PRIMIS® INVESTMENT

Swiss Independent Wealth Manager, Licensed by the Swiss Financial Market Supervisory Authority FINMA

WEEKLY MARKETS ROUND-UP

Executive Summary

9th October 2023

Top news: War in the Middle East and US CPI on Thursday – the week is starting under the influence of the war breakout between Israel and Hamas. Typical flight to safety trades such as Gold or Treasuries should be catching a bid, especially that these are currently quite Oversold following weeks of soft/no-landing narratives. This dovishness may also support a more widespread Cross Asset bounce (see next page). Indeed, no later than Friday, the Non-Farm Payrolls (NFPs) had delivered another positive surprise with 336k new jobs created vs only 177k expected. Equities initially dropped (good news is hawkish news for markets), but interestingly then recuperated and continued to rally into the close, as if, after weeks of liquidation, selling power was exhausted. On the macro front, this week will focus on the September US CPI on Thursday. Headline and Core CPI are both expected to rise +0.3% MoM. Any non-negative outcomes (i.e. at or lower than consensus) could help most assets rally in dovish relief. Finally, Friday will see a first test in the Q3 earnings season with some of the larger US banks reporting, i.e. Wells Fargo, JPMorgan and Citi.

Equity: despite the very strong NFPs on Friday, equity markets ended the week with a huge relief rally with the S&P500 and the Nasdaq100 respectively rising 2% and 2.6%. The war in the Middle East may tame this rally early this week, yet a reversal such as Friday's probably suggests that further relief rallying should materialize over the next few weeks.

Fixed Income: as shown on the right-hand graph on the following page, and confirmed by our own calculations in the table below, Treasuries and Bunds are quite Oversold and could initiate a countertrend bounce, at least. A rather weak US CPI on Thursday would indeed probably help confirm this reversal.

FOREX: inversely, the US Dollar remains rather Overbought, while last week, after 11 weeks of weekly higher highs, it finally started to retrace. We would expect this countertrend to continue probably for another few weeks.

Commodities: Brent retraced aggressively last week losing more than 10 USD/barrel, yet is now bouncing with the breakout of the war in the Middle East. Gold is temporarily Oversold and could also continue to bounce short term.

	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 %	YTD in %	last 6m[1]	OB / OS[2]
S&P500 Index	USD	4 309	Oct-22	3 577	20,4%	Jul-23	4 589	-6,1%	12,2%	neutral	neutral
Nasdaq100 Index	USD	14 973	Dec-22	10 679	40,2%	Jul-23	15 841	-5,5%	36,9%	neutral	neutral
Dow Jones Industrials Index	USD	33 408	Oct-22	29 203	14,4%	Aug-23	35 631	-6,2%	0,8%	neutral	slightly OS
EuroStoxx50	EUR	4 144	Oct-22	3 332	24,4%	Jul-23	4 471	-7,3%	9,2%	neutral	neutral
Swiss Market Index	CHF	10 811	Oct-22	10 199	6,0%	May-23	11 595	-6,8%	0,8%	neutral	slightly OS
Nikkei225	JPY	30 995	Jan-23	25 717	20,5%	Jul-23	33 753	-8,2%	18,8%	neutral	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	%	4,79%	Apr-23	3,31%	1,5%	Oct-23	4,80%	-0,0%	0,9%	up	OB
German 10Y Bund Yield	%	2,89%	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	85	Oct-23	85	0,0%	Dec-22	105	-19,5%	-11,3%	down	OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	100	Oct-22	96	3,7%	Feb-23	108	-7,4%	-1,8%	neutral	slightly OS
US High Yield (HYG ETF, 3-4Y duration)*	USD	73	Oct-22	68	6,6%	Jul-23	75	-3,1%	2,7%	neutral	slightly OS
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	81	Oct-22	75	7,8%	Jul-23	87	-6,9%	-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	11,5%	Jul-23	1,31	-6,8%	1,2%	neutral	slightly OS
USD/JPY		149	Jan-23	128	16,8%	Oct-22	150	-0,5%	13,8%	up	neutral
USD/CHF		0,91	Jul-23	0,86	6,1%	Nov-22	1,01	-10,2%	-1,6%	neutral	neutral
AUD/USD		0,64	Oct-22	0,62	3,0%	Feb-23	0,71	-10,5%	-6,3%	down	slightly OS
Brent Oil (per Barrel)	USD	84	Jun-23	72	17,5%	Nov-22	99	-14,3%	-1,7%	up	neutral
Gold Spot (per Ounce)	USD	1 832	Oct-22	1 628	12,5%	May-23	2 050	-10,7%	0,4%	neutral	slightly OS

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

Source: Primis Investment (Suisse) SA

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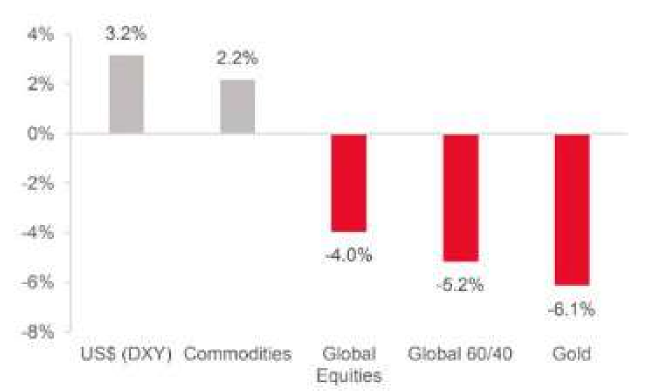
Cross Asset Focus: a Treasuries bounce could trigger a relief rally for risk assets

The first graph this week (left-hand graph) is sourced from Société Générale and depicts the usual cross asset conditions when both bond yields and credit spreads are rising. This is indeed pretty much the market environment we have experienced since mid July. Indeed, while equities, 60/40 balanced mandates or gold have all dropped alongside the Bonds, the Dollar and Commodities (Oil specifically) were the only places to hide. That said, these trends may be getting ready to pause. Indeed, as calculated by Bank of America (right-hand graph), US Treasuries are now very Oversold having reached beyond 2 standard deviations below their 200 days moving average. As the graph shows, previous incidence of such exaggerations in Treasury prices have usually triggered countertrend rallies at least. If such a bounce does indeed materialize, we could then expect that some of the Cross Asset weakness also reverses. Hence, we wouldn't be surprised if over the next few weeks / the next month or so, Equities, Bonds and Gold do experience a rebound, while on the other hand the Dollar could retrace, at least temporarily. Note: Oil already corrected more than 10% last week and given the Israel/Hamas geopolitical context is now bouncing.

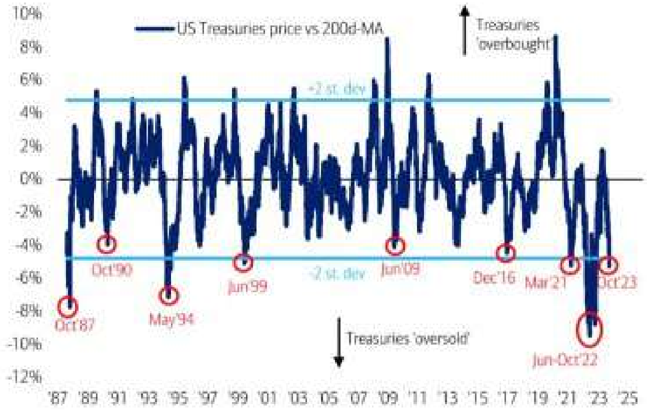
Chart 12: Asset performances in a rising bond yield and rising credit spreads environment – the USD is the only hiding place



Source: SG Cross Asset Research/Equity Strategy, Bloomberg. Based on 5 quarters seen over the past 20 years: Mar-05, Jun-13, Dec-15, Mar-22, Jun-22

Chart 3: US Treasuries oversold again

US Treasury price vs-200 day moving average



Source: BofA Global Investment Strategy, ICE Data Indices LLC

BofA GLOBAL RESEARCH

Notes:

1. **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".
2. **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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