

WEEKLY MARKETS ROUND-UP

Executive Summary

28th August 2023

Top news: Post Jackson Hole, Non-Farm Payrolls expected on Friday: last week, in South Africa, BRICs membership was extended to Argentina, Saudi Arabia, UAE, Iran, Ethiopia and Egypt (as of 1st January 2024). BRICs countries will now represent 29% of Global GDP; 46% of World Population, 43% of Oil Production and 25% of Exports of Goods. While the creation of a formal transnational currency was not on the agenda, BRICs countries vowed to engage in increased bilateral trading in local currency, reduce reliance on the US Dollar and promote a more multipolar financial system. The scope of this expansion further strengthens the BRICs as a counterweight to the G7. Focus then shifted to the Jackson Hole Central Bankers conference. On Friday, Chair Powell delivered a rather hawkish speech, suggesting that The FED was ready to raise rates further (yet would proceed carefully to do so), or at least to keep a restrictive policy, in order to achieve its 2% inflation targets. The speech ended with a "we will keep at it until the job is done". Risk assets and EUR/USD initially dropped but recuperated all these losses into Friday's close as the market decided to concentrate on recent improvement in inflationary data and the fact that rates will probably not rise much further. This week will start with the Conference Board Confidence Index and Job Openings tomorrow, but the main event will be Non-Farm Payrolls on Friday, which are expected to come in at a lower yet resilient 164k in August (vs 187k in July).

Equity: both S&P500 and EuroStoxx50 are down resp. -4 / -5% from their July tops but have stabilized over the last week. As detailed on the 2nd page, conditions for a recovery are decent, yet longer term, valuations remain stretched.

Fixed Income: 10Y US and German yields did retrace slightly last week but are still looking Overbought (e.g. US10Y in the table below). We would expect further retracement into the Fall, but cannot confirm an outright reversal for now.

FOREX: as with risk assets / equities, other currencies could see a recovery over the next few weeks vs the US Dollar.

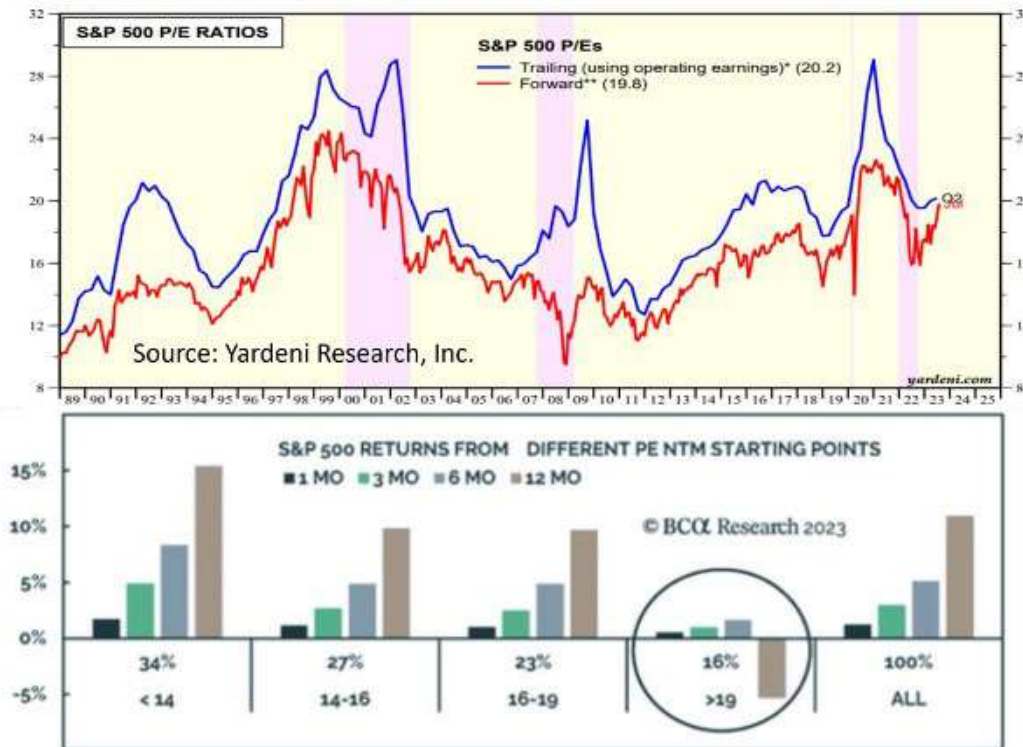
Commodities: Brent may still test 90 USD/b into late Q3, but its upside momentum has slowed. Gold has stabilized and may now follow risk assets, currencies vs USD and Silver, which is rallying strongly, up over the next month or so.

	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	4 406	Oct-22	3 577	23,2%	Jul-23	4 589	-4,0%	14,7%	up	neutral
Nasdaq100 Index	USD	14 942	Dec-22	10 679	39,9%	Jul-23	15 841	-5,7%	36,6%	up	neutral
Dow Jones Industrials Index	USD	34 347	Sep-22	28 726	19,6%	Aug-23	35 631	-3,6%	3,6%	up	neutral
EuroStoxx50	EUR	4 236	Sep-22	3 279	29,2%	Jul-23	4 471	-5,3%	11,7%	neutral	neutral
Swiss Market Index	CHF	10 957	Sep-22	10 073	8,8%	May-23	11 595	-5,5%	2,1%	neutral	slightly OS
Nikkei225	JPY	31 624	Jan-23	25 717	23,0%	Jul-23	33 753	-6,3%	21,2%	up	neutral
Shanghai Composite	CNY	3 064	Oct-22	2 893	5,9%	May-23	3 395	-9,7%	-0,8%	neutral	slightly OS
US 10Y Treasury Yield	%	4,23%	Aug-22	3,11%	1,1%	Aug-23	4,34%	-0,1%	0,4%	up	slightly OB
German 10Y Bund Yield	%	2,56%	Aug-22	1,50%	1,1%	Mar-23	2,75%	-0,2%	-0,0%	up	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	95	Nov-22	91	4,7%	Aug-22	111	-14,3%	-1,3%	down	slightly OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	105	Oct-22	97	8,5%	Feb-23	108	-3,1%	2,8%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	75	Oct-22	68	9,3%	Jul-23	75	-0,7%	5,3%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	85	Oct-22	75	13,1%	Jul-23	87	-2,3%	3,7%	neutral	neutral
EUR/USD		1,08	Sep-22	0,96	12,6%	Jul-23	1,12	-3,9%	0,9%	neutral	neutral
GBP/USD		1,26	Sep-22	1,07	17,8%	Jul-23	1,31	-4,2%	4,0%	neutral	neutral
USD/JPY		146	Jan-23	128	14,5%	Oct-22	150	-2,4%	11,7%	up	slightly OB
USD/CHF		0,88	Jul-23	0,86	3,1%	Nov-22	1,01	-12,7%	-4,3%	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	17,9%	Aug-22	105	-19,4%	-1,4%	up	neutral
Gold Spot (per Ounce)	USD	1 915	Sep-22	1 624	17,9%	May-23	2 050	-6,6%	4,9%	neutral	neutral

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

Forward PE Focus: current PE levels have historically led to underperformance

The recent correction in equity markets may provide a short term Buy the Dips opportunity (10day Moving Average of [Put/Call ratio on the S&P500](#) approaching 1.1 – Nber of outstanding Puts outweighs Calls, hence pointing to too much negativity and usually triggering a rally). From a wealth management perspective, however, this is a short term trading opportunity, not an investment. Indeed, the current level of Forward S&P500 PE (19.8, upper graph from Yardeni Research) usually triggers more than -5% of negative performance over the next 12 months (lower graph from the Bank Credit Analyst).



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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