PRIMIS® INVESTMENT

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WEEKLY MARKETS ROUND-UP

Executive Summary

27th November 2023

Top news: German CPI, US Preliminary GDP, OPEC+ Meeting – last week was quiet in financial markets following the strong risk assets rally which started late October. The FED minutes, which were released on Tuesday evening, didn't give away anything new, i.e. the FED will continue to adopt a restrictive Higher for Longer posture until it is convinced that inflation is set to meet its 2% target. Flash PMIs later in the week were mixed, surprising slightly above expectations in Europe and the UK, while the Flash Manufacturing PMI was slightly lower than expected in the US while Services was slightly better. On average, these releases proved a bit hawkish and rate cuts expectations shifted from next May to next June. The week also saw blockbuster revenue and earnings from NVDIA (resp. doubling and up 12 times YoY). This week, we will await US Consumer Confidence on Tuesday, and then on Wednesday, German CPI (exp. -0.1% MoM) and US Preliminary GDP, which should confirm its advanced estimates published a month ago at 4.9%. Thursday will see the FED's favorite Inflation gauge, Core PCE (exp. at + 0.2% MoM, down from 0.3% last month) as well as the OPEC+ meeting. Friday will finish the week with US Manufacturing PMI and a speech by Chair Powell.

Equity: equity markets, ex China (-0.5%), still progressed last week (e.g. +0.2% for the Nikkei225, up to +1.4% for the Dow Jones Industrial). We feel that the rally may continue into early/mid December, yet with limited remaining upside.

Fixed Income: bond yields did bounce slightly last week, yet could roll-over again soon, and retrace further into early next year. The corrective downside could be between 4 and 3.5% on the US10Y, between 2.4 and 2% on the 10Y Bund.

FOREX: the Dollar continued to retrace especially vs cyclical currencies such as Cable or AUD. The current correction could continue another few weeks as risk assets linger on higher. We then expect some strength into early/mid Q1.

Commodities: Oil has dropped almost 15% from its highs in late September. The OPEC+ meeting may lead to some stabilization as existing cuts will probably be extended. Gold is holding above 2'000 USD/oz for now, and could continue to do so slightly longer, or as long as USD remains quite weak. We then expect some retracement into Q1.

	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 %	YTD in %	last 6m[1]	OB / OS [2]
S&P500 Index	USD	4'559	Dec-22	3'783	20.5%	Jul-23	4'589	-0.6%	18.7%	neutral	neutral
Nasdaq100 Index	USD	15'982	Dec-22	10'679	49.7%	Nov-23	16'027	-0.3%	46.1%	neutral	neutral
Dow Jones Industrials Index	USD	35'390	Mar-23	31'819	11.2%	Aug-23	35'631	-0.7%	6.8%	neutral	slightly OB
EuroStoxx50	EUR	4'372	Dec-22	3'794	15.2%	Jul-23	4'471	-2.2%	15.2%	neutral	slightly OB
Swiss Market Index	CHF	10'880	Oct-23	10'324	5.4%	May-23	11'595	-6.2%	1.4%	neutral	neutral
Nikkei225	JPY	33'626	Jan-23	25'717	30.8%	Jul-23	33'753	-0.4%	28.9%	neutral	neutral
Shanghai Composite	CNY	3'041	Oct-23	2'939	3.5%	May-23	3'395	-10.4%	-1.6%	neutral	neutral
US 10Y Treasury Yield	%	4.47%	Apr-23	3.31%	1.2%	Oct-23	4.99%	-0.5%	0.6%	up	neutral
German 10Y Bund Yield	%	2.65%	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	90	Oct-23	83	7.9%	Dec-22	105	-14.4%	-5.7%	down	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	105	Oct-23	98	6.4%	Feb-23	107	-2.2%	3.7%	neutral	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	75	Dec-22	69	8.8%	Nov-23	75	-0.1%	7.3%	neutral	slightly OB
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	85	Oct-23	79	6.9%	Jul-23	86	-0.9%	5.3%	neutral	slightly OB
EUR/USD		1.09	Nov-22	1.03	5.9%	Jul-23	1.12	-2.7%	2.2%	neutral	slightly OB
GBP/USD		1.26	Mar-23	1.18	6.6%	Jul-23	1.31	-4.0%	4.3%	neutral	neutral
USD/JPY		149	Jan-23	128	16.9%	Nov-23	152	-1.5%	14.0%	neutral	neutral
USD/CHF		0.88	Jul-23	0.86	2.9%	Nov-22	0.95	-7.5%	-4.5%	neutral	neutral
AUD/USD		0.66	Oct-23	0.63	4.6%	Feb-23	0.71	-7.7%	-3.4%	neutral	neutral
Brent Oil (per Barrel)	USD	82	Jun-23	72	13.6%	Sep-23	97	-15.5%	-5.0%	neutral	neutral
Gold Spot (per Ounce)	USD	2'001	Nov-22	1'740	15.0%	May-23	2'050	-2.4%	9.6%	neutral	slightly OB

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

Source: Primis Investment (Suisse) SA

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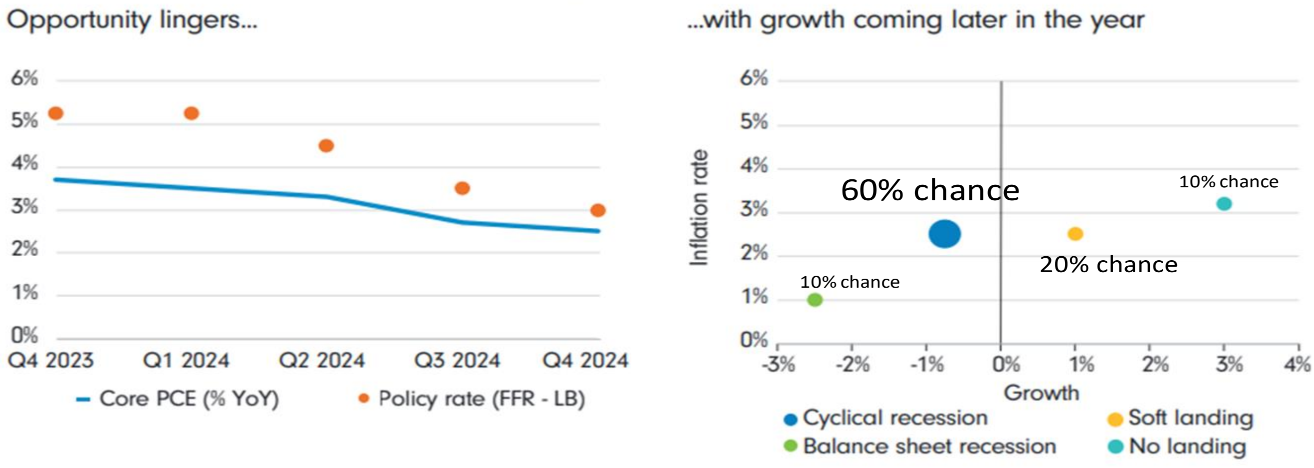
Macro Focus: Mapping the various Cross Asset scenarios for next year

As we approach yearend, many financial institutions are publishing their macro outlook for 2024. We've decided to focus on [the one recently released by Fidelity International] as it offers a rather clear presentation of the various scenarios which can be envisaged. Fidelity is favoring what it calls a Cyclical recession (60% chance – right hand graph), i.e. a moderate recession, as monetary tightening finally hits the real economy with a lag. In this context, Fidelity initially expects Central Banks to hold higher for longer until they observe clearer signs that inflation is heading back to targets (they expect some inflation persistence into early next year), but then to cut short term rates rather quickly (from 5.5. towards 3% - left-hand graph) from the Spring into late next year. Generally, this scenario implies remaining slightly defensive on fixed income duration into early Spring, before embracing it for the rest of 2024, to generally favor companies with strong balance sheets on both the fixed income and equity sides, and to look beyond the Magnificent 7, probably towards well-run less cyclical mid sized companies with good growth prospects and valuation which are still decent. Fidelity then expects a return to economic growth from late 2024-2025. Fidelity's 2nd choice Soft landing scenario could be very positive for equites and only slightly less positive for bonds. Both would be rather supportive for classical 60/40 portfolios, a relief following the challenging last 2 years. The other two scenarios, the Balance sheet recession (hard landing) or the No landing are rather unlikely according to Fidelity.

Cyclical recession: inflation falls back to target – rates come down after labour market cracks



Source: Fidelity International, October 2023.

Note: Inflation rate measured by US Core Personal Consumption Expenditures Price Index. Growth by US GDP per annum. Source: Fidelity International, October 2023.

Notes:

1. **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".
2. **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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