

WEEKLY MARKETS ROUND-UP

Executive Summary

14th August 2023

Top news: Fed Minutes awaited as well as EuroZone CPI – last week, the US CPI came in slightly lower than expected on Thursday (YoY 3.2% vs 3.3% exp., while MoM Headline and Core data came in in-line at +0.2%). This was rather reassuring. On Friday, however, US PPI surprised to the upside (+0.3% MoM for both Headline and Core vs +0.2% exp.), while the University of Michigan Consumer Sentiment Index also came in above expectations, holding up quite well (and at 22% above levels registered a year ago). This data resiliency, for now, does comfort equity markets in their soft-landing scenario but also raises concerns that the FED remains Higher for Longer. Equity markets hence drifted lower last week and will be awaiting the FED Minutes on Wednesday with much interest. Next week will also see the release of Chinese Industrial production and Retail Sales on Tuesday amid the country's growing real estate crisis and negative inflation data (released last week). On Tuesday, US Retail Sales and the Empire State Manufacturing Index will be released, on Thursday, the Philly FED Manufacturing Index. Friday will then see the final July EuroZone CPI.

Equity: equity markets remained under pressure last week, with the S&P500 and the EuroStoxx50 drifting -0.3% lower. The Nasdaq100 and the Shanghai Composite dropped resp. 2 and 3%, while the DJ Industrial Average and Nikkei225 even rose slightly. This reflects an early Value and Defensive rotation. It may continue over the next few weeks but we believe that generally markets should hold into the Fall. They may then retrace more consequently into H1 2024.

Fixed Income: US and German long term yields rose last week in a rare event of bearish steepening (long term yields rising quicker than short term ones). These dynamics, which reflect stagflation fears / rating downgrades, may persist a couple more weeks, yet should settle between now and the Fall as economic data finally slows (see next page).

FOREX: until it happens, the US Dollar seems bid, as anticipations of the FED's Higher for Longer narrative persist.

Commodities: Brent continues its recovery (perhaps towards 90 USD/b into late Q3). Gold has been retracing since early May, could be reaching crucial support but would really need that the FED turns less hawkish to rise again.

	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	4 464	Oct-22	3 577	24,8%	Jul-23	4 589	-2,7%	16,3%	up	neutral
Nasdaq100 Index	USD	15 028	Dec-22	10 679	40,7%	Jul-23	15 841	-5,1%	37,4%	up	neutral
Dow Jones Industrials Index	USD	35 281	Sep-22	28 726	22,8%	Aug-23	35 631	-1,0%	6,4%	up	neutral
EuroStoxx50	EUR	4 321	Sep-22	3 279	31,8%	Jul-23	4 471	-3,4%	13,9%	neutral	neutral
Swiss Market Index	CHF	11 082	Sep-22	10 073	10,0%	May-23	11 595	-4,4%	3,3%	neutral	neutral
Nikkei225	JPY	32 474	Jan-23	25 717	26,3%	Jul-23	33 753	-3,8%	24,4%	up	neutral
Shanghai Composite	CNY	3 189	Oct-22	2 893	10,2%	May-23	3 395	-6,1%	3,2%	neutral	neutral
US 10Y Treasury Yield	%	4,17%	Aug-22	2,80%	1,4%	Oct-22	4,25%	-0,1%	0,3%	up	slightly OB
German 10Y Bund Yield	%	2,62%	Aug-22	0,90%	1,7%	Mar-23	2,75%	-0,1%	0,1%	neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	95	Nov-22	91	4,9%	Aug-22	114	-16,4%	-1,1%	neutral	slightly OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	105	Oct-22	97	8,6%	Aug-22	111	-5,8%	2,8%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	75	Oct-22	68	9,6%	Aug-22	75	-0,4%	5,6%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	86	Oct-22	75	14,4%	Aug-22	87	-1,5%	4,9%	neutral	neutral
EUR/USD		1,09	Sep-22	0,96	14,1%	Jul-23	1,12	-2,6%	2,3%	neutral	neutral
GBP/USD		1,27	Sep-22	1,07	18,9%	Jul-23	1,31	-3,3%	5,0%	neutral	neutral
USD/JPY		145	Jan-23	128	13,4%	Oct-22	150	-3,4%	10,5%	neutral	slightly OB
USD/CHF		0,88	Jul-23	0,86	2,2%	Nov-22	1,01	-13,5%	-5,2%	neutral	neutral
AUD/USD		0,65	Oct-22	0,62	4,8%	Feb-23	0,71	-9,0%	-4,7%	neutral	slightly OS
Brent Oil (per Barrel)	USD	87	Jun-23	72	20,6%	Aug-22	105	-17,6%	0,8%	up	slightly OB
Gold Spot (per Ounce)	USD	1 914	Sep-22	1 624	17,8%	May-23	2 050	-6,7%	4,9%	neutral	neutral

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

Treasury Focus: rare occurrence of Bearish steepening, likely to be short lived

10 days ago, Non-Farm Payrolls confirmed a 2nd month below expectations, while last week, US CPI also came in lower than expected. Yet, despite this rather disinflationary news-flow, yields have continued to rise and long term yields are now rising even quicker than short term ones. This rare occurrence of bearish steepening (rising US10Y-US3M spread, blue line, left-hand chart) should however be short lived. On the one hand, it is probably fueled by rather transitory items: 1. A slight adjustment upwards in longer term Treasury yields following the recent USA downgrade by the Fitch rating agency, 2. A retest up in US Inflation Expectations in synch with the recent rebound in Oil prices. Going forward, however, the short end of the US curve is now priced to perfection with the US1Y-US3M spread close to zero, i.e. no more rate cuts expected over the next 12 months (yellow-line, left-hand graph). It hence shouldn't take much for these trends to reverse, perhaps as data further deteriorates over the next few months. The flows graph by Fidelity (right-hand chart) is also interesting. It points to the lack of Sovereign Treasury buyers (FED, China nor Japan), while flows into Treasuries by private investors are slightly positive. This trend could gradually crowd-out investments in the private sector and, in time, trigger some kind of landing.



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".

Disclaimer: The information in this document is being provided for general market commentary and information purposes. This document does not constitute a solicitation or offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction. Any reference to a transaction, trade, position, holding, security, market, or level is purely meant to educate readers about possible opportunities and risks in the marketplace and are not meant to imply that any person or entity should take any action whatsoever without first evaluating such action(s) in light of their own situation either on their own or through a professional advisor. If a person or entity does not believe they are qualified to make such decisions, they should seek professional advice. The prices listed are for reference only and are in no way intended to represent an actual trade. This information is not a substitute for professional advice of any nature, including tax, legal, and financial. While we believe the information contained herein to be accurate, all numbers should be verified by the reader through independent sources. Primis Investment (Suisse) SA assumes no responsibility for errors or omissions in the contents of this document. In no event shall Primis Investment (Suisse) SA be liable for any special, direct, indirect, consequential, or incidental damages or any damages whatsoever, whether in an action of contract, negligence, or other tort, arising out of or in connection with the contents of this document or any related services. Trading securities, options, futures, or any other security involves risk and can result in the immediate and substantial loss of the capital invested. Every reader/recipient is responsible for his or her own investment decisions. Primis Investment (Suisse) SA reserves the right to make additions, deletions, or modifications to the contents of this document and related services at any time without prior notice.



Primis Investment (Suisse) SA
 5 rue Jacques-Balmat, 1204 Geneva – Switzerland
 T: + 41 22 570 60 80
wealth-management@primis.swiss www.primis.swiss