

WEEKLY MARKETS ROUND-UP

Executive Summary

26th June 2023

Top news: Russia and next week's Central Banks Forum – it will probably take a few weeks to understand the consequences of what happened in Russia on Saturday. What we can say for now is that the reaction of financial markets is rather muted to slightly defensive (equities sliding, Gold, Oil and Treasuries slightly up, Dollar flat, or a mix that faintly corresponds to geopolitical tensions). On the macro side, Chair Powell delivered a hawkish speech last Wednesday to the House Financial Committee, possibly hinting to 2 more rate hikes this year, while Flash Purchasing Managers Indexes (PMIs) widely decreased in the EuroZone on Friday, while holding up slightly better in the US. Next week, we will be awaiting the ECB's Forum on Central Banking Panel on Wednesday when ECB's Lagarde, FED's Powell, BoJ's Ueda and BoE's Bailey will discuss current and future policy. On Tuesday, we will also be expecting US Consumer Confidence data, on Thursday Final US Q1 GDP and on Friday, US PCE inflation data (the FED's favorite measure of Core Inflation).

Equity: last week, the EuroStoxx50 and the S&P500 dropped 3% and 1.5% respectively. We believe that an intermediate top is in the making, between Friday a week ago and the next 2 weeks. We are hence expecting some retracement into July, perhaps August, while the medium term upside potential also appears rather exhausted (see next page).

Fixed Income: the slight drop in US and EuroZone yields could continue slightly longer into early July. We then expect further upside into the Summer, yet some retracement back this Fall as most economic data could then be slowing.

FOREX: the US Dollar may hold up into early/mid July, perhaps as the FED continues its hawkish talk. Yet, for now, this rebound appears counter-trend and we would expect further lows into late Summer.

Commodities: Oil remains Oversold, yet the reaction to Saturday's failed coup in Russia will need a few days to be assessed as instability in Russia could impact Oil production either way. Gold should theoretically benefit from political instability, but remains under the pressure of a hawkish FED, possibly for another few weeks.

	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	4 348	Oct-22	3 577	21,6%	Jun-23	4 426	-1,8%	13,3%	up	slightly OB
Nasdaq100 Index	USD	14 891	Dec-22	10 679	39,4%	Jun-23	15 185	-1,9%	36,1%	up	slightly OB
Dow Jones Industrials Index	USD	33 727	Sep-22	28 726	17,4%	Nov-22	34 590	-2,5%	1,8%	neutral	neutral
EuroStoxx50	EUR	4 272	Sep-22	3 279	30,3%	Apr-23	4 409	-3,1%	12,6%	neutral	neutral
Swiss Market Index	CHF	11 221	Sep-22	10 073	11,4%	May-23	11 595	-3,2%	4,6%	neutral	neutral
Nikkei225	JPY	32 782	Jan-23	25 717	27,5%	Jun-23	33 706	-2,7%	25,6%	up	OB
Shanghai Composite	CNY	3 198	Oct-22	2 893	10,5%	Jun-22	3 409	-6,2%	3,5%	neutral	neutral
US 10Y Treasury Yield	%	3,74%	Aug-22	2,58%	1,2%	Oct-22	4,25%	-0,5%	-0,1%	neutral	neutral
German 10Y Bund Yield	%	2,36%	Aug-22	0,76%	1,6%	Mar-23	2,75%	-0,4%	-0,2%	neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	103	Nov-22	92	12,1%	Aug-22	120	-13,6%	5,7%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	Oct-22	98	10,0%	Aug-22	113	-4,9%	4,1%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	74	Oct-22	69	7,4%	Aug-22	76	-2,6%	3,4%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	86	Oct-22	76	13,2%	Aug-22	88	-2,7%	3,8%	neutral	neutral
EUR/USD		1,09	Sep-22	0,96	13,6%	May-23	1,11	-1,5%	1,8%	neutral	neutral
GBP/USD		1,27	Sep-22	1,07	19,1%	Jun-23	1,28	-0,8%	5,2%	neutral	slightly OB
USD/JPY		144	Jan-23	128	12,4%	Oct-22	150	-4,2%	9,6%	up	slightly OB
USD/CHF		0,90	May-23	0,88	1,4%	Nov-22	1,01	-11,5%	-3,0%	neutral	neutral
AUD/USD		0,67	Oct-22	0,62	7,7%	Feb-23	0,71	-6,4%	-2,0%	neutral	neutral
Brent Oil (per Barrel)	USD	74	Jun-23	72	2,8%	Jun-22	118	-37,4%	-14,0%	down	neutral
Gold Spot (per Ounce)	USD	1 920	Sep-22	1 624	18,2%	May-23	2 050	-6,4%	5,2%	neutral	neutral

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

Valuation focus: limited incentive to own equities going forward

3 graphs this week to explain why Equities seem rather fully valued medium term. Mega Cap Techs have accounted for the lion's share of US equity performance year-to-date. Their forward PE is looking rich once again at 30x (left-hand top graph). The rest of the S&P500 is not cheap nor expensive (17x Median PE). Much of the rebound in US Equities was driven by Multiples Expansion (right-hand graph). There is limited scope for further such expansion as S&P500 earnings yield is now equal to less risky 3M Treasury and Investment Grade Bond yields (left-hand bottom graph).

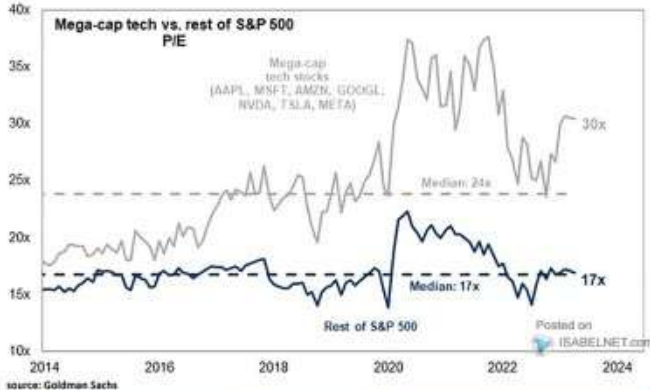
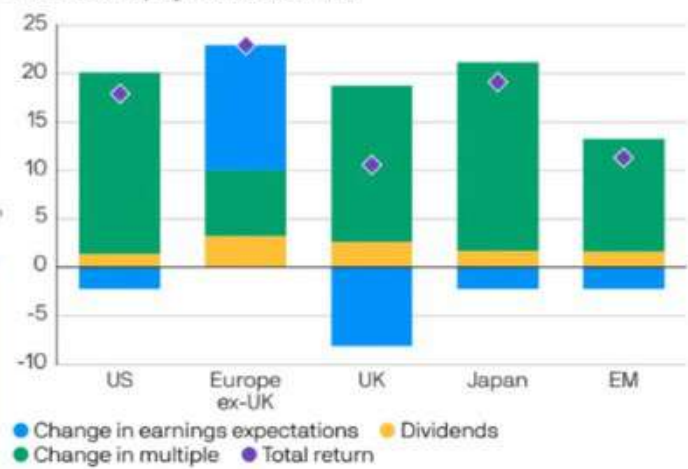


Exhibit 8: Multiple expansion has been the key driver of recent equity returns

Return decomposition since 30 September 2022

Sources of equity market return, %



Source: FTSE, MSCI, S&P Global, Refinitiv Datastream, J.P. Morgan Asset Management. MSCI indexes used for Europe ex-UK, Japan and EM. US is S&P 500 and UK is FTSE All-Share. Returns shown in local currency, with the exception of EM which is in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 May 2023.



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