

WEEKLY MARKETS ROUND-UP

Executive Summary

18th September 2023

Top news: Central Banks week ahead - last week US CPI printed hot on Wednesday as expected. Core rose +0.3% MoM vs +0.2% exp. (+4.3% YoY, down from +4.7% in July). Headline incl. Food & Energy rose +0.6% MoM to +3.7% YoY (vs +3.2% in July). The immediate reaction was negative, but equities then rose back to new weekly highs into Friday morning as investors brushed off higher inflation concerns as being solely driven by Energy prices. On Thursday, ECB surprisingly didn't pause but hiked another +0.25% to 4%, its all-time highest level. EUR/USD tanked 1% as the market considered that ECB was now definitely hiking into a recession. US Hot prints continued on Friday with the Empire State Manuf. Index and Industrial production both beating expectations. In this context, and with Friday being a big options expiry day (usually prone to volatility), US markets dropped aggressively (-1.3% on the S&P500, -1.9% on the Nasdaq) as hawkishness trumped the post CPI complacency. Despite this turmoil, the FED is still widely expected to hold rates this Wednesday (Powell's comments will be scrutinized), while Thursday, the SNB and BOE should hike another +0.25% and on Friday, the BOJ is expected to remain flat at -0.1% despite surging inflation. The week ends with Global Flash PMIs in Europe and in the US, which are advanced indicators of forthcoming economic strength.

Equity: despite the US equity sell-off on Friday, US Indexes rose slightly over the week, were up 1.5-2.0% in Europe and more than 3% in Japan. A stronger USD is indeed boosting foreign markets. Overall, we remain constructive into Q4.

Fixed Income: US and German 10Y yields both pushed higher last week, with US10Y making new highs at 4.34% on Friday. According to our statistics below, it may be getting slightly Overbought and could retrace some into the Fall.

FOREX: USD also continued higher last week. The bounce since mid July has been very resilient and linear, yet we would still expect it to retrace back 1-2 figures into late this month. USD then probably continues to rise into Q1.

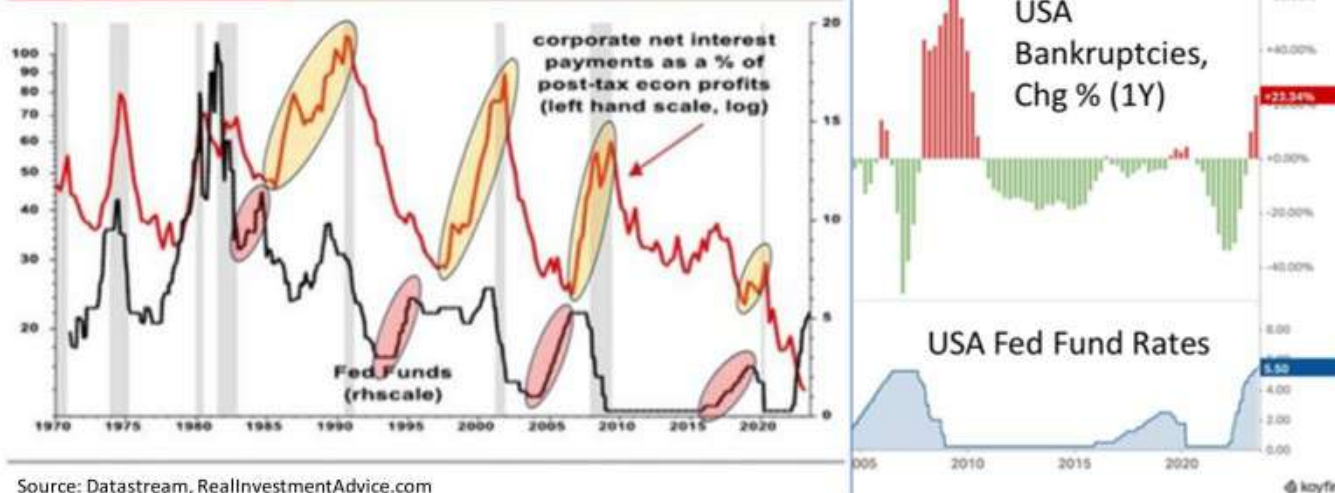
Commodities: Brent almost reached 95 USD/barrel last week and is now Overbought on our table below (limited upside left). Gold is trying to resume higher and may reach up to the high 1'900s USD/oz over the next few weeks.

	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	4 450	Oct-22	3 577	24,4%	Jul-23	4 589	-3,0%	15,9%	up	neutral
Nasdaq100 Index	USD	15 206	Dec-22	10 679	42,4%	Jul-23	15 841	-4,0%	39,0%	up	neutral
Dow Jones Industrials Index	USD	34 618	Sep-22	28 726	20,5%	Aug-23	35 631	-2,8%	4,4%	neutral	neutral
EuroStoxx50	EUR	4 295	Sep-22	3 279	31,0%	Jul-23	4 471	-3,9%	13,2%	neutral	neutral
Swiss Market Index	CHF	11 198	Sep-22	10 073	11,2%	May-23	11 595	-3,4%	4,4%	neutral	neutral
Nikkei225	JPY	33 533	Jan-23	25 717	30,4%	Jul-23	33 753	-0,7%	28,5%	up	neutral
Shanghai Composite	CNY	3 118	Oct-22	2 893	7,8%	May-23	3 395	-8,2%	0,9%	neutral	neutral
US 10Y Treasury Yield	%	4,34%	Apr-23	3,31%	1,0%	Sep-23	4,34%	0,0%	0,5%	up	slightly OB
German 10Y Bund Yield	%	2,67%	Dec-22	1,79%	0,9%	Mar-23	2,75%	-0,1%	0,1%	up	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	93	Nov-22	90	3,1%	Sep-22	107	-13,3%	-2,8%	down	slightly OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	104	Oct-22	96	8,3%	Feb-23	108	-3,3%	2,5%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	75	Oct-22	68	9,5%	Aug-23	75	-0,8%	5,5%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	84	Oct-22	75	12,8%	Jul-23	87	-2,6%	3,4%	neutral	neutral
EUR/USD		1,07	Sep-22	0,96	11,1%	Jul-23	1,12	-5,2%	-0,4%	neutral	neutral
GBP/USD		1,24	Sep-22	1,07	15,9%	Jul-23	1,31	-5,7%	2,4%	neutral	neutral
USD/JPY		148	Jan-23	128	15,6%	Oct-22	150	-1,5%	12,7%	up	slightly OB
USD/CHF		0,90	Jul-23	0,86	4,7%	Nov-22	1,01	-11,4%	-2,9%	neutral	neutral
AUD/USD		0,64	Oct-22	0,62	3,7%	Feb-23	0,71	-9,9%	-5,6%	neutral	slightly OS
Brent Oil (per Barrel)	USD	94	Jun-23	72	30,7%	Nov-22	99	-4,7%	9,3%	up	OB
Gold Spot (per Ounce)	USD	1 924	Sep-22	1 624	18,4%	May-23	2 050	-6,2%	5,4%	neutral	neutral

Credit Markets Focus: long historical lags between rate hikes and credit stress

Forecasts of either a soft/hard/no landing scenario have polarized much of the macro debate over the past 18 months or since the FED started to aggressively raise rates in Spring 2022. While some concerns are set on liquidity, and reduced leverage in financial markets, or on the rising indebtedness of US Consumers, most of the focus is concentrated on corporate balance sheets, their refinancing schedules and a possible increase in corporate bankruptcies, lay-offs, etc... For now, however, corporate net interest payments are at an all-time low vs profits. This is not unusual considering previous hiking cycles, as the effects of rate hikes usually hit with rather long lags (left-hand graph). In the current environment, these lags may prove even longer: not only are we coming off a very low interest base (from 0% 18 months ago), but on average, corporate balance sheets have entered this tightening spree with large amounts of cash (which are now remunerated at >5%) as well as refinancing schedules which were exceptionally long (Goldman Sachs estimates that almost half of the S&P500 Corporate debt matures beyond 2030). As a result, US Investment Grade spreads are also still at record lows. Cracks are however starting to appear (YoY rise in bankruptcies above any level since the GFC – right-hand graph). Indeed, while large Caps are still immune (for all the reasons above), smaller caps and private markets are in a more dire position. The Soft/Hard landing debate is still undecided, yet No landing seems optimistic as the usual lags should soon start to kick in.

US nonfinancial corporate net interest costs (% post-tax profits) are the lowest in 60 years



Source: Datastream, RealInvestmentAdvice.com

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