

WEEKLY MARKETS ROUND-UP

Executive Summary

4th December 2023

Top news: Non-Farm Payrolls next Friday – last week's data was mixed. US Consumer Confidence came in slightly higher than expected on Tuesday (102 vs 101 exp.) and Preliminary Q3 US GDP also beat expectations (5.2% vs 5% exp.) on Wednesday. That morning, on the other hand, the German Preliminary CPI had crashed to -0.4% for November (vs -0.1% exp.) while on Tuesday, PCE Core Inflation came in inline with expectations at + 0.2% MoM but lower than the +0.3% last month. ISM Manufacturing PMI also deceived on Friday at 46.7 vs 47.9 exp. Generally, for now, we are seeing robust US growth, yet not in Manufacturing, while Inflation continues to recede. This week, we will be awaiting ISM Services PMI on Tuesday along with US JOLTS Job openings, ADP Private employment data on Wednesday and finally the Non-Farm Payrolls on Friday, which are expected to rise back slightly to +185k from a disappointing +150k last month. Late Friday will also see the University of Michigan Consumer Confidence and Inflation Expectations data.

Equity: equity markets continued to nudge higher last week with both the S&P500 and the EuroStoxx50 rising circa 1%. Some laggards such as the Dow Jones Industrials were however exceptionally strong. It rose 2.5% and made new YTD highs. We still feel that the rally may continue another couple of weeks, yet with limited remaining upside.

Fixed Income: bond yields literally crashed last week with the US10Y down 25 bps and the German 10Y Bund 30 bps. Both hence pretty much reached our initial targets to the downside around 4% and 2.4%. We believe further drops towards 3.5% and 2% are possible into early Q1. NFPs on Friday may confirm further deceleration for the economy.

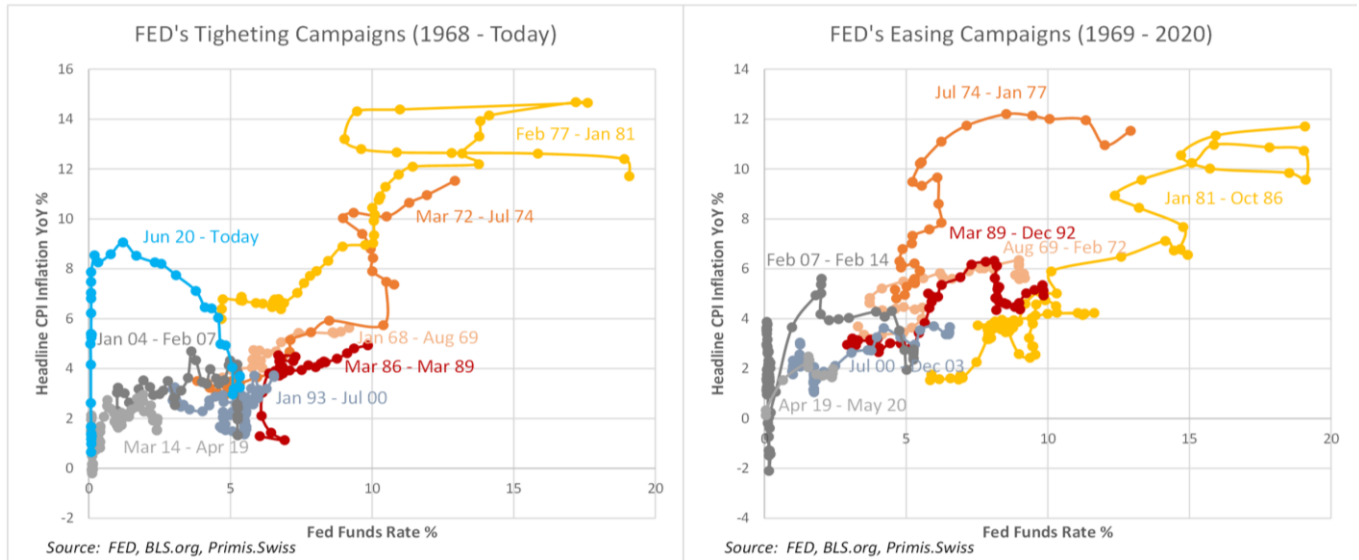
FOREX: the Dollar was mixed last week. It first dropped, then reversed up against EUR as European yields dropped even more than US ones. Lower yields led to a lower USD/JPY. USD/CHF slid, but EUR/CHF really broke down (0.945).

Commodities: Oil couldn't catch a bid despite the further cuts from OPEC+ into Q1 as strains are starting to appear among members. Gold spiked to new all-time highs this AM at 2'145 USD/oz, yet could be getting slightly 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	4 595	Dec-22	3 783	21,4%	Dec-23	4 595	0,0%	19,7%	neutral	neutral
Nasdaq100 Index	USD	15 998	Dec-22	10 679	49,8%	Nov-23	16 027	-0,2%	46,2%	neutral	neutral
Dow Jones Industrials Index	USD	36 246	Mar-23	31 819	13,9%	Dec-23	36 246	0,0%	9,3%	neutral	slightly OB
EuroStoxx50	EUR	4 419	Dec-22	3 794	16,5%	Jul-23	4 471	-1,2%	16,5%	neutral	slightly OB
Swiss Market Index	CHF	10 887	Oct-23	10 324	5,5%	May-23	11 595	-6,1%	1,5%	neutral	neutral
Nikkei225	JPY	33 432	Jan-23	25 717	30,0%	Jul-23	33 753	-1,0%	28,1%	neutral	neutral
Shanghai Composite	CNY	3 032	Oct-23	2 939	3,1%	May-23	3 395	-10,7%	-1,9%	neutral	neutral
US 10Y Treasury Yield	%	4,22%	Apr-23	3,31%	0,9%	Oct-23	4,99%	-0,8%	0,3%	up	neutral
German 10Y Bund Yield	%	2,36%	Dec-22	1,79%	0,6%	Sep-23	2,97%	-0,6%	-0,2%	neutral	slightly OS
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	93	Oct-23	83	11,7%	Dec-22	105	-11,4%	-2,3%	down	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	107	Oct-23	98	9,2%	Dec-23	107	0,0%	6,1%	neutral	OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	76	Dec-22	69	10,2%	Dec-23	76	0,0%	8,7%	neutral	slightly OB
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	87	Oct-23	79	9,3%	Dec-23	87	0,0%	7,6%	neutral	OB
EUR/USD		1,09	Dec-22	1,05	3,9%	Jul-23	1,12	-3,2%	1,7%	neutral	neutral
GBP/USD		1,27	Mar-23	1,18	7,5%	Jul-23	1,31	-3,2%	5,1%	neutral	slightly OB
USD/JPY		147	Jan-23	128	14,8%	Nov-23	152	-3,2%	12,0%	neutral	neutral
USD/CHF		0,87	Jul-23	0,86	1,3%	Dec-22	0,94	-7,8%	-6,0%	neutral	slightly OS
AUD/USD		0,67	Oct-23	0,63	6,0%	Feb-23	0,71	-6,5%	-2,1%	neutral	slightly OB
Brent Oil (per Barrel)	USD	79	Jun-23	72	9,8%	Sep-23	97	-18,3%	-8,2%	neutral	neutral
Gold Spot (per Ounce)	USD	2 071	Dec-22	1 767	17,2%	Dec-23	2 071	0,0%	13,5%	neutral	slightly OB

FED Focus: Reviewing previous FED Tightening / Easing campaigns (from 1968)

We've probably reached the higher for longer status quo as further tightening seems unjustified while the FED will probably wait until inflation falls closer to target before it considers starting to cut. In this respect, it is currently interesting to review previous tightening cycles to understand how the latest one compares, while seeking some historical perspective for what may happen going forward as the FED starts to cut. We can initially notice that the recent tightening wasn't that exceptional, in terms of hikes or relative to the inflation levels it had to tackle (left-hand graph). The 68-69 and 86-89 periods saw more than +4% in hikes in rather short periods, while 72-74 and 77-81 experienced way higher inflation and FED Fund Rates. What is exceptional however, it the way inflation has dropped linearly since the hikes started in Q2 2022 (light blue line) in a reverse confirmation of Milton's Friedman "Inflation is always a monetary phenomenon". This wasn't the case in previous campaigns where inflation most often started to drop only after the rate hikes stopped. Now that Headline CPI is back towards 3%, it's time to consider what easing campaigns have looked like in the past (right-hand graph). The first remark we can make is that they usually start from higher levels, while inflation often remains sticky at the beginning. One period that may compare in term of current levels of Inflation and FFRs is the one from Feb 07 to Feb 14, which saw a couple of inflation spikes above 4% into Q3 2008 until it eventually crashed with the Great Financial Crisis. Let's hope this comparison doesn't follow through.



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".

Disclaimer: The information in this document is being provided for general market commentary and information purposes. This document does not constitute a solicitation or offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction. Any reference to a transaction, trade, position, holding, security, market, or level is purely meant to educate readers about possible opportunities and risks in the marketplace and are not meant to imply that any person or entity should take any action whatsoever without first evaluating such action(s) in light of their own situation either on their own or through a professional advisor. If a person or entity does not believe they are qualified to make such decisions, they should seek professional advice. The prices listed are for reference only and are in no way intended to represent an actual trade. This information is not a substitute for professional advice of any nature, including tax, legal, and financial. While we believe the information contained herein to be accurate, all numbers should be verified by the reader through independent sources. Primis Investment (Suisse) SA assumes no responsibility for errors or omissions in the contents of this document. In no event shall Primis Investment (Suisse) SA be liable for any special, direct, indirect, consequential, or incidental damages or any damages whatsoever, whether in an action of contract, negligence, or other tort, arising out of or in connection with the contents of this document or any related services. Trading securities, options, futures, or any other security involves risk and can result in the immediate and substantial loss of the capital invested. Every reader/recipient is responsible for his or her own investment decisions. Primis Investment (Suisse) SA reserves the right to make additions, deletions, or modifications to the contents of this document and related services at any time without prior notice.



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

wealth-management@primis.swiss

www.primis.swiss