY)	January	1.4%	..	..	1.3%	ISM Manufacturing	February	57.0	..	58.7							
PCE Core Deflator (YoY)	January	1.4%	..	..	1.5%	Construction spending (MoM)	January	0.6%	..	1.0%							
Personal income (MoM)	January	9.9%	..	..	0.6%	<b>CHINA</b>											
Personal spending (MoM)	January	2.4%	..	..	-0.2%	Manufacturing PMI	February	51.5	..	51.3							
<b>UK</b>						Caixin PMI Manufacturing	February	..	..	51.5							
Nationwide House Px NSA YoY	February	..	..	..	6.4%												
<b>JAPAN</b>																	
Industrial Production (MoM)	January	2.4%	..	..	-1.0%												
Industrial Production (YoY)	January	..	..	..	-2.6%												
Construction Orders YoY	January	..	..	..	-1.3%												
Retail sales (MoM)	January	..	..	..	-0.8%												
Retail sales (YoY)	January	-2.6%	..	..	-0.2%												

Source: NBG Research  
S: Consensus Analysts Survey, A: Actual Outcome, P: Previous Outcome



**Equity Markets** (in local currency)

Developed Markets						Emerging Markets					
		Current Level	1-week change (%)	Year-to-Date change (%)	1-Year change (%)	2-year change (%)		Current Level	1-week change (%)	Year-to-Date change (%)	1-Year change (%)
US	<b>S&amp;P 500</b>	3907	-0.7	4.0	15.8	40.3	<b>MSCI Emerging Markets</b>	79627	0.1	11.1	29.3
Japan	<b>NIKKEI 225</b>	30018	1.7	9.4	27.8	40.1	<b>MSCI Asia</b>	1270	0.2	12.9	38.2
UK	<b>FTSE 100</b>	6624	0.5	2.5	-10.9	-8.4	<b>China</b>	127	-0.4	17.5	45.2
Canada	<b>S&amp;P/TSX</b>	18384	-0.4	5.5	2.5	14.7	<b>Korea</b>	993	0.2	7.2	40.7
Hong Kong	<b>Hang Seng</b>	30645	1.6	12.5	11.0	7.5	<b>MSCI Latin America</b>	100723	-0.1	0.8	1.0
Euro area	<b>EuroStoxx</b>	414	0.2	4.1	-0.8	15.1	<b>Brazil</b>	372218	-0.8	-0.4	2.8
Germany	<b>DAX 30</b>	13993	-0.4	2.0	2.4	22.7	<b>Mexico</b>	41317	1.5	1.6	-0.2
France	<b>CAC 40</b>	5774	1.2	4.0	-4.8	11.1	<b>MSCI Europe</b>	6164	0.7	2.7	-2.8
Italy	<b>FTSE/MIB</b>	23136	-1.2	4.1	-7.8	13.9	<b>Russia</b>	1375	0.4	4.1	0.8
Spain	<b>IBEX-35</b>	8152	1.2	1.0	-17.9	-11.2	<b>Turkey</b>	1660596	-0.5	-1.8	11.0

**World Market Sectors** (MSCI Indices)

in US Dollar terms						in local currency					
		Current Level	1-week change (%)	Year-to-Date change (%)	1-Year change (%)	2-year change (%)		Current Level	1-week change (%)	Year-to-Date change (%)	1-Year change (%)
<b>Energy</b>		148.0	3.1	14.6	-17.4	-29.0	<b>Energy</b>	147.7	2.8	14.2	-20.7
<b>Materials</b>		333.6	1.3	4.6	27.1	31.2	<b>Materials</b>	306.3	1.0	4.5	19.3
<b>Industrials</b>		314.2	0.2	3.3	12.9	25.0	<b>Industrials</b>	302.1	0.2	3.7	8.2
<b>Consumer Discretionary</b>		395.0	-0.4	4.8	37.2	61.0	<b>Consumer Discretionary</b>	374.2	-0.4	5.1	33.1
<b>Consumer Staples</b>		255.1	-1.1	-3.6	0.7	13.4	<b>Consumer Staples</b>	248.0	-1.3	-3.6	-3.6
<b>Healthcare</b>		315.9	-2.2	1.1	10.9	27.8	<b>Healthcare</b>	305.7	-2.2	1.3	7.6
<b>Financials</b>		129.7	2.3	8.6	2.9	14.0	<b>Financials</b>	126.5	2.1	8.6	-1.4
<b>IT</b>		468.0	-1.7	5.5	37.6	94.7	<b>IT</b>	449.7	-1.7	5.7	35.9
<b>Telecoms</b>		100.8	-0.4	7.1	24.9	49.6	<b>Telecoms</b>	104.2	-0.4	7.3	22.8
<b>Utilities</b>		148.8	-1.9	-3.0	-8.3	10.9	<b>Utilities</b>	148.7	-2.0	-2.8	-11.9

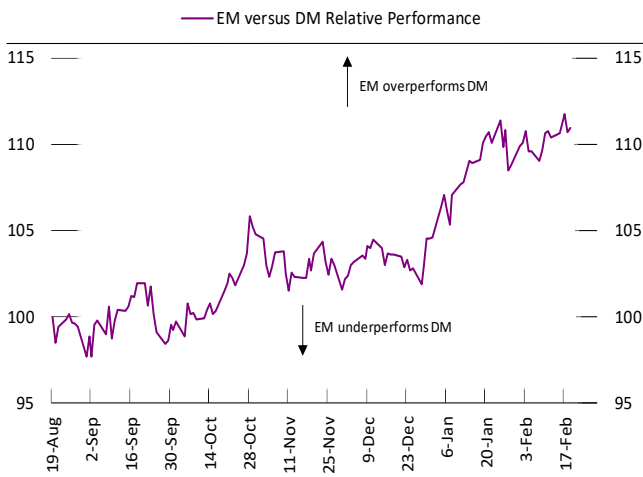
**Bond Markets (%)**

10-Year Government Bond Yields						Government Bond Yield Spreads (in bps)				
	Current	Last week	Year Start	One Year Back	10-year average		Current	Last week	Year Start	One Year Back
US	1.34	1.19	0.91	1.54	2.14	<b>US Treasuries 10Y/2Y</b>	120	106	77	13
Germany	-0.31	-0.42	-0.56	-0.43	0.74	<b>US Treasuries 10Y/5Y</b>	61	55	41	13
Japan	0.10	0.06	0.02	-0.04	0.34	<b>Bunds 10Y/2Y</b>	37	29	16	22
UK	0.76	0.59	0.23	0.60	1.62	<b>Bunds 10Y/5Y</b>	31	27	18	20
Greece	0.88	0.75	0.62	0.97	9.06					
Ireland	-0.01	-0.15	-0.29	-0.11	2.76	<b>Corporate Bond Spreads (in bps)</b>	Current	Last week	Year Start	One Year Back
Italy	0.64	0.51	0.45	0.96	2.83	<b>EM Inv. Grade (IG)</b>	144	148	163	151
Spain	0.35	0.16	0.04	0.24	2.51	<b>EM High yield</b>	501	518	524	466
Portugal	0.27	0.13	0.05	0.19	4.15	<b>US IG</b>	94	97	103	104
						<b>US High yield</b>	341	348	386	362
<b>US Mortgage Market (1. Fixed-rate Mortgage)</b>	Current	Last week	Year Start	One Year Back	10-year average	<b>Euro area IG</b>	86	88	93	89
<b>30-Year FRM<sup>1</sup> (%)</b>	2.7	2.7	2.8	3.5	4.0	<b>Euro area High Yield</b>	312	320	355	300
<b>vs 30Yr Treasury (bps)</b>	54	67	112	153	122					

**Foreign Exchange & Commodities**

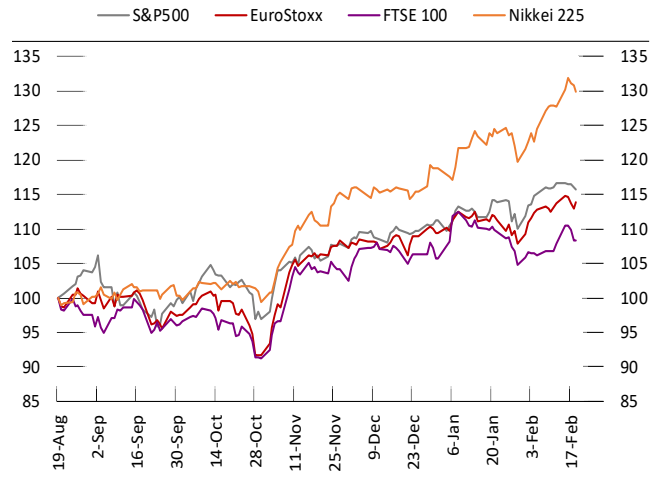
Foreign Exchange						Commodities				
	Current	1-week change (%)	1-month change (%)	1-Year change (%)	Year-to-Date change (%)		Current	1-week change (%)	1-month change (%)	1-Year change (%)
<b>Euro-based cross rates</b>						<b>Agricultural</b>	395	2.0	2.1	32.2
EUR/USD	1.21	0.1	0.2	12.3	-0.9	<b>Energy</b>	201	1.1	12.6	9.1
EUR/CHF	1.09	0.5	0.7	2.3	0.4	<b>West Texas Oil (\$)</b>	59	-0.4	11.3	10.2
EUR/GBP	0.87	-1.1	-2.5	3.2	-3.3	<b>Crude Brent Oil (\$)</b>	63	0.8	12.2	6.1
EUR/JPY	128.10	0.7	2.2	5.8	1.4	<b>Industrial Metals</b>	426	4.5	8.8	40.5
EUR/NOK	10.24	-0.2	-0.5	1.9	-2.2	<b>Precious Metals</b>	2371	-2.3	-3.8	13.2
EUR/SEK	10.03	-0.4	-0.7	-5.4	-0.2	<b>Gold (\$)</b>	1784	-2.2	-4.7	10.1
EUR/AUD	1.54	-1.3	-1.3	-5.4	-2.7	<b>Silver (\$)</b>	27	-0.3	5.6	48.3
EUR/CAD	1.53	-0.7	0.0	7.0	-1.9	<b>Baltic Dry Index</b>	1698	26.8	-7.1	253.8
<b>USD-based cross rates</b>						<b>Baltic Dirty Tanker Index</b>	639	18.6	28.3	-26.6
USD/CAD	1.26	-0.8	-0.2	-4.7	-1.0					
USD/AUD	1.27	-1.4	-1.5	-15.7	-1.9					
USD/JPY	105.63	0.6	2.0	-5.8	2.3					

EM vs DM Performance in \$



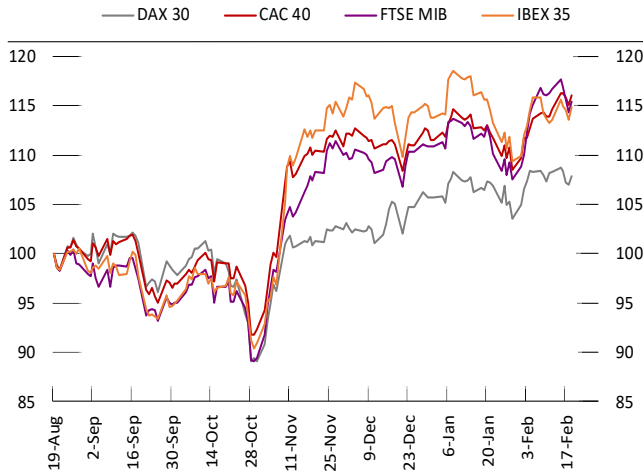
Data as of February 19<sup>th</sup> – Rebased @ 100

Equity Market Performance - G4



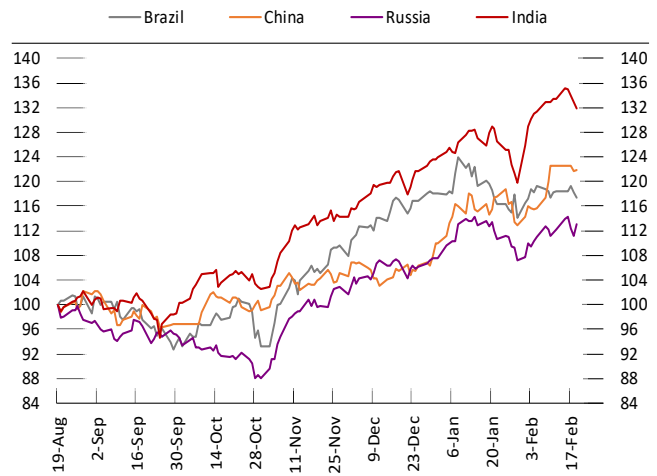
Data as of February 19<sup>th</sup> – Rebased @ 100

Equity Market Performance – Euro Area G4



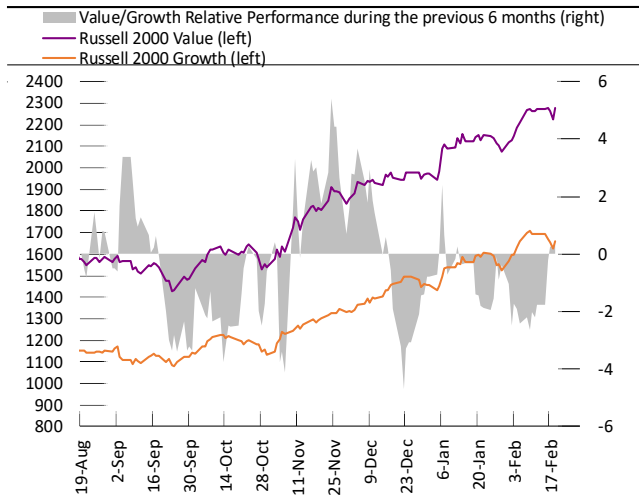
Data as of February 19<sup>th</sup> – Rebased @ 100

Equity Market Performance - BRICs



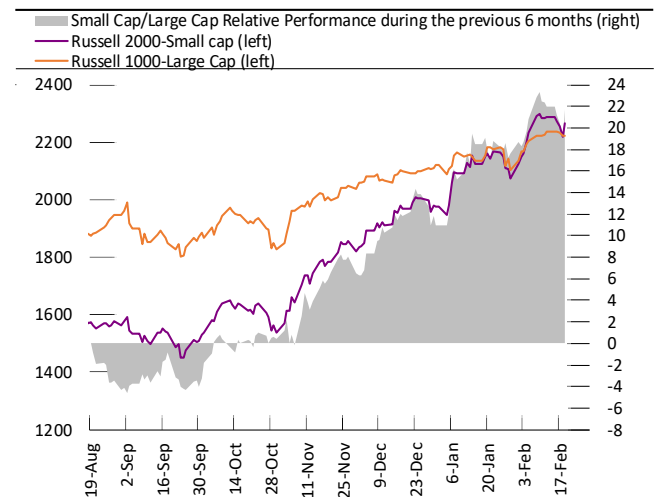
Data as of February 19<sup>th</sup> – Rebased @ 100

Russell 2000 Value & Growth Index



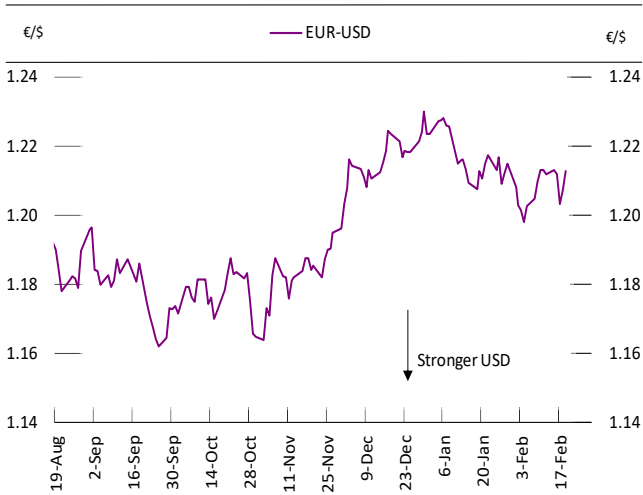
Data as of February 19<sup>th</sup>

Russell 2000 & Russell 1000 Index



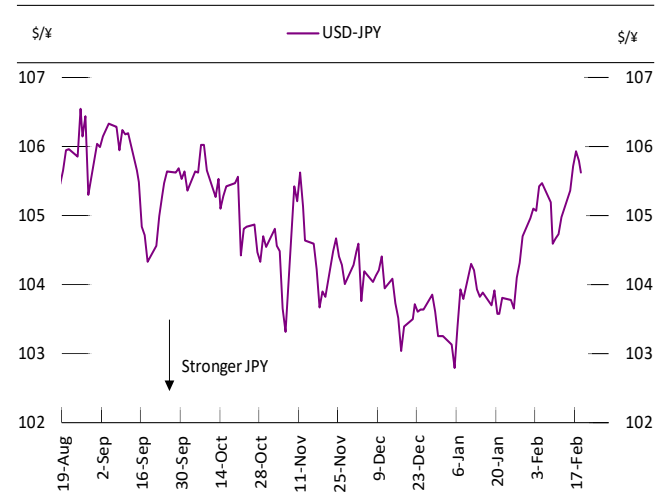
Data as of February 19<sup>th</sup>

EUR/USD



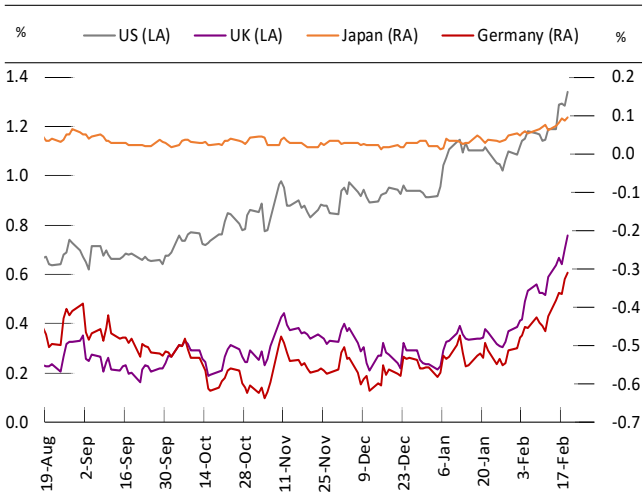
Data as of February 19<sup>th</sup>

JPY/USD



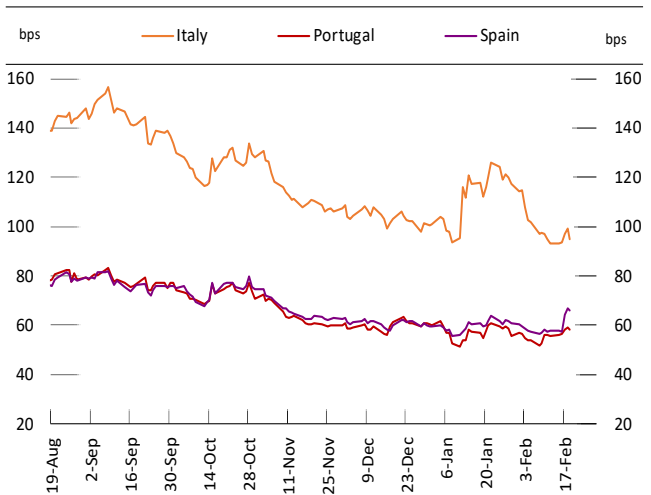
Data as of February 19<sup>th</sup>

10- Year Government Bond Yields



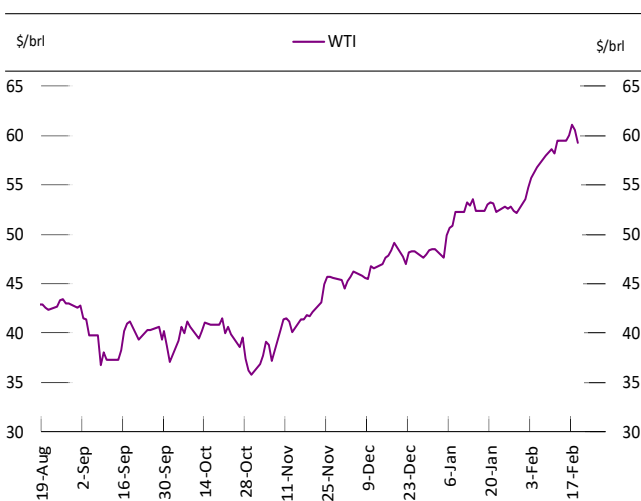
Data as of February 19<sup>th</sup>  
LA:Left Axis RA:Right Axis

10- Year Government Bond Spreads



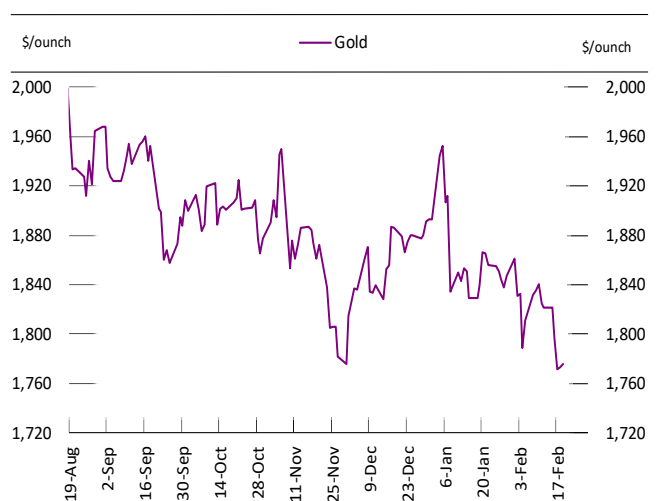
Data as of February 19<sup>th</sup>

West Texas Intermediate (\$/bbl)



Data as of February 19<sup>th</sup>

Gold (\$/ounce)



Data as of February 19<sup>th</sup>



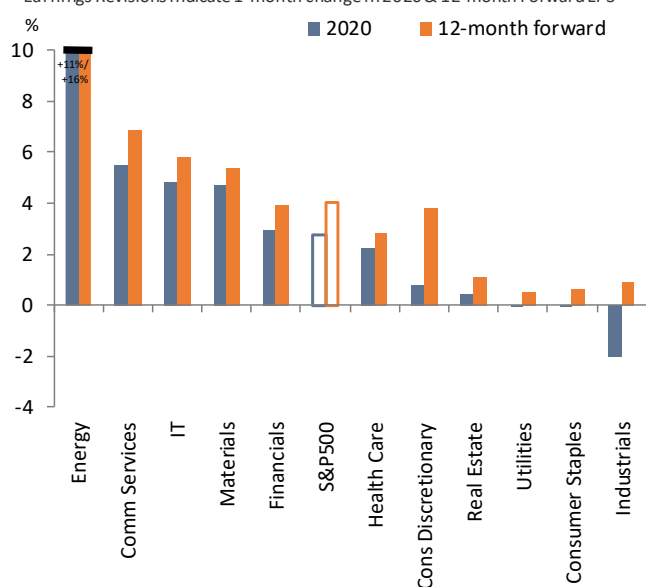
### US Sectors Valuation

	Price (\$)			EPS Growth (%)		Dividend Yield (%)		P/E Ratio				P/BV Ratio			
	19/2/21	% Weekly Change	%YTD	2020	2021	2020	2021	2020	2021	12m fwd	10Yr Avg	2020	2021	12m fwd	10Yr Avg
<b>S&amp;P500</b>	3907	-0.7	4.0	-13.7	24.2	1.4	1.5	28.2	22.7	22.3	16.0	4.3	4.1	4.0	2.7
<b>Energy</b>	345	3.1	20.6	N/A	N/A	5.0	4.7	N/A	29.5	27.9	20.6	1.6	1.6	1.6	1.7
<b>Materials</b>	471	0.9	3.4	-6.3	32.2	1.8	2.0	27.1	20.5	20.2	15.4	3.2	2.9	2.9	2.5
<b>Financials</b>															
Diversified Financials	867	1.1	6.4	-6.5	17.9	1.3	1.4	20.2	17.1	16.9	14.2	2.0	1.8	1.8	1.5
Banks	368	5.5	16.3	-32.6	29.9	2.6	2.4	18.1	13.9	13.7	11.0	1.3	1.2	1.2	1.0
Insurance	444	1.3	4.0	-9.4	19.8	2.3	2.6	14.7	12.2	12.1	11.0	1.4	1.3	1.3	1.1
Real Estate	237	-0.8	4.0	-5.5	3.3	2.9	3.0	22.0	21.3	21.0	18.3	3.4	3.6	3.6	3.1
<b>Industrials</b>															
Capital Goods	786	1.1	3.4	-30.5	46.4	1.6	1.7	33.1	22.6	22.1	16.2	5.0	4.9	4.8	3.6
Transportation	953	0.1	2.4	N/A	N/A	1.4	1.4	N/A	38.5	N/A	10.1	7.1	7.1	7.0	3.6
Commercial Services	407	-0.5	-3.4	2.8	10.1	1.2	1.3	31.7	28.8	28.4	21.0	6.2	5.6	5.5	3.7
<b>Consumer Discretionary</b>															
Retailing	3659	0.1	2.7	7.9	21.8	0.4	0.5	45.5	37.4	36.4	24.3	16.1	13.0	12.6	7.6
Consumer Services	1335	1.2	1.2	N/A	N/A	1.4	1.2	N/A	126.1	N/A	24.3	23.3	38.0	37.7	9.8
Consumer Durables	463	-0.8	5.1	-4.0	31.6	1.1	1.3	25.6	19.5	19.1	17.3	4.8	4.3	4.2	3.3
Automobiles and parts	149	-3.5	13.4	-67.0	50.5	0.1	0.1	76.9	51.1	N/A	11.3	8.1	7.2	7.0	2.1
<b>IT</b>															
Technology	2518	-3.5	-0.1	8.1	20.4	0.9	1.0	30.2	25.1	24.9	13.7	15.5	16.0	16.0	4.7
Software & Services	3182	-1.8	3.3	8.5	14.7	0.8	0.8	36.0	31.3	30.8	18.9	10.4	9.3	9.1	5.6
Semiconductors	2010	0.2	13.7	11.1	16.9	1.2	1.2	27.0	23.1	22.8	14.6	8.1	7.1	6.9	3.4
Communication Services	235	-0.9	6.1	0.0	13.6	0.9	0.9	27.1	23.9	23.4	18.1	4.2	3.8	3.7	3.0
Media	921	-1.4	7.7	4.8	20.3	0.2	0.2	34.6	28.8	28.1	21.1	5.3	4.7	4.6	3.3
<b>Consumer Staples</b>															
Food & Staples Retailing	559	-1.8	-1.8	2.6	1.6	1.6	1.6	24.2	23.8	23.6	17.0	5.0	4.8	4.7	3.3
Food Beverage & Tobacco	699	-1.0	-3.8	1.0	7.0	3.4	3.5	19.0	17.8	17.6	17.9	5.2	4.9	4.9	5.0
Household Goods	792	-0.8	-6.5	11.2	8.2	2.2	2.4	24.9	23.0	22.8	20.1	9.8	9.4	9.3	5.8
<b>Health Care</b>															
Pharmaceuticals	1086	-2.2	1.5	10.1	13.0	2.1	2.3	15.9	14.1	14.0	14.8	5.5	5.1	5.0	4.0
Healthcare Equipment	1572	-2.7	-0.3	4.9	13.9	0.9	1.0	22.1	19.4	19.2	16.0	3.9	3.5	3.4	2.7
<b>Utilities</b>	311	-2.0	-2.5	0.9	4.9	3.4	3.4	19.2	18.3	18.2	16.3	2.0	1.9	1.9	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 2020 & 12-month Forward EPS

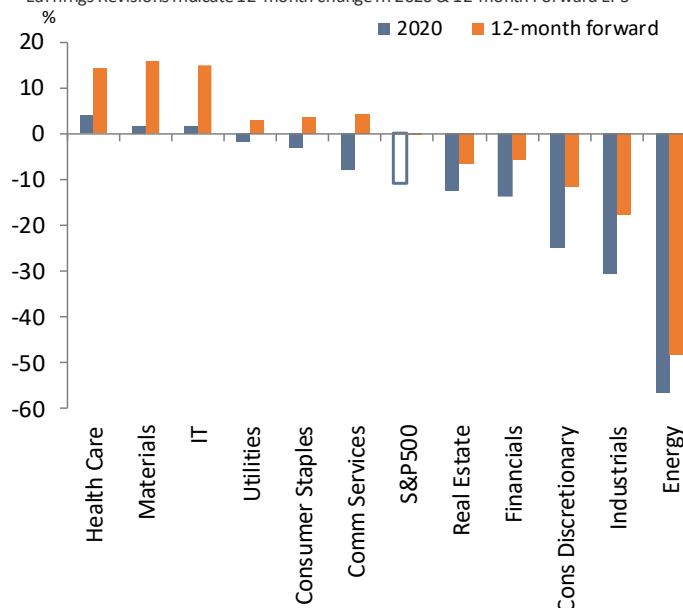
Earnings Revisions indicate 1-month change in 2020 & 12-month Forward EPS



Data as of February 19<sup>th</sup>  
12-month forward EPS are 86% of 2021 EPS and 14% of 2022 EPS

### 12-month revisions to 2020 & 12-month Forward EPS

Earnings Revisions indicate 12-month change in 2020 & 12-month Forward EPS



Data as of February 19<sup>th</sup>  
12-month forward EPS are 86% of 2021 EPS and 14% of 2022 EPS

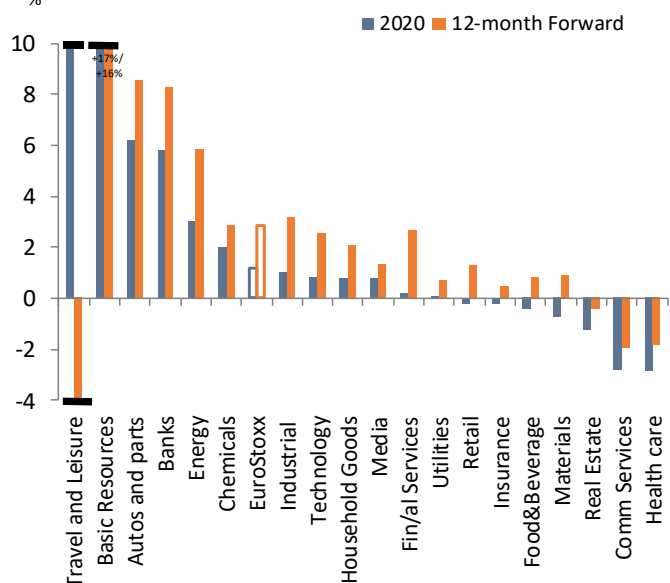
### Euro Area Sectors Valuation

	Price (€)			EPS Growth (%)		Dividend Yield (%)		P/E Ratio				P/BV Ratio			
	19/2/21	% Weekly Change	%YTD	2020	2021	2020	2021	2020	2021	12m fwd	10Yr Avg	2020	2021	12m fwd	10Yr Avg
<b>EuroStoxx</b>	414	0.2	4.1	-35.6	38.8	2.1	2.6	26.5	19.1	18.7	13.8	1.8	1.7	1.7	1.4
<b>Energy</b>	264	3.8	4.5	-76.6	163.8	4.2	4.5	47.9	18.1	17.5	12.7	1.3	1.3	1.3	1.1
<b>Materials</b>	453	0.8	5.1	-36.0	40.1	2.8	3.0	23.0	16.4	16.0	14.4	1.8	1.7	1.7	1.4
<b>Basic Resources</b>	224	1.5	7.9	N/A	N/A	2.1	2.4	N/A	13.2	13.3	7.6	1.2	1.1	1.1	0.8
<b>Chemicals</b>	1257	-0.7	-0.2	-10.0	19.5	2.4	2.5	25.9	21.7	21.4	15.8	2.4	2.3	2.3	2.2
<b>Financials</b>															
<b>Fin/al Services</b>	498	-0.8	1.6	-27.8	7.1	2.3	2.7	19.3	18.0	17.4	13.8	1.3	1.2	1.2	1.2
<b>Banks</b>	83	3.8	12.1	-47.6	30.8	1.9	4.5	14.6	11.2	10.8	9.6	0.6	0.6	0.5	0.7
<b>Insurance</b>	266	1.0	1.7	-25.0	35.9	5.6	5.7	12.8	9.4	9.3	9.3	0.9	0.8	0.8	0.9
<b>Real Estate</b>	203	-2.6	-8.0	-12.3	5.2	3.4	3.7	17.8	16.9	16.7	17.1	0.9	0.9	0.9	1.0
<b>Industrial</b>	1031	-0.5	5.3	-23.4	10.8	1.5	1.8	28.5	25.7	25.0	16.1	3.6	3.4	3.3	2.4
<b>Consumer Discretionary</b>															
<b>Media</b>	239	4.9	9.2	-24.1	15.5	2.2	2.4	22.6	19.6	19.4	15.8	2.7	2.6	2.6	1.9
<b>Retail</b>	635	-1.9	-4.3	-40.7	56.2	1.8	2.6	43.4	27.8	27.2	22.2	5.6	5.2	5.1	4.1
<b>Automobiles and parts</b>	537	2.1	6.5	-78.6	488.7	1.6	3.1	54.8	9.3	9.0	8.9	1.0	0.9	0.9	1.0
<b>Travel and Leisure</b>	211	0.7	-1.1	N/A	N/A	0.3	0.5	N/A	N/A	N/A	N/A	2.5	2.8	2.7	2.0
<b>Technology</b>	805	-0.3	12.4	-7.0	17.6	0.6	0.7	38.5	32.7	31.9	19.4	5.7	5.3	5.2	3.4
<b>Communication Services</b>	252	-0.9	2.0	-9.3	-1.9	4.6	4.1	15.0	15.3	15.1	14.6	1.4	1.4	1.4	1.7
<b>Consumer Staples</b>															
<b>Food&amp;Beverage</b>	511	1.6	-1.8	-37.7	28.4	1.5	1.9	28.7	22.4	22.0	19.1	2.4	2.2	2.2	2.6
<b>Household Goods</b>	1252	1.1	2.8	-31.0	42.4	1.0	1.2	53.3	37.4	36.7	23.2	6.7	6.0	5.9	3.7
<b>Health care</b>	851	-2.1	4.7	-9.6	8.5	1.9	2.0	21.5	19.8	19.5	15.9	2.5	2.3	2.3	2.2
<b>Utilities</b>	367	-2.6	-3.6	-17.6	13.4	4.2	4.4	18.3	16.1	16.0	13.1	1.6	1.5	1.5	1.1

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 2020 & 12-month Forward EPS

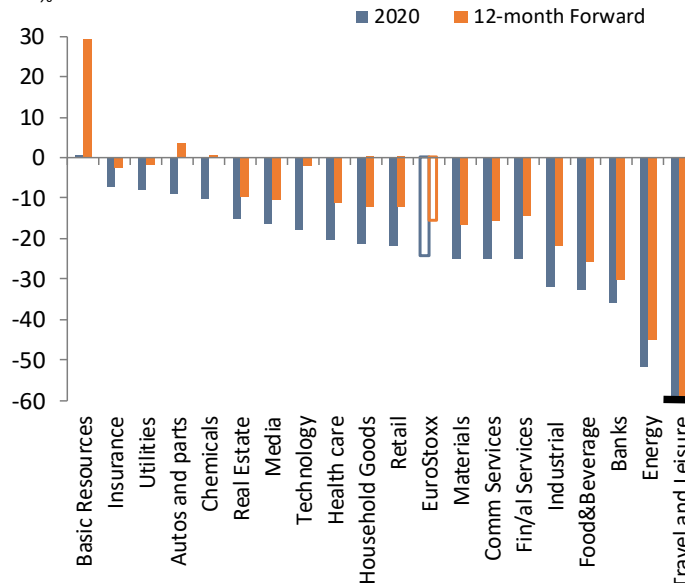
Earnings Revisions indicate 1-month change in 2020 & 12-month Forward EPS %



Data as of February 19<sup>th</sup>  
12-month forward EPS are 86% of 2021 EPS and 14% of 2022 EPS

### 12-month revisions to 2020 & 12-month Forward EPS

Earnings Revisions indicate 12-month change in 2020 & 12-month Forward EPS %



Data as of February 19<sup>th</sup>  
12-month forward EPS are 86% of 2021 EPS and 14% of 2022 EPS

National Bank of Greece | Economic Research Division | Global Markets Analysis

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