

WEEKLY MARKETS ROUND-UP

Executive Summary

2nd October 2023

Top news: Non-Farm Payrolls this Friday - last week's data releases were slightly softer than expected. Indeed, US Consumer Sentiment on Tuesday and Final Q2 GDP came in slightly lower than consensus, while Core PCE (the FED's favorite inflation gauge) released on Friday rose +0.1% (MoM) rather than the +0.2%, which was expected. Although still quite timid, a slight risk asset bounce did materialize towards the end of the week as this softer news was taken as good/less hawkish news by financial markets. This week, markets will be looking to confirm further dovish developments but will probably have to wait until Friday and the September Non-Farm Payrolls to really get a clearer view. Earlier in the week, we will be watching the ISM Manufacturing PMI on Monday, the JOLTS Job Openings on Tuesday, the ADP Non-Farm Employment private sector data and the ISM Services PMI on Wednesday.

Equity: equities made new lows mid last week and then bounced on the softer data. Most indexes finished the week slightly lower than where they started it, except for the Nasdaq100 which finished up +0.1% (proxying the bad news is good news narrative). As mentioned above, equities will await further dovish confirmations with the NFPs on Friday.

Fixed Income: the US10Y Treasury yield and the 10Y German Bund yield both made news highs mid last week, with the US10Y reaching 4.675% and 10Y Bund 2.975%. They have since retraced slightly. Both are Overbought on the table below and we would expect further retracement, or at least some consolidation, over the next couple of months.

FOREX: the USD also pushed another figure higher into mid last week vs most currencies and then retraced slightly. This was the 11th week in a row finishing with lower lows on EUR/USD and indeed, as calculated on the table below, most currencies are Oversold vs USD. We expect some stabilization vs USD, perhaps a bounce in the next few weeks.

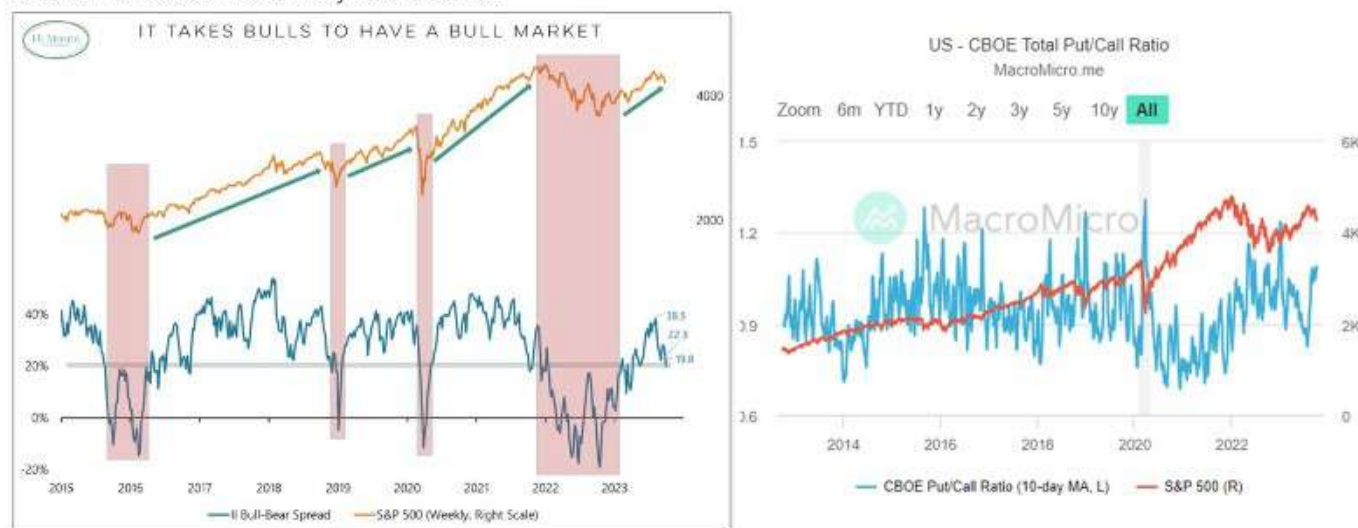
Commodities: Brent made it up to new highs above 97 last week and then retraced, yet remains slightly Overbought on our table below. Gold broke support around 1'900 USD/oz and has probably entered a consolidation phase, which may last several months. We do remain committed to its longer term appeal though, vs fiscal and monetary expansion.

	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance	Trend	Exaggeration
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	4 288	Oct-22	3 577	19,9%	Jul-23	4 589	-6,6%	11,7%	neutral	neutral
Nasdaq100 Index	USD	14 715	Dec-22	10 679	37,8%	Jul-23	15 841	-7,1%	34,5%	up	neutral
Dow Jones Industrials Index	USD	33 508	Oct-22	29 203	14,7%	Aug-23	35 631	-6,0%	1,1%	neutral	neutral
EuroStoxx50	EUR	4 175	Oct-22	3 332	25,3%	Jul-23	4 471	-6,6%	10,0%	neutral	neutral
Swiss Market Index	CHF	10 964	Oct-22	10 199	7,5%	May-23	11 595	-5,4%	2,2%	neutral	neutral
Nikkei225	JPY	31 858	Jan-23	25 717	23,9%	Jul-23	33 753	-5,6%	22,1%	up	neutral
Shanghai Composite	CNY	3 110	Oct-22	2 893	7,5%	May-23	3 395	-8,4%	0,7%	neutral	neutral
US 10Y Treasury Yield	%	4,59%	Apr-23	3,31%	1,3%	Sep-23	4,61%	-0,0%	0,7%	up	OB
German 10Y Bund Yield	%	2,84%	Dec-22	1,79%	1,1%	Sep-23	2,97%	-0,1%	0,3%	up	slightly OB
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	89	Sep-23	88	0,3%	Dec-22	105	-15,8%	-7,3%	down	OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	102	Oct-22	96	5,8%	Feb-23	108	-5,5%	0,2%	neutral	slightly OS
US High Yield (HYG ETF, 3-4Y duration)*	USD	74	Oct-22	68	8,1%	Aug-23	75	-2,1%	4,2%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	83	Oct-22	75	10,2%	Jul-23	87	-4,8%	1,1%	neutral	slightly OS
EUR/USD		1,06	Oct-22	0,97	9,0%	Jul-23	1,12	-5,9%	-1,2%	neutral	slightly OS
GBP/USD		1,22	Oct-22	1,10	11,2%	Jul-23	1,31	-7,1%	0,9%	neutral	slightly OS
USD/JPY		149	Jan-23	128	16,8%	Oct-22	150	-0,5%	13,9%	up	slightly OB
USD/CHF		0,92	Jul-23	0,86	6,7%	Nov-22	1,01	-9,7%	-1,0%	neutral	neutral
AUD/USD		0,64	Oct-22	0,62	3,8%	Feb-23	0,71	-9,8%	-5,5%	neutral	slightly OS
Brent Oil (per Barrel)	USD	95	Jun-23	72	32,7%	Nov-22	99	-3,3%	10,9%	up	slightly OB
Gold Spot (per Ounce)	USD	1 849	Oct-22	1 628	13,6%	May-23	2 050	-9,8%	1,3%	neutral	neutral

* These large fixed income ETFs are used as proxies to assess the state of duration trades as well as of credit markets

Sentiment Focus: sentiment is rolling over, yet the PutCall ratio signals a bounce

"It takes Bulls to have a Bull market" and as recently posted by Hi Mount research (@HiMountResearch), such Bulls are starting to lack. Indeed, the left-hand graph below compares the S&P500 Index to the Investors Intelligence's survey. This market-sentiment indicator is published weekly and uses information polled directly from market professionals. The graph suggests that the vast majority of the S&P500's gains have come when the Bull/Bear spread is above 20% (i.e. when Bulls outnumber Bears by more than 20%). Just recently, the ratio has slipped to below 20 (at 19.8) with 43.7% Bulls and 23.9% Bears. In recent history (and with the exception of late 2016), such situations have usually led to periods of market weakness, and we are hence turning quite prudent on equity markets (and the S&P500) over the next couple of quarters. In the meantime, the more short term market sentiment is often captured by the more volatile Put/Call Ratio (i.e. the 10 day moving average of the number of Put contracts vs the number of Calls outstanding). It is currently at levels which often correspond to local market bottoms. We would hence expect some kind of positive market reaction, possibly during the next month or so. Given the negative Investors Intelligence survey, new highs may however be hard to achieve, while from November onwards probably, the Put/Call ratio should have dropped back down to lower levels, and the current market correction may then resume.



Notes:

- Trend last 6 months:** this Primis original algorithm, weighs the slope of the trend over the last 6 months vs the slope of the trend over the last 3 months yet factorised by the Fibonacci retracement ratio (0.618). Values are normalised using the average price over each period. If this combined slope is above +0.05% the trend is then "up", below -0.05% then "down", otherwise it is "neutral".
- Overbought (OB) / Oversold (OS) measures:** this Primis original algorithm is computed by comparing the difference between the 8 days moving average and the 100 days combined with the 3 days vs the 15 days one and normalises this difference by dividing it by the 1 year standard deviation (circa 260 open market days). Values above 225% or under -225% are Overbought "OB", resp. Oversold "OS", values above 100% or under -100% are "slightly OB", resp. "slightly OS", otherwise there is no relevant exaggeration and the situation is then "neutral".

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