

# WEEKLY MARKETS ROUND-UP

## Executive Summary

4<sup>th</sup> September 2023

**Top news: PMI, Beige Book and many FED speakers this week:** last week, was mainly a US employment data week (see next page), the JOLTs Job openings and ADP Non-Farm private employment data came in worse than expected on Tuesday and Wednesday and the market rallied ("bad news is good news"), while the Non Farm Payrolls surprised to the upside on Friday triggering a volatile yet more neutral market reaction. On other data, Thursday saw the release of the FED's preferred inflation gauge, Core PCE, which ticked up slightly YoY (4.2% vs 4.1% last month) but came in as expected on a MoM basis at 0.2%, while Friday, the US Manufacturing Purchasing Managers' Index (PMI) also improved slightly. What risk assets are currently trying to assess is the likelihood of further rate hike(s) into yearend. For the 20<sup>th</sup> September meeting, markets expects only a 6% chance of a further hike, yet the odds are still at 33.5% for the following 1<sup>st</sup> November meeting. Data this week will hence continue to be scrutinized in respect to the resilience of the US economy. The main events will be the US Services PMI and the FED Beige book (a qualitative economic conditions review across all FED districts) on Wednesday. A string of FED Governors speeches will follow on Thursday.

**Equity:** The Nasdaq100 led a 1-3% market rebound last week as weak JOLTS and ADP reports fueled speculations of no further hikes into Q4. These expectations were tamed on Friday with the rather positive NFP and ISM Manufacturing PMI data. Next week will see a string of data, yet we still expect the rebound / retest up to hold into late Q3 / early Q4.

**Fixed Income:** 10Y US and German yields continued to retrace slightly last week. We continue to expect further retracement into the Fall, yet the next couple of weeks will be crucial to confirm this counter-trend lower.

**FOREX:** USD continued its rebound last week, may still retrace back during September, but has probably seen its lows.

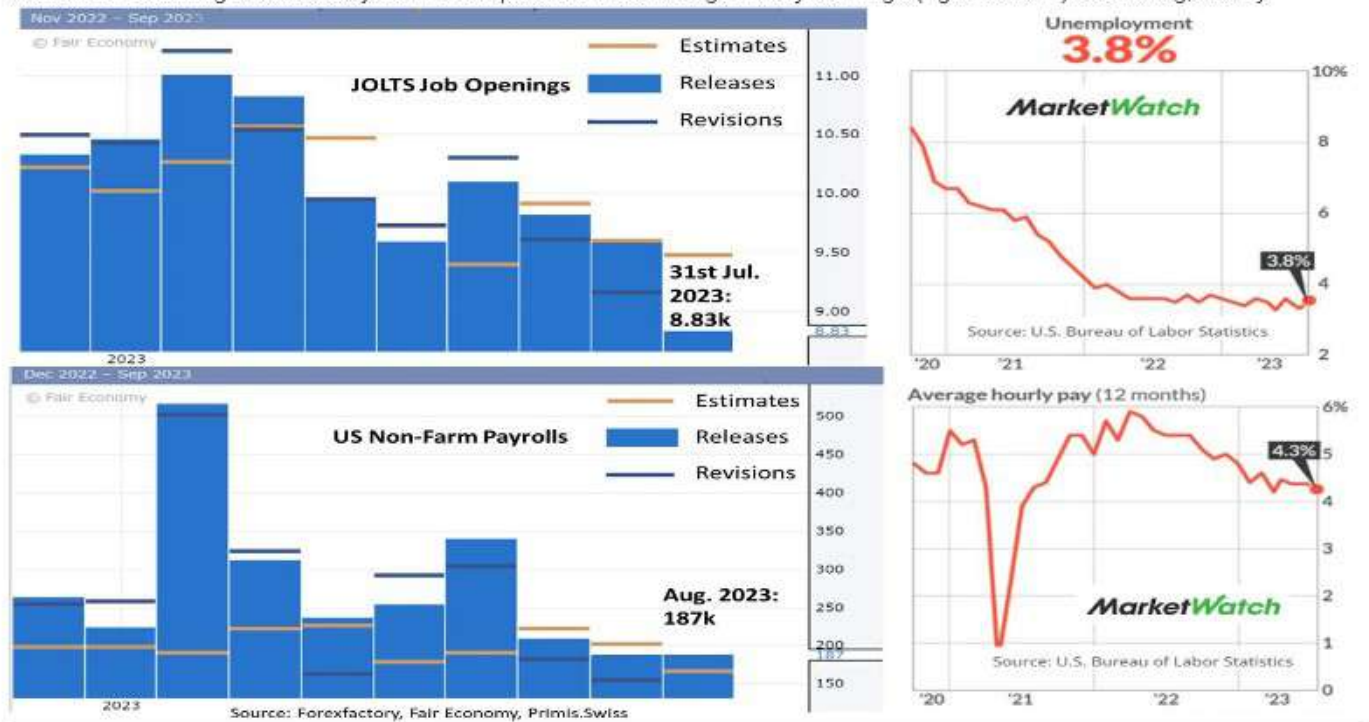
**Commodities:** Brent should start to meet resistance at around 90 USD/barrel. From late Q3, we would expect some retracement into the Fall. Gold could continue to push higher into September, possibly towards 2'000 USD/oz.

	Currencies	Price	Performance since 52 Week Low		Performance since 52 Week High		Performance YTD in %	Trend last 6m <sup>1</sup>	Exaggeration OB / OS <sup>2</sup>		
			Date Low	Low Price	Rise %	Date High				High price	Decline %
S&P500 Index	USD	4 516	Oct-22	3 577	26,2%	Jul-23	4 589	-1,6%	17,6%	up	neutral
Nasdaq100 Index	USD	15 491	Dec-22	10 679	45,1%	Jul-23	15 841	-2,2%	41,6%	up	neutral
Dow Jones Industrials Index	USD	34 838	Sep-22	28 726	21,3%	Aug-23	35 631	-2,2%	5,1%	neutral	neutral
EuroStoxx50	EUR	4 283	Sep-22	3 279	30,6%	Jul-23	4 471	-4,2%	12,9%	neutral	neutral
Swiss Market Index	CHF	11 075	Sep-22	10 073	10,0%	May-23	11 595	-4,5%	3,2%	neutral	neutral
Nikkei225	JPY	32 711	Jan-23	25 717	27,2%	Jul-23	33 753	-3,1%	25,4%	up	neutral
Shanghai Composite	CNY	3 133	Oct-22	2 893	8,3%	May-23	3 395	-7,7%	1,4%	neutral	slightly OS
US 10Y Treasury Yield	%	4,18%	Sep-22	3,23%	1,0%	Aug-23	4,34%	-0,2%	0,3%	up	slightly OB
German 10Y Bund Yield	%	2,55%	Sep-22	1,57%	1,0%	Mar-23	2,75%	-0,2%	-0,0%	up	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	95	Nov-22	91	4,3%	Sep-22	110	-14,1%	-1,7%	down	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	105	Oct-22	97	8,6%	Feb-23	108	-3,0%	2,8%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	75	Oct-22	68	10,0%	Aug-23	75	-0,3%	5,9%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	85	Oct-22	75	13,5%	Jul-23	87	-1,8%	4,1%	neutral	neutral
EUR/USD		1,08	Sep-22	0,96	12,2%	Jul-23	1,12	-4,3%	0,6%	neutral	neutral
GBP/USD		1,26	Sep-22	1,07	17,9%	Jul-23	1,31	-4,1%	4,1%	neutral	neutral
USD/JPY		146	Jan-23	128	14,4%	Oct-22	150	-2,6%	11,5%	up	neutral
USD/CHF		0,89	Jul-23	0,86	3,3%	Nov-22	1,01	-12,6%	-4,2%	neutral	neutral
AUD/USD		0,65	Oct-22	0,62	4,0%	Feb-23	0,71	-9,6%	-5,3%	neutral	neutral
Brent Oil (per Barrel)	USD	89	Jun-23	72	23,3%	Nov-22	99	-10,2%	3,1%	up	slightly OB
Gold Spot (per Ounce)	USD	1 940	Sep-22	1 624	19,4%	May-23	2 050	-5,4%	6,3%	neutral	neutral

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

## US Employment Focus: strong NFP release, yet weaker below the surface

Last week, main US Employment data were released, starting with the JOLTs Job Openings as of the 31<sup>st</sup> July (number of open positions), which dropped to its lowest level since May 2021, surprising very negatively (left-top). ADP Private Non-Farm also surprised negatively on Wednesday, and on both occasions, equity markets rallied on "bad news is good news". The reaction to the NFP Non-Farm Payrolls (left-bottom) on Friday was more mixed. Indeed, the figure came out higher than expected at 187k vs 169k. Yet, this may be only temporary relief for the US Jobs market. Indeed, both for JOLTs and NFP have consistently been revised down over the last two months, while unemployment is slowly picking up (right-top) as more workers are coming back to the jobs market post COVID. Average hourly earnings (right-bottom) are fading, slowly.



### 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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