

WEEKLY MARKETS ROUND-UP

Executive Summary

13th November 2023

Top news: US on Negative Watch by Moody's, US CPI and Retail Sales – last Friday after the close, Moody's, the last rating agency to have kept the US Aaa Rating lowered its outlook on it from "stable" to "negative". This comes shy of downgrading the US Government (as S&P and Fitch have already done), yet will certainly add further term premium upside pressure. Last week, we also heard two speeches from Chair Powell, who for now attempts to remain hawkish pointing that further rate hikes may still be under consideration to bring inflation totally under control. The market doesn't believe him however with a 90% probability of "no more rate hikes" priced in. Interestingly, the University of Michigan 12 months Inflation Expectations remained quite high on Friday at 4.4%, while their Consumer Sentiment survey dropped quite markedly from 63.8 last month to 60.4, betraying a rather stagflationary feeling. This could be the case again this week, with the more structural US Core CPI expected to hold up at +0.3% on Tuesday while the more cyclical US Headline CPI incl. Food & Energy is expected to drop from +0.4 to +0.1% MoM. In addition, the market is also expecting a sharp drop in US Retail Sales on Wednesday, from +0.7% MoM for September to -0.3% for October.

Equity: equity markets continued to push higher last week. The Nasdaq100 was especially strong with an additional 4% rise from its recent dip (S&P500 + 1.5%, EuroStoxx50 + 0.6%). Over the next few weeks, we believe the Nasdaq100 may continue to push higher and may make marginal new highs. Other markets may tag along without new highs.

Fixed Income: Benchmark bond yields rose back slightly last week, and early this week, the Moody's negative US outlook may still trigger more upside pressure. The retracement period then probably resumes into yearend.

FOREX: USD bounced last week, especially vs GBP and JPY (which retested up above 151.5). The Moody's negative outlook could see it reverse down this week. Further weakness could then materialize as yields also resume lower.

Commodities: Oil continued to slide to 81 USD/barrel and Gold dropped more than 50 USD/barrel to 1'937 USD/oz as the risk of a regionalization of the Israel/Hamas conflict seemed to recede, for now.

	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	4 415	Dec-22	3 783	16,7%	Jul-23	4 589	-3,8%	15,0%	neutral	neutral
Nasdaq100 Index	USD	15 529	Dec-22	10 679	45,4%	Jul-23	15 841	-2,0%	42,0%	neutral	neutral
Dow Jones Industrials Index	USD	34 283	Mar-23	31 819	7,7%	Aug-23	35 631	-3,8%	3,4%	neutral	neutral
EuroStoxx50	EUR	4 197	Dec-22	3 794	10,6%	Jul-23	4 471	-6,1%	10,6%	neutral	neutral
Swiss Market Index	CHF	10 555	Oct-23	10 324	2,2%	May-23	11 595	-9,0%	-1,6%	down	neutral
Nikkei225	JPY	32 568	Jan-23	25 717	26,6%	Jul-23	33 753	-3,5%	24,8%	neutral	neutral
Shanghai Composite	CNY	3 039	Oct-23	2 939	3,4%	May-23	3 395	-10,5%	-1,6%	neutral	neutral
US 10Y Treasury Yield	%	4,61%	Apr-23	3,31%	1,3%	Oct-23	4,99%	-0,4%	0,7%	up	neutral
German 10Y Bund Yield	%	2,71%	Dec-22	1,79%	0,9%	Sep-23	2,97%	-0,3%	0,1%	up	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	88	Oct-23	83	5,7%	Dec-22	105	-16,1%	-7,6%	down	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	102	Oct-23	98	3,9%	Feb-23	107	-4,6%	1,2%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	74	Dec-22	69	7,4%	Nov-23	74	-0,5%	6,0%	neutral	slightly OB
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	83	Nov-22	79	5,2%	Jul-23	86	-3,4%	2,5%	neutral	neutral
EUR/USD		1,07	Nov-22	1,02	4,4%	Jul-23	1,12	-4,9%	-0,2%	neutral	neutral
GBP/USD		1,22	Nov-22	1,18	4,0%	Jul-23	1,31	-6,9%	1,1%	neutral	neutral
USD/JPY		152	Jan-23	128	18,5%	Oct-23	152	-0,1%	15,6%	up	neutral
USD/CHF		0,90	Jul-23	0,86	5,2%	Nov-22	0,96	-5,9%	-2,4%	neutral	neutral
AUD/USD		0,64	Oct-23	0,63	1,0%	Feb-23	0,71	-10,9%	-6,7%	neutral	neutral
Brent Oil (per Barrel)	USD	81	Jun-23	72	13,3%	Sep-23	97	-15,7%	-5,2%	up	slightly OS
Gold Spot (per Ounce)	USD	1 937	Nov-22	1 739	11,4%	May-23	2 050	-5,5%	6,2%	neutral	neutral

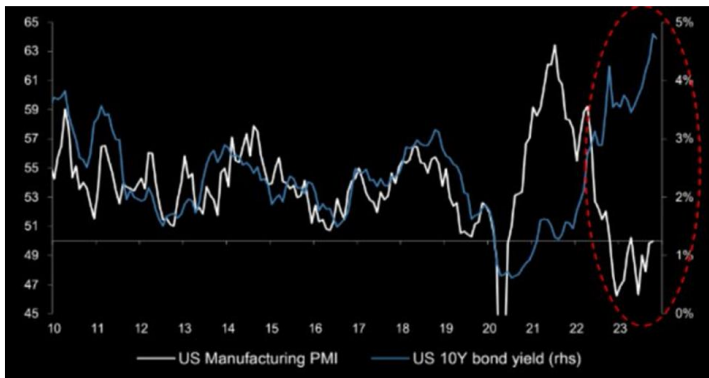
* These large fixed income ETFs are used as proxies to assess the state of duration trades as well as of credit markets

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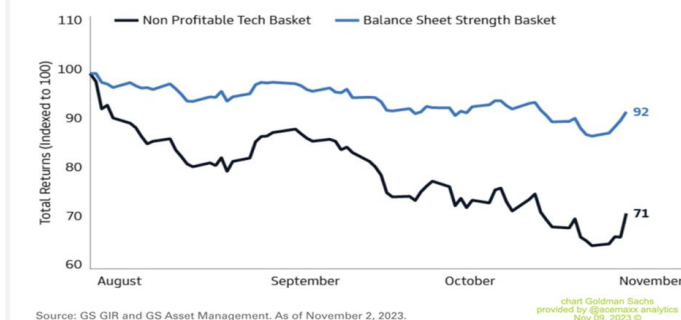
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Asset Allocation Focus: stick to quality and thereby keep your options open

The first graph this week (top-left graph from JP Morgan) considers the disparity between US Manufacturing weakness and the much higher level of the US10Y yield. At some point indeed, some convergence is bound to materialize. Either yields drop back down, which could happen in case of a rather hard landing, or US manufacturing recovers towards the mid 50s (back in expansion mode) in a more soft/no-landish scenario. Goldman Sachs is clearly betting on this more positive outcome (right-top graph) as it expects strong performance from Commodities and Equities vs Bonds and especially vs Cash in 2024. We would however caution to stick to quality, as the strong underperformance of unprofitable Tech vs Solid Balance sheets (bottom-left graph) or the recent widening of lower Junk bond spreads would suggest (bottom-right graph).



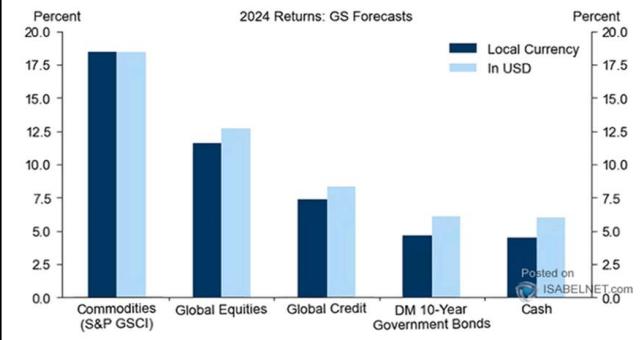
Source: JPM



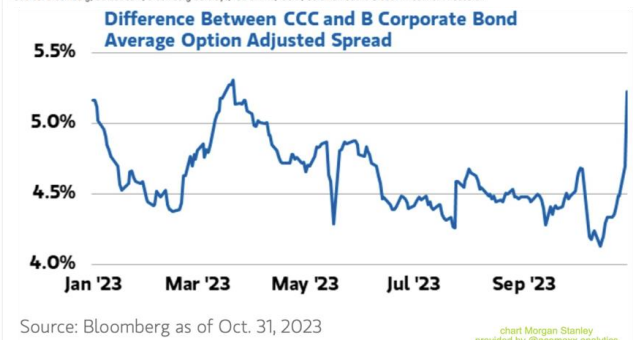
Source: GS GIR and GS Asset Management. As of November 2, 2023.

chart Goldman Sachs provided by @seamless_analytics New York, 2023 ©

Exhibit 25: We Expect Higher Returns on Non-Cash Assets Than Cash in 2024



Source: Bloomberg, Datastream, Bloomberg-Barclays, ICE-BAML, iBoxx, Goldman Sachs Global Investment Research



Source: Bloomberg as of Oct. 31, 2023

chart Morgan Stanley provided by @seamless_analytics

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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Primis Investment (Suisse) SA
5 rue Jacques-Balmat, 1204 Geneva –Switzerland
T: + 41 22 570 60 80

wealth-management@primis.swiss

www.primis.swiss

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