

WEEKLY MARKETS ROUND-UP

20th March 2023

Executive Summary

Top news: Bank stress – the last couple of weeks have been a nightmare for the banking industry and its regulators. It all started with Silvergate, a small US bank focused on the Crypto Industry on the 8th of March, then Silicon Valley Bank on the 10th (the 16th largest bank in the US), which was taken over by the FDIC - Federal Deposit Insurance Corporation (the US Government) along with NY based Signature Bank (the 21st largest in the US). On Friday, it was the turn of First Republic Bank (the 12th largest in the US) to be supported by a consortium of 11 large US Bank, while in Switzerland, this Sunday, Crédit Suisse was taken over by UBS with a 100 billion CHF backstop credit line by the Swiss National Bank. Such adverse developments in the banking industry are relevant of the stress imposed by the aggressive rate hikes performed by global central banks over the last 12 months, mostly as unrealized financial markets losses on the asset side meet fierce competition and a crisis of confidence on the deposits side. The resultant translates into systemic fears on the global financial system. The FED and the SNB have conceded huge liquidity injections, while, on the other hand, inflation for now is still running hot. Central Banks and the global financial system are stuck between a rock and a hard place: they need to maintain financial markets confidence, while having to continue bringing inflation down.

Equity: in this context, there are no simple solutions, and we are hence turning extremely prudent on global equities. Indeed, the rebound since last Fall has recently lost momentum, while we believe medium term Risk vs Reward perspectives have deteriorated. We would hence advise to reduce equity positions to a minimum until we get more clarity.

Fixed Income: Treasury and Bund yields are correcting down again as Pivot speculations are taking center stage once more. Support for this correction is potentially around 3% - 2.5% on the US10Y Treasury yield over the next 2-3 months.

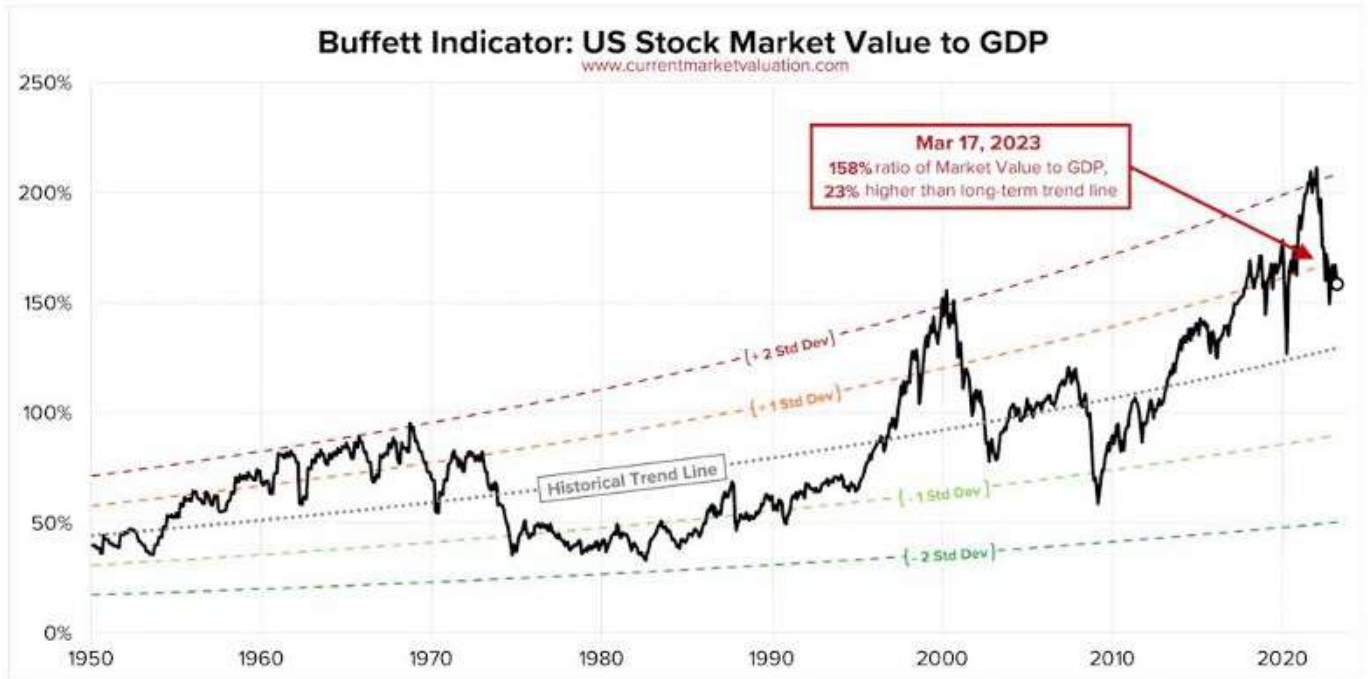
FOREX: the USD had seen a strong bounce since early February, yet it is retracing again along with yields. Medium term, however, probably from mid Q2, we are still positive for the US Dollar into yearend. This trend could be supported by flight to safety flows from other regions, for example if the situation overseas also deteriorates further (e.g. as with the Credit Suisse crisis).

Commodities: we expect Brent Oil to extend lower into Q2 (potentially towards 65 USD/barrel on Brent), Gold is risk-off and should generally continue to push higher into Q2.

	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance YTD in %	Trend last 6m ¹	Exaggeration OB / OS ²
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	3 915	oct.22	3 577	9,5%	mars.22	4 632	-15,5%	2,0%	neutral	neutral
Nasdaq100 Index	USD	12 517	déc.22	10 679	17,2%	mars.22	15 239	-17,9%	14,4%	up	neutral
Dow Jones Industrials Index	USD	31 842	sept.22	28 726	10,8%	mars.22	35 294	-9,8%	-3,9%	neutral	slightly OS
EuroStoxx50	EUR	4 064	sept.22	3 279	23,9%	mars.23	4 314	-5,8%	7,1%	up	neutral
Swiss Market Index	CHF	10 605	sept.22	10 073	5,3%	avr.22	12 529	-15,4%	-1,2%	neutral	slightly OS
Nikkei225	JPY	27 321	janv.23	25 717	6,2%	août.22	29 223	-6,5%	4,7%	neutral	neutral
Shanghai Composite	CNY	3 253	avr.22	2 886	12,7%	juin.22	3 409	-4,6%	5,3%	up	neutral
US 10Y Treasury Yield	%	3,39%	mars.22	2,29%	1,1%	oct.22	4,25%	-0,9%	-0,5%	neutral	neutral
German 10Y Bund Yield	%	2,24%	mars.22	0,45%	1,8%	mars.23	2,75%	-0,5%	-0,3%	up	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	107	nov.22	93	14,4%	avr.22	135	-20,6%	7,9%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	oct.22	99	8,8%	avr.22	121	-11,1%	3,1%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	73	oct.22	70	4,6%	avr.22	80	-7,8%	0,7%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	84	oct.22	77	9,0%	avr.22	98	-13,8%	-0,0%	neutral	neutral
EUR/USD		1,07	sept.22	0,96	11,2%	mars.22	1,12	-4,4%	-0,3%	neutral	neutral
GBP/USD		1,22	sept.22	1,07	14,1%	mars.22	1,33	-8,1%	0,7%	neutral	neutral
USD/JPY		132	mars.22	119	10,3%	oct.22	150	-12,2%	0,5%	neutral	neutral
USD/CHF		0,93	févr.23	0,91	1,9%	nov.22	1,01	-8,6%	0,2%	neutral	neutral
AUD/USD		0,67	oct.22	0,62	7,9%	avr.22	0,76	-11,7%	-1,9%	neutral	neutral
Brent Oil (per Barrel)	USD	76	mars.23	74	2,6%	juin.22	124	-38,8%	-12,0%	down	neutral
Gold Spot (per Ounce)	USD	1 984	sept.22	1 624	22,1%	mars.23	1 984	0,0%	8,7%	up	slightly OB

Macroeconomic focus: Equity Markets Valuations Remain Historically Elevated

The ratio comparing the total value of the US Stock Market vs US GDP (the "Buffet indicator") is still one standard deviation above its historic trendline (not mentioning that it is also well above its long term average). These valuation levels still appear hefty considering that rising costs of capital ("soft landing") or margin compression ("hard landing") or both ("stagflation") may still lie ahead.



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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