

BSIC Weekly Market Brief

September 26th, 2015

News of the past week

- Syriza won the Greek elections with a large majority, 35.5% of the votes. The impact on EU markets was negligible.
- Volkswagen was accused of cheating on US emissions tests to make their cars looking more eco-friendly. VW stocks plunged, leading the entire automotive sector down for the week.
- Yellen reiterates expectations of a rate hike by end of 2015, while Draghi does not eliminate the chance of extending and expanding QE in Europe.
- Preliminary Chinese Caixin-Markit PMI came in below expectations, reaching the lowest level since April 2008.

BSIC view

- For the months to come, we prefer European stocks to US for one simple but important reason: QE and the related monetary policy divergence.
- Looking elsewhere, we have started to follow commodities, searching for relative value trades that may have arisen as a consequence of the drop.

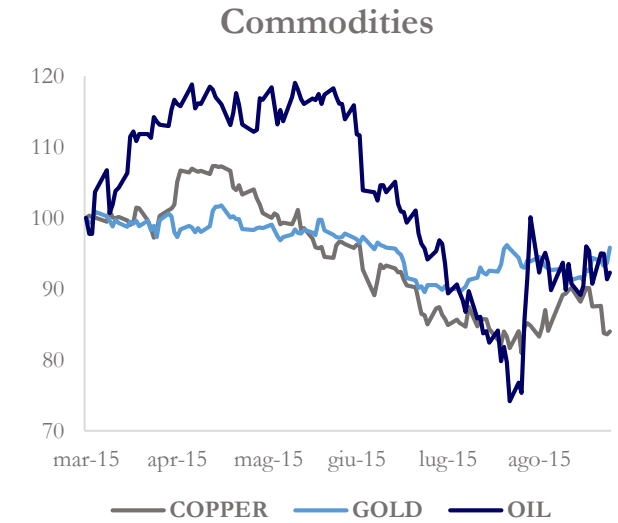
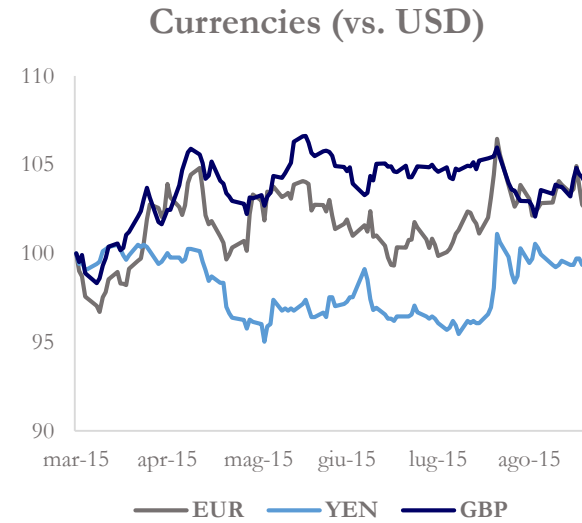
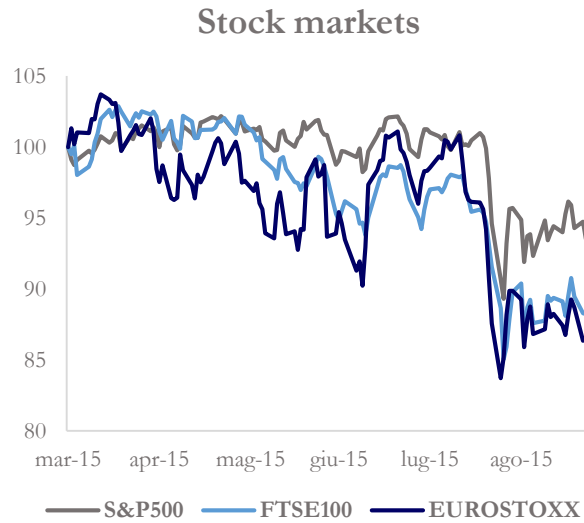
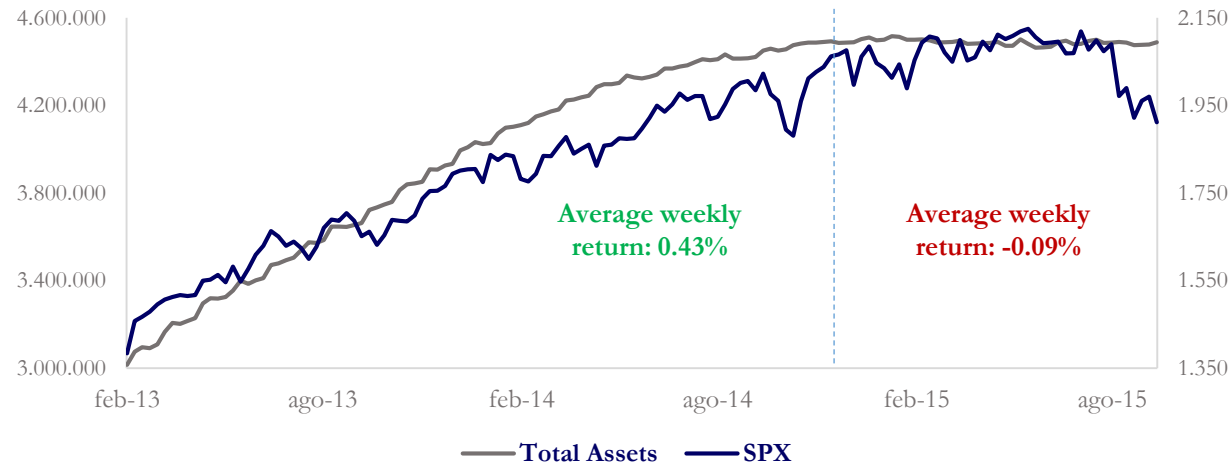


Chart of the week – FED balance sheet vs S&P500



Source of chart data: Bloomberg

The chart of this week represents a now-well-known relationship between central banks balance sheet and stock markets. It displays the case of US specifically. FED balance sheet growth has driven US equity markets towards new highs. Since the balance sheet has stabilized, S&P500 has lost momentum. The same growth effect has occurred on Japanese and European stocks so far, and we expect it to remain robust in the future, especially assuming a relative view.