

# WEEKLY MARKETS ROUND-UP

## Executive Summary

10th April 2023

**Top news: Non Farm Payrolls** – on Friday the monthly Non-Farm payrolls data for the month of March 2023 was released. It came in slightly higher than expected at 236k (230k expected). This was the lowest level since December 2020, yet the 11-month in a row when the data beat expectations (employment is deteriorating at a slower pace than expected). Also, surprisingly, the unemployment rate dropped back from 3.6% to 3.5% in March, a level that remains close to record lows. This resiliency in the NFP data triggered a slight hawkish reaction from the market and expectations for a further 25bps rate hike at the FED's early May meeting rose from 50 to 70%. In sharp contrast, more advanced macro-economic indicators are continuing to decelerate rapidly. The ISM US Manufacturing Purchasing Managers' Index (PMI), released last Monday, plummeted to new lows since the COVID recovery. It has now been contracting for 6 months. On Wednesday, the Services PMI, which is still growing slightly, came in well below expectations. US Credit Card spending is now contracting, delinquencies are rising rapidly, Syndicated Loans worldwide have reached their lowest level since 2010, while in the US, bank lending has dropped sharply since the recent crisis. This mixed data could put renewed pressure on risk assets as the FED feels compelled to continue to hike while economic growth is already slowing.

**Equity:** US and European equity markets dropped slightly last week. We expect them to continue to retrace over the next couple of months, especially when considering the background mentioned above (resilient employment and a FED which could continue to hike, while advance macro-economic indicators are dropping rapidly).

**Fixed Income:** long term yields in the US and Europe also continued to correct last week. We still expect the US10Y Treasury yield to reach down towards the high/mid 2.0s% over the next couple of months. Credit spreads have also started to edge up again.

**FOREX:** the US Dollar stabilized last week. Going forward, we do expect it to start to bounce at some point during April, potentially into early Summer. This could coincide with some defensive flows back into the US Dollar, perhaps as global equities start to falter, and if, at the same time, the FED feels it needs to continue raising rates, or at least, keep them higher for longer.

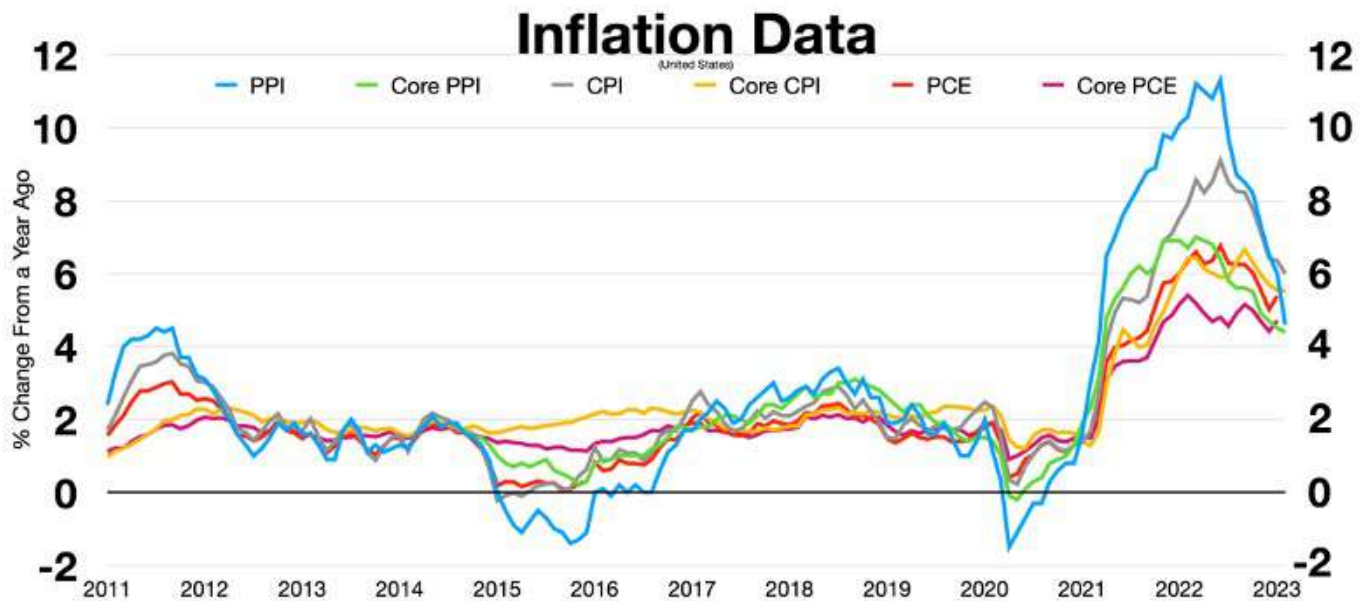
**Commodities:** Oil spiked last Monday on the OPEC+ production cuts announcement. We believe it still needs to build a base over the next few weeks but are positive 6 months out. Gold clearly broke above 2'000 last week yet remains slightly Overbought.

	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	4 090	oct.22	3 577	14,4%	avr.22	4 500	-9,1%	6,5%	neutral	neutral
Nasdaq100 Index	USD	12 967	déc.22	10 679	21,4%	avr.22	14 532	-10,8%	18,5%	up	slightly OB
Dow Jones Industrials Index	USD	33 483	sept.22	28 726	16,6%	avr.22	35 161	-4,8%	1,0%	neutral	neutral
EuroStoxx50	EUR	4 298	sept.22	3 279	31,1%	avr.23	4 315	-0,4%	13,3%	up	neutral
Swiss Market Index	CHF	11 115	sept.22	10 073	10,4%	avr.22	12 529	-11,3%	3,6%	neutral	neutral
Nikkei225	JPY	27 829	janv.23	25 717	8,2%	août.22	29 223	-4,8%	6,6%	neutral	slightly OB
Shanghai Composite	CNY	3 313	avr.22	2 886	14,8%	juin.22	3 409	-2,8%	7,2%	neutral	neutral
US 10Y Treasury Yield	%	3,30%	août.22	2,58%	0,7%	oct.22	4,25%	-0,9%	-0,6%	neutral	neutral
German 10Y Bund Yield	%	2,27%	avr.22	0,68%	1,6%	mars.23	2,75%	-0,5%	-0,3%	up	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	108	nov.22	93	15,9%	avr.22	129	-15,8%	9,3%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	110	oct.22	99	11,3%	avr.22	118	-6,4%	5,4%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	75	oct.22	70	6,2%	avr.22	78	-4,3%	2,3%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	86	oct.22	77	11,6%	avr.22	95	-9,8%	2,3%	neutral	neutral
EUR/USD		1,09	sept.22	0,96	13,7%	févr.23	1,10	-0,8%	1,9%	neutral	neutral
GBP/USD		1,25	sept.22	1,07	16,7%	avr.22	1,31	-5,0%	3,0%	neutral	neutral
USD/JPY		131	avr.22	124	5,9%	oct.22	150	-12,5%	0,1%	neutral	neutral
USD/CHF		0,91	avr.23	0,91	0,0%	nov.22	1,01	-10,6%	-2,0%	neutral	neutral
AUD/USD		0,67	oct.22	0,62	8,4%	avr.22	0,75	-10,2%	-1,4%	neutral	neutral
Brent Oil (per Barrel)	USD	85	mars.23	73	16,3%	juin.22	124	-31,3%	-1,2%	down	neutral
Gold Spot (per Ounce)	USD	2 021	sept.22	1 624	24,4%	avr.23	2 021	0,0%	10,7%	up	slightly OB



## Macroeconomic focus: Waiting for the March CPI release next Wednesday

This Wednesday at 8:30AM NY time, the US Consumer Price Index for March 2023 will be released. Estimates are that Y/Y total data could drop from 6% in February to 5.2%, while the Core Index (ex Food & Energy) could slow to a 0.4% monthly rate (from 0.5% in February). The graph below shows the main inflation data series in the US. The PPI usually leads, while CPI and PCE lag. We hence believe the CPI data could indeed follow the sharp drop in PPI. For now, however, US Inflation levels are still well above the FED's 2% targets rate. This could still imply further rate hikes and increase the odds that the FED could be hiking into a recession.



Source: [wikipedia](https://www.wikipedia.org) / [fred.stlouisfed.org](https://fred.stlouisfed.org)

### 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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