

WEEKLY MARKETS ROUND-UP

Executive Summary

31st July 2023

Top news: July Non-Farm Payrolls on Friday – last week was mixed on earnings with Alphabet beating on both revenues on sales on Tuesday and rising sharply, while Microsoft also beat yet lowered forward revenue guidance and dropped 4% into Friday. This week will see reports from AMD on Tuesday as well as Amazon and Apple on Thursday. On the Central Banks front, the FED raised another +0.25% to 5.5% on Wednesday as expected and signaled its data dependency towards a further hike in September. Its economists are now expecting a slowdown this Fall yet no recession (and coincidentally advanced US GDP for Q2 came in at a strong +2.4% rise Q-to-Q on Thursday). Also on Thursday, the ECB pushed a further +0.25% rate hike to 3.75%, yet dovishly surprised by hinting that it could be the last. As a result, EUR/USD dropped from 1.11 to test 1.10. Finally, on Friday, while the BOJ maintained its ultra low -0.1% short term rate, it signaled that it could tolerate its 10Y yield to rise up to 1% (from 0.5%). This may mark a first step out of its ultra dovish Yield Curve Control policy. Next week, US Manufacturing and Services Purchasing Manager's Index (PMIs) will be released on Wednesday and Thursday, and Non-Farm Payrolls on Friday.

Equity: despite still being slightly Overbought (see table below), Equity markets nudged up again last week. The EuroStoxx50 in particular made new highs after 3 months of flat consolidation since April. We remain short term prudent over the next week or so, yet would expect further highs into late Q3 / early Q4, and then a more worthwhile correction into next Spring. Anyhow, volatility remains very low and protecting portfolios has never been cheaper.

Fixed Income: US10Y yields retested up to 4% last week, while the German 10Y Bund yield also held up. While some retracement is expected later this year on the long end, short to medium term yields currently provide opportunities to lock in high quality credits 2 to 3 years out (thereby building an interesting yield cushion for any portfolio).

FOREX: the US Dollar held up last week vs most currencies, yet we still expect it to weaken again into early Fall.

Commodities: Brent continues to rebound (close to 85 USD/barrel). Gold could rally again soon, into late Summer.

	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	4 582	Oct-22	3 577	28,1%	Jul-23	4 582	0,0%	19,3%	up	slightly OB
Nasdaq100 Index	USD	15 751	Dec-22	10 679	47,5%	Jul-23	15 841	-0,6%	44,0%	up	slightly OB
Dow Jones Industrials Index	USD	35 459	Sep-22	28 726	23,4%	Jul-23	35 520	-0,2%	7,0%	neutral	slightly OB
EuroStoxx50	EUR	4 467	Sep-22	3 279	36,2%	Jul-23	4 467	0,0%	17,7%	neutral	neutral
Swiss Market Index	CHF	11 318	Sep-22	10 073	12,4%	May-23	11 595	-2,4%	5,5%	neutral	neutral
Nikkei225	JPY	32 759	Jan-23	25 717	27,4%	Jul-23	33 753	-2,9%	25,5%	up	slightly OB
Shanghai Composite	CNY	3 276	Oct-22	2 893	13,2%	May-23	3 395	-3,5%	6,0%	neutral	neutral
US 10Y Treasury Yield	%	3,96%	Aug-22	2,58%	1,4%	Oct-22	4,25%	-0,3%	0,1%	up	neutral
German 10Y Bund Yield	%	2,46%	Aug-22	0,76%	1,7%	Mar-23	2,75%	-0,3%	-0,1%	neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	100	Nov-22	92	8,4%	Aug-22	119	-16,5%	2,2%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	Oct-22	98	10,1%	Aug-22	113	-4,8%	4,3%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	75	Oct-22	69	9,6%	Aug-22	76	-0,6%	5,5%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	88	Oct-22	76	15,6%	Aug-22	88	-0,7%	6,0%	neutral	neutral
EUR/USD		1,10	Sep-22	0,96	14,9%	Jul-23	1,12	-2,0%	3,0%	neutral	neutral
GBP/USD		1,29	Sep-22	1,07	20,3%	Jul-23	1,31	-2,1%	6,3%	neutral	neutral
USD/JPY		141	Jan-23	128	10,4%	Oct-22	150	-5,9%	7,7%	up	neutral
USD/CHF		0,87	Jul-23	0,86	1,5%	Nov-22	1,01	-14,1%	-5,9%	neutral	neutral
AUD/USD		0,66	Oct-22	0,62	7,2%	Feb-23	0,71	-6,9%	-2,5%	neutral	neutral
Brent Oil (per Barrel)	USD	85	Jun-23	72	18,0%	Aug-22	105	-19,3%	-1,3%	neutral	neutral
Gold Spot (per Ounce)	USD	1 959	Sep-22	1 624	20,6%	May-23	2 050	-4,4%	7,4%	neutral	neutral

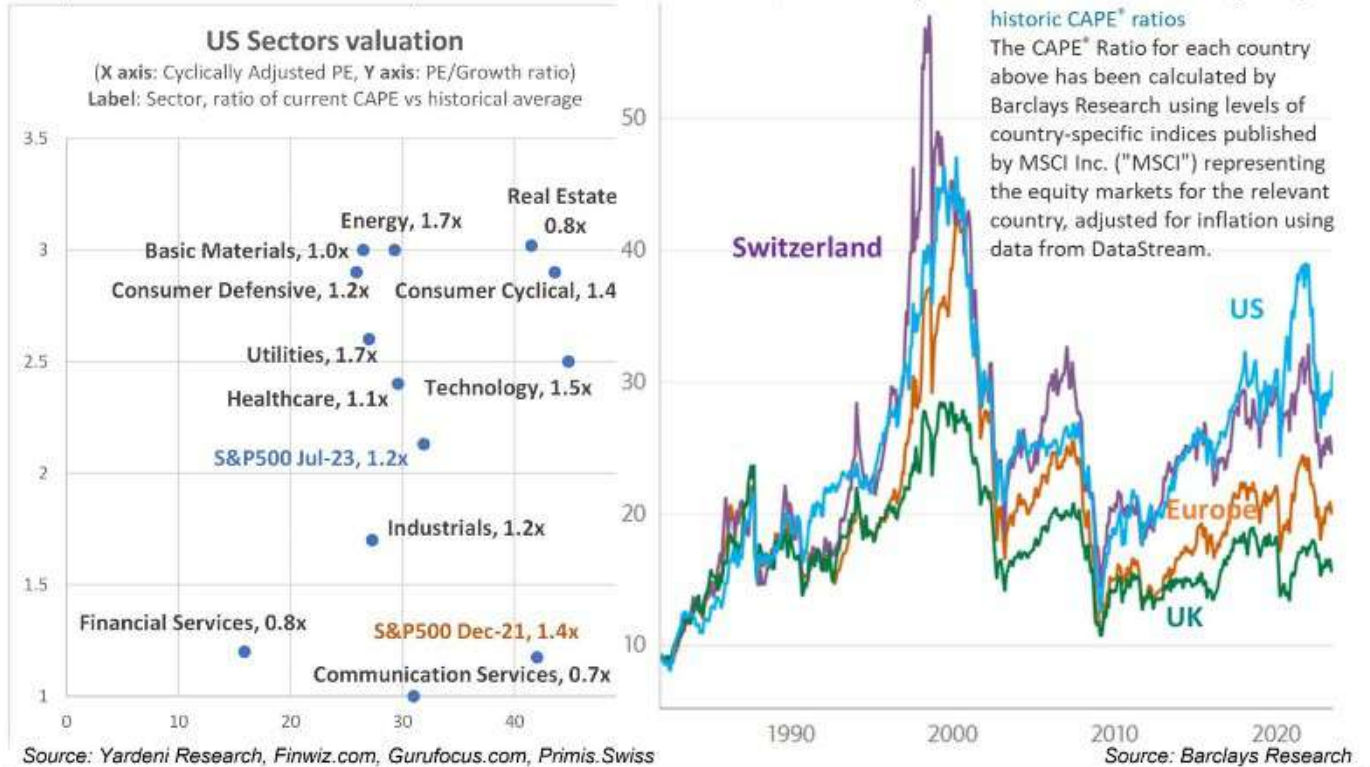
* These large fixed income ETFs are used as proxies to assess the state of duration trades as well as of credit markets

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Valuation focus: PE vs Growth ratios (PEGs) and Cyclically adj. PEs (CAPE ratio)

Talk of the Street is currently that valuations are out of synch with expected EPS Growth. Indeed, as Growth prospects have been slashed since late 2021 (due to expectations of a Landing), PEG ratios (PEs vs 5Y expected Earnings Growth rates) are now mostly in Overvalued territory (well above 1, left-hand graph). Yet, some areas of Value subsist (e.g. Financials, Comm. Svcs, Industrials). Geographically (right-hand graph), the US remains expensive historically, yet Europe and the UK are rather cheap. It's hence time to be selective, but not fully out of certain sectors / regions yet.



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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