

# WEEKLY MARKETS ROUND-UP

27th March 2023

## Executive Summary

**Top news: the FED and the Treasury** – this past week, the conundrum facing the US Financial establishment was blatantly exposed. Indeed, while Chairman Powell did deliver a new 25 basis points rate hike bringing the Fed Funds Rate to 4.75-5.00%, the wording was more dovish than at the previous meeting. Indeed, while the FED's statement remains strongly committed to bringing inflation back down to 2% over time, in terms of future rate hikes, it now aims to "closely monitor incoming information and assess the implications for monetary policy" to decide on future steps, rather than the "ongoing" rate hikes that were previously mentioned. The S&P500 shot up by 1% during the FED press conference on Wednesday as further rate hikes expectations over the next few months were revised down to possible rate cuts by year-end. Yet, this optimism is highly dependent on keeping the current liquidity crisis in the banking sector under control, and when Mrs Janet Yellen, the head of the US Treasury came out an hour later stating that the Treasury was "not considering or working on a unilateral expansion of deposit insurance", the S&P500 crashed 100 points or 2.5%. She then revised her comments the next day vowing support to the US banking sector, yet the episode was revealing. The FED and the US Treasury will indeed be walking a tight rope between a systemic failure and rampant inflation going forward.

**Equity:** we acknowledge that the last few weeks have seen a significant drop in market sentiment & positioning indicators. Such situations usually call for a rally as they did in late December, late September or late June last year. We are however looking beyond any short term strength as we believe medium term Risk vs Reward perspectives are less appealing. We would consider any bounce as a further opportunity to lighten up.

**Fixed Income:** Treasury and Bund yields are continuing to correct as Pivot speculations have found some confirmation in the dovish FED statement. We expect the US10Y Treasury yield to reach down towards the high/mid 2.0s% over the next 2 months.

**FOREX:** the USD probably remains under pressure as long as yields are falling, or until some adverse event happens abroad (e.g. a full blown European banking crisis). Given such risks, we are rather neutral in terms of positioning.

**Commodities:** we continue to expect Brent Oil to drop further into Q2 (potentially towards 65 USD/barrel). Gold could push higher, eventually testing its all-time highs into April as a looser monetary policy could meet a systemic risk-off event.

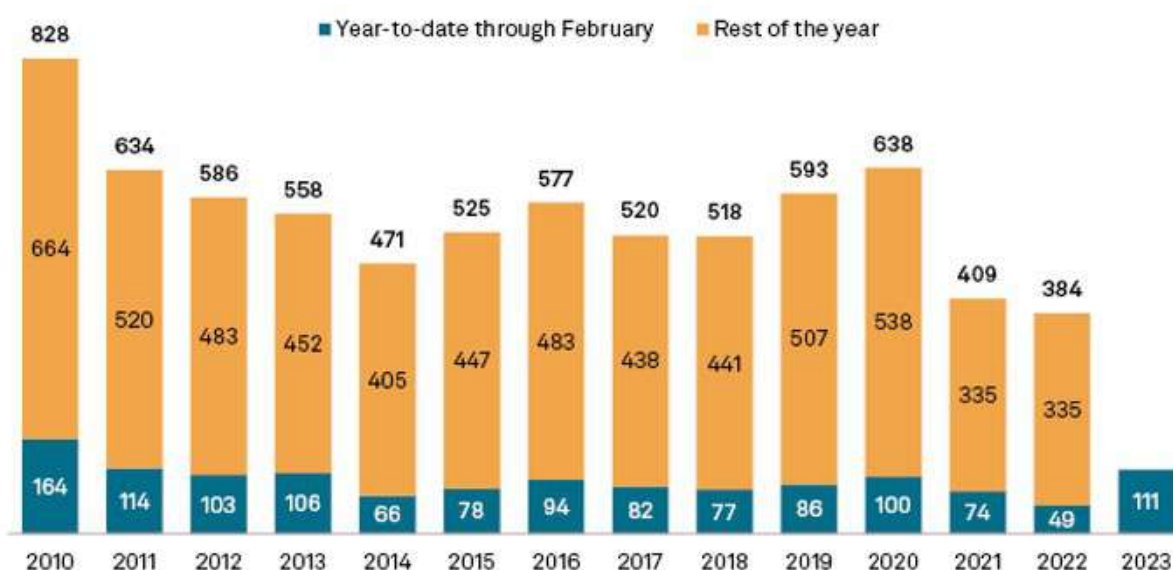
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance YTD in %	Trend last 6m <sup>1</sup>	Exaggeration OB / OS <sup>2</sup>
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	3 968	oct.22	3 577	10,9%	mars.22	4 632	-14,3%	3,4%	neutral	neutral
Nasdaq100 Index	USD	12 760	déc.22	10 679	19,5%	mars.22	15 239	-16,3%	16,6%	up	slightly OB
Dow Jones Industrials Index	USD	32 221	sept.22	28 726	12,2%	mars.22	35 294	-8,7%	-2,8%	neutral	neutral
EuroStoxx50	EUR	4 126	sept.22	3 279	25,8%	mars.23	4 314	-4,4%	8,8%	up	neutral
Swiss Market Index	CHF	10 633	sept.22	10 073	5,6%	avr.22	12 529	-15,1%	-0,9%	neutral	neutral
Nikkei225	JPY	27 365	janv.23	25 717	6,4%	août.22	29 223	-6,4%	4,9%	neutral	neutral
Shanghai Composite	CNY	3 266	avr.22	2 886	13,2%	juin.22	3 409	-4,2%	5,7%	up	neutral
US 10Y Treasury Yield	%	3,38%	mars.22	2,35%	1,0%	oct.22	4,25%	-0,9%	-0,5%	neutral	neutral
German 10Y Bund Yield	%	2,19%	avr.22	0,52%	1,7%	mars.23	2,75%	-0,6%	-0,4%	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	109	oct.22	99	10,3%	avr.22	121	-9,8%	4,5%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	74	oct.22	70	4,9%	avr.22	80	-7,5%	1,0%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	85	oct.22	77	10,6%	avr.22	98	-12,5%	1,4%	neutral	neutral
EUR/USD		1,08	sept.22	0,96	12,2%	mars.22	1,12	-3,6%	0,6%	neutral	neutral
GBP/USD		1,22	sept.22	1,07	14,5%	mars.22	1,31	-6,9%	1,2%	neutral	neutral
USD/JPY		131	mars.22	122	7,4%	oct.22	150	-12,9%	-0,3%	neutral	neutral
USD/CHF		0,92	févr.23	0,91	1,2%	nov.22	1,01	-9,2%	-0,5%	neutral	neutral
AUD/USD		0,66	oct.22	0,62	7,2%	avr.22	0,76	-12,3%	-2,5%	neutral	neutral
Brent Oil (per Barrel)	USD	76	mars.23	73	3,9%	juin.22	124	-38,6%	-11,7%	down	neutral
Gold Spot (per Ounce)	USD	1 978	sept.22	1 624	21,7%	mars.23	1 993	-0,8%	8,4%	up	slightly OB



## Macroeconomic focus: Bankruptcies are reaching levels not seen since 2011

Rising financing costs are putting increasing pressure on US corporate credit markets. Indeed, even before the bank failures of the last couple of weeks, US Corporate failures were running at rates not seen since 2011 according to Standard & Poor's. In this context, US Investment Grade spreads do seem quite low, at circa 1.5% on average. These probably don't compensate for the risk of further failures, while one can earn circa 4.5% or slightly above on AA rated USD Fiduciary deposits.

### US bankruptcy filings by year



Includes S&P Global Market Intelligence-covered U.S. companies that announced a bankruptcy between Jan. 1, 2010, and Feb. 28, 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".

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