

WEEKLY MARKETS ROUND-UP

Executive Summary

21st August 2023

Top news: BRICs Summit and Jackson Hole Central Banks Conference this week – last week, China's woes continued with property developer Evergrande (which defaulted on 300bn USD debt in 2021) filing for bankruptcy protection in the US, Country Gardens, China's largest private developer missing interest payments, Zhongrong Intl. Trust, one of China's largest shadow banks, also missing payments on 30+ wealth management products, dismal releases for Chinese industrial production and retail sales, while the PoBC is desperately trying to stabilize USD/CNY (+0.6% last week). In the meantime, US Retail and Manufacturing data continued to surprise positively, while the Atlanta FED Nowcast is now projecting US Q3 GDP possibly as high as 5.8% YoY. Given these opposite growth dynamics, it will be interesting to see what kind of alternative trade currency (if any) arises from next Tuesday and Wednesday's BRICs summit. Then, from Thursday, attention will shift to Jackson Hole, with Powell and Lagarde both speaking on Friday. For US markets the risk remains on the hawkish side with only 11% of investors expecting a further rate hike in September, while cuts are widely anticipated from Q2 2024. In this context, Global Flash Manufacturing and Services PMI's on Wednesday will also help us better assess the forthcoming strength of the various economies.

Equity: the main equity markets, including the S&P500 and the EuroStoxx50 continued to drop last week by circa 2 to 3%. The catalysts were mostly the brewing debt crisis in China, resilient US data and the rather hawkish July FED minutes (released on Wednesday). We still expect equity markets to retest up between now and early Q4 (new highs?).

Fixed Income: US10Y made marginal new highs above last October ones, 10YBund yields stalled. The retest up in global yields may exhaust soon. We then expect some correction into the Fall, but not necessarily a full-blown reversal.

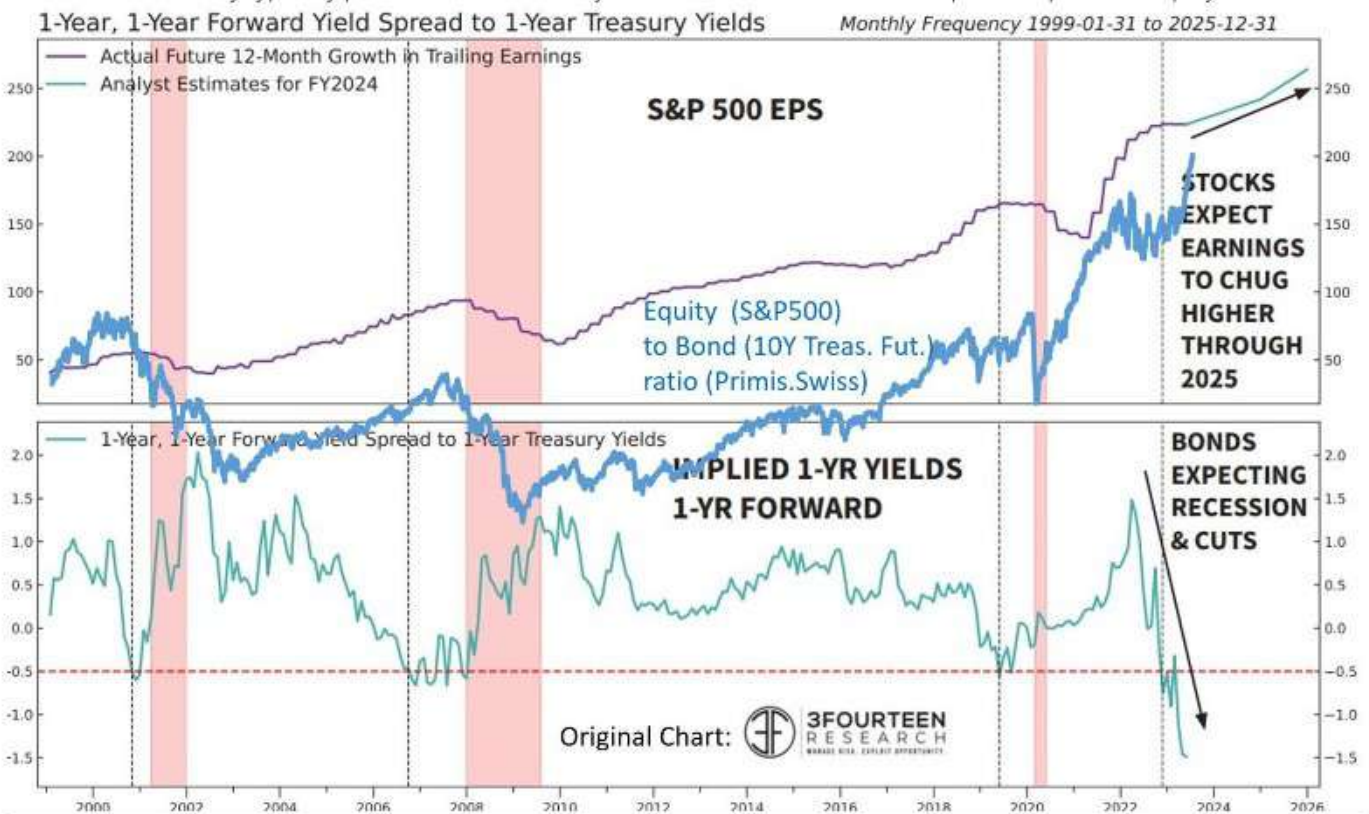
FOREX: USD remains bid on Higher for Longer narratives. It will continue to follow US long term yields up and down.

Commodities: Brent retraced slightly last week, yet could still reach 90 USD/b into late Q3. Gold broke 1'900 USD/oz last week but may still retest up into late Summer, as yields eventually correct down with the US Dollar.

	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	4 370	Oct-22	3 577	22,2%	Jul-23	4 589	-4,8%	13,8%	up	neutral
Nasdaq100 Index	USD	14 695	Dec-22	10 679	37,6%	Jul-23	15 841	-7,2%	34,3%	up	neutral
Dow Jones Industrials Index	USD	34 501	Sep-22	28 726	20,1%	Aug-23	35 631	-3,2%	4,1%	up	neutral
EuroStoxx50	EUR	4 213	Sep-22	3 279	28,5%	Jul-23	4 471	-5,8%	11,1%	neutral	neutral
Swiss Market Index	CHF	10 839	Sep-22	10 073	7,6%	May-23	11 595	-6,5%	1,0%	neutral	slightly OS
Nikkei225	JPY	31 451	Jan-23	25 717	22,3%	Jul-23	33 753	-6,8%	20,5%	up	neutral
Shanghai Composite	CNY	3 132	Oct-22	2 893	8,2%	May-23	3 395	-7,7%	1,4%	neutral	slightly OS
US 10Y Treasury Yield	%	4,25%	Aug-22	3,02%	1,2%	Aug-23	4,28%	-0,0%	0,4%	up	slightly OB
German 10Y Bund Yield	%	2,62%	Aug-22	1,29%	1,3%	Mar-23	2,75%	-0,1%	0,1%	up	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	94	Nov-22	91	3,1%	Aug-22	112	-16,1%	-2,8%	neutral	slightly OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	104	Oct-22	97	7,6%	Aug-22	109	-4,6%	1,9%	neutral	slightly OS
US High Yield (HYG ETF, 3-4Y duration)*	USD	74	Oct-22	68	8,6%	Jul-23	75	-1,4%	4,6%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	84	Oct-22	75	12,2%	Jul-23	87	-3,1%	2,9%	neutral	neutral
EUR/USD		1,09	Sep-22	0,96	13,3%	Jul-23	1,12	-3,3%	1,5%	neutral	neutral
GBP/USD		1,27	Sep-22	1,07	19,2%	Jul-23	1,31	-3,0%	5,3%	neutral	neutral
USD/JPY		145	Jan-23	128	13,7%	Oct-22	150	-3,1%	10,9%	neutral	slightly OB
USD/CHF		0,88	Jul-23	0,86	2,9%	Nov-22	1,01	-12,9%	-4,6%	neutral	neutral
AUD/USD		0,64	Oct-22	0,62	3,3%	Feb-23	0,71	-10,3%	-6,0%	neutral	slightly OS
Brent Oil (per Barrel)	USD	85	Jun-23	72	18,0%	Aug-22	105	-19,3%	-1,3%	up	neutral
Gold Spot (per Ounce)	USD	1 890	Sep-22	1 624	16,3%	May-23	2 050	-7,8%	3,6%	neutral	neutral

Market Expectations Focus: sharp dichotomy between Equity and Bond markets

The original chart from 3Fourteen Research compares US Equity markets expectations (positive S&P500 EPS projections, upper panel) with Bond market expectations (much more negative -1.5% implied 1Y yield in 1 Year, lower panel). Such negative anticipations by the bond market (below -0.5%) were also registered in late 2000, late 2006, mid 2019 and today, since late 2022. They typically preceded recessions by 6-12 months as well as subsequent drops in the Equity/Bonds ratio.



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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