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## A pivotal week for Europe

- Last week's hawkish pivot from the ECB produced a material tightening of European financial conditions.
- The chart below can be found on the [Qi home page](#). It shows the 10 biggest moves in macro factors over the last week. Today's snapshot show **six of last week's top ten factor shifts originated in Europe**
- All show European financial conditions moving tighter. All are at least one standard deviation moves, & in some cases significantly bigger.



- The ECB council meeting opened the door to earlier rate hikes. That re-pricing of rate expectations moved **real rates & the Euro higher, widened peripheral bond spreads & caused credit spreads to widen**. The sharp flattening of the yield curve suggests market fears about policy tightening into a growth slowdown risks a hard landing.
- Typically that would be perceived as negative for risky assets. The one, partial consolation is that, to a degree, that scenario has been priced.
- The [Euro Stoxx 600](#) is currently 0.8 sigma (2.4%) cheap to macro model value. Not a huge Fair Value Gap but towards the cheap end of recent ranges. Ditto the [Euro](#). It is rich versus every other G10 currency on Qi. Modestly so on the whole – around one sigma.

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