

# WEEKLY MARKETS ROUND-UP

## Executive Summary

30<sup>th</sup> October 2023

**Top news: BOJ, FED, BOE, NFPs and further Middle East escalation** – many big Techs (MSFT, GOOGL, META, AMZN) reported last week, generally did beat on earnings and revenue, yet showed minor concerns on forward guidance and AI related Cloud activities. As a result, the Nasdaq100 remained under pressure on average, dropping 3.8% last week (-2.8% for the S&P500). Last but not least, we now await earnings from Apple this Thursday. On the macro front, the week saw strong US economic data, with both Services and Manufacturing Flash PMIs back in positive territory ( $\geq 50$ ), a blockbuster US Q3 advanced real GDP estimate (+4.9% YoY) as well as Durable Goods orders (4.7% vs 1.9% exp.) on Thursday, clearly favoring a soft- / no- landing scenario for now (see next page). On Friday, PCE Core Inflation came in inline (+0.3% MoM vs +0.1% last month), while Revised UoM Consumer Sentiment also inched up. This week, we await Chinese PMIs and the BOJ on Tuesday, US ISM Manufacturing PMIs, Job Openings and the FED on Wednesday, the BOE on Thursday and Non-Farm Payrolls and ISM Services PMI on Friday. In the meantime, military confrontation could escalate further in the Middle East, adding a further risk premium to the pricing of equities / risk assets.

**Equity:** as mentioned above, US markets continued to drop last week (circa -3%), while European and Asian markets held up better (circa -1% on average). Our table below suggests that the main indexes are getting Oversold while most markets ex US are confirming a downtrend. We hence expect a bounce into November, yet probably w/o new highs.

**Fixed Income:** benchmark 10Y Yields retraced slightly last week. Most Bond ETFs also remain Oversold and could continue to bounce temporarily into November. 10Y US and Bund yields could retrace to below 4.4% and 2.6% resp.

**FOREX:** USD dipped early last week but from Tuesday recuperated all these losses as US data kept coming in strongly. According to our measures below, the Dollar remains Overbought while the FED or NFPs may surprise dovishly.

**Commodities:** despite mounting geopolitical tensions, Oil retraced slightly last week and seems to remain sideways around 90 USD/barrel for now. Gold kept rising, topped 2'000 USD/oz yet may be starting to get Overbought.

	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	4 117	Nov-22	3 720	10,7%	Jul-23	4 589	-10,3%	7,2%	neutral	slightly OS
Nasdaq100 Index	USD	14 180	Dec-22	10 679	32,8%	Jul-23	15 841	-10,5%	29,6%	neutral	neutral
Dow Jones Industrials Index	USD	32 418	Mar-23	31 819	1,9%	Aug-23	35 631	-9,0%	-2,2%	neutral	OS
EuroStoxx50	EUR	4 014	Nov-22	3 593	11,7%	Jul-23	4 471	-10,2%	5,8%	down	slightly OS
Swiss Market Index	CHF	10 324	Oct-23	10 324	0,0%	May-23	11 595	-11,0%	-3,8%	down	OS
Nikkei225	JPY	30 992	Jan-23	25 717	20,5%	Jul-23	33 753	-8,2%	18,8%	neutral	neutral
Shanghai Composite	CNY	3 018	Oct-22	2 893	4,3%	May-23	3 395	-11,1%	-2,3%	down	slightly OS
US 10Y Treasury Yield	%	4,84%	Apr-23	3,31%	1,5%	Oct-23	4,99%	-0,2%	1,0%	up	slightly OB
German 10Y Bund Yield	%	2,84%	Dec-22	1,79%	1,0%	Sep-23	2,97%	-0,1%	0,3%	up	slightly OB
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	84	Oct-23	83	1,9%	Dec-22	104	-19,1%	-10,9%	down	slightly OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	100	Nov-22	96	3,4%	Feb-23	107	-6,9%	-1,3%	neutral	slightly OS
US High Yield (HYG ETF, 3-4Y duration)*	USD	72	Nov-22	68	6,7%	Aug-23	75	-3,1%	3,1%	neutral	slightly OS
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	81	Nov-22	75	7,3%	Jul-23	86	-5,6%	0,1%	neutral	slightly OS
EUR/USD		1,06	Nov-22	0,97	8,4%	Jul-23	1,12	-6,0%	-1,3%	neutral	slightly OS
GBP/USD		1,21	Nov-22	1,12	8,6%	Jul-23	1,31	-7,7%	0,2%	neutral	slightly OS
USD/JPY		150	Jan-23	128	17,1%	Oct-23	150	-0,5%	14,1%	up	neutral
USD/CHF		0,90	Jul-23	0,86	5,2%	Nov-22	1,01	-10,9%	-2,4%	neutral	neutral
AUD/USD		0,63	Nov-22	0,63	0,7%	Feb-23	0,71	-11,2%	-7,0%	neutral	slightly OS
Brent Oil (per Barrel)	USD	90	Jun-23	72	25,4%	Nov-22	99	-8,6%	4,9%	up	neutral
Gold Spot (per Ounce)	USD	2 005	Nov-22	1 630	23,1%	May-23	2 050	-2,2%	9,9%	neutral	slightly OB

## US GDP Focus: blockbuster advanced US Q3 real GDP last week, what landing?

4.9% YoY real GDP Growth in Q3 2023 is a hefty number. It indicates persistent US Growth driven mostly, as shown on the left-hand graph, by resilient Consumer Spending (up 4% YoY). For example, Q3 sales at Amazon are up 11% YoY, while revenue at Meta (mostly advertising) is up 23%. This strength is materializing despite a 5.5% Fed Funds Rate, and related skyrocketing interest expenses, frozen US real estate market, and US banks sitting on trillions of unrealized losses. Such elements should start to hit, and indeed the Chicago FED estimates a further cumulative drag of 2-3% to GDP into late 2024 (right-top graph). However, it also estimates that this negative impact is probably slowing already (right-bottom graph), while US GDP continues to plow ahead. We wonder what could derail these positive dynamics? Could it be the senseless spending, the reckless fiscal expansion or just fears of widespread geopolitical instability? For now, at least, soft-landing scenarios still take precedence, and the FED will probably stay higher for longer, ... unless/until something really breaks.

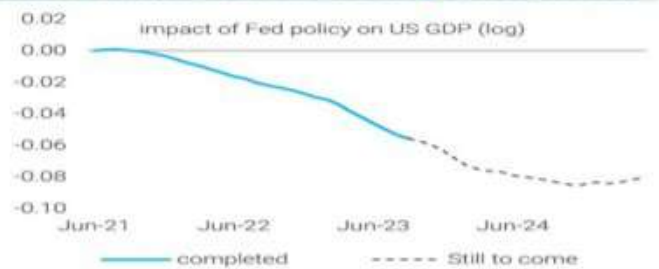
### Consumption fuels third-quarter economic boom

Percentage-point contribution to GDP growth (%)



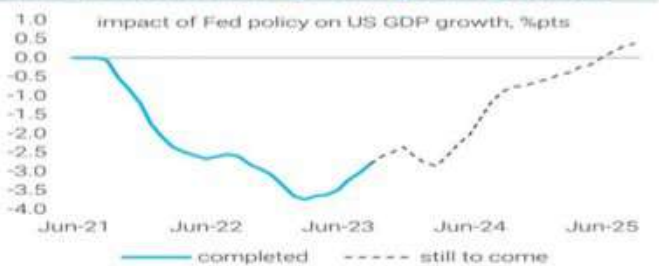
Sources: Bureau of Economic Analysis; Morgan Stanley © FT

### Chart 3: Rate hikes remain a drag on level of GDP



Source: Chicago Fed estimates

### Chart 4: But has the impact on growth peaked?



Source: Chicago Fed estimates

### 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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