

# WEEKLY MARKETS ROUND-UP

## Executive Summary

8<sup>th</sup> January 2024

**Top news: weaker Equities to start the year, awaiting CPI this week** – last week, equities started 2024 on the retracement path as indeed, following the strong Q4 rally, most market technicals are now Overbought (see the CNN Fear & Greed index on the next page). In this context, investors are trying to assess the resilience of the economy, the likelihood of inflation falling to the FED's 2% target, while wondering if the 5 to 6 twenty-five basis points rate cuts expected this year are justified. Last week saw many releases to start fueling this debate, with the FED minutes on Wednesday, confirming the likelihood of rate cuts in 2024 yet without any indication on timing (hence seen as slightly hawkish), JOLTS job openings coming in on the low side, and Non-Farm payrolls on Friday, which beat expectations strongly (216k vs 168k exp.), yet did so thanks to strong contributions from Government hires and part-time jobs, while the labor force decreased substantially (year-end retirements) and previous months were also revised down markedly. Last Friday also saw a negative print for the ISM Services PMI (50.6 vs 52.5 exp.). This week, markets will focus on the US CPI on Thursday with Core expected to slow from +0.3% last month to +0.2% MoM, while Headline could nudge up from +0.1% to +0.2%. Friday will see initial earnings for US banks (Wells Fargo, Citi, Bk of America and JP Morgan).

**Equity:** last week, the Nasdaq100 lost circa -3%, the S&P500 -1.5% and the EuroStoxx50 -1.3%. We expect further dips (minus 5-7%) during Q1, which could be bought, as medium term, equities are well valued, yet not overextended yet.

**Fixed Income:** yields bounced back last week on the slightly hawkish FED minutes. They remain a bit Oversold and we would expect further countertrend resilience into February, perhaps early March. Yields could then drop again.

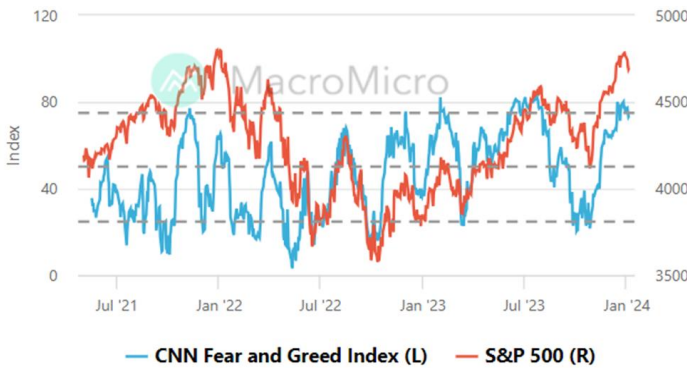
**FOREX:** the US Dollar has also seen a slight rebound, following yields in their rebound, as well as thanks to some flight to safety, as risk assets started to retrace. We also expect this countertrend bounce to last a bit longer into mid Q1.

**Commodities:** Brent has also been bouncing, could hold up a few more weeks, yet then probably drops into the Spring and towards the 60s \$/barrel. Gold may continue to retrace into February, perhaps back to below 2'000, maybe 1'950.

	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	4 697	Mar-23	3 856	21,8%	Dec-23	4 783	-1,8%	-1,5%	up	neutral
Nasdaq100 Index	USD	16 306	Jan-23	11 108	46,8%	Dec-23	16 907	-3,6%	-3,1%	up	neutral
Dow Jones Industrials Index	USD	37 466	Mar-23	31 819	17,7%	Jan-24	37 715	-0,7%	-0,6%	up	slightly OB
EuroStoxx50	EUR	4 464	Oct-23	4 014	11,2%	Dec-23	4 549	-1,9%	-1,3%	up	slightly OB
Swiss Market Index	CHF	11 186	Oct-23	10 324	8,4%	May-23	11 595	-3,5%	0,4%	neutral	slightly OB
Nikkei225	JPY	33 377	Jan-23	25 822	29,3%	Jul-23	33 753	-1,1%	-0,3%	neutral	neutral
Shanghai Composite	CNY	2 929	Dec-23	2 899	1,0%	May-23	3 395	-13,7%	-1,5%	down	neutral
US 10Y Treasury Yield	%	4,05%	Apr-23	3,31%	0,7%	Oct-23	4,99%	-0,9%	0,2%	down	neutral
German 10Y Bund Yield	%	2,11%	Dec-23	1,97%	0,1%	Sep-23	2,97%	-0,9%	0,1%	down	slightly OS
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	96	Oct-23	84	15,0%	Apr-23	105	-8,7%	-2,6%	up	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	109	Oct-23	99	10,2%	Dec-23	111	-2,4%	-1,8%	up	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	Feb-23	70	10,1%	Dec-23	78	-1,6%	-0,9%	up	slightly OB
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	87	Oct-23	80	9,6%	Dec-23	90	-2,8%	-2,1%	up	slightly OB
EUR/USD		1,09	Oct-23	1,05	4,5%	Jul-23	1,12	-2,7%	-0,9%	neutral	slightly OB
GBP/USD		1,27	Mar-23	1,18	7,5%	Jul-23	1,31	-3,2%	-0,1%	neutral	neutral
USD/JPY		145	Jan-23	128	13,1%	Nov-23	152	-4,7%	2,5%	neutral	neutral
USD/CHF		0,85	Jan-24	0,84	1,1%	Mar-23	0,94	-9,8%	1,1%	neutral	slightly OS
AUD/USD		0,67	Oct-23	0,63	6,6%	Feb-23	0,71	-5,9%	-1,4%	neutral	slightly OB
Brent Oil (per Barrel)	USD	79	Jun-23	72	9,6%	Sep-23	97	-18,4%	2,2%	down	slightly OS
Gold Spot (per Ounce)	USD	2 046	Feb-23	1 811	13,0%	Dec-23	2 077	-1,5%	-0,8%	up	slightly OB

## Equity Focus: Overbought short term, yet valuations and allocations not extreme

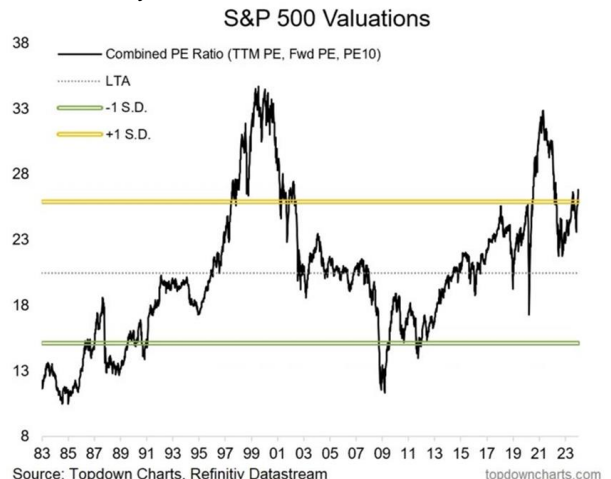
The CNN Fear and Greed Index (top-left graph) was back in Overbought territory and may have started to retrace last week. Such set-backs can last several weeks at least. Longer term however, while valuations are historically back at 1 standard deviation above their long term average, they are still well off their 2000 or 2021 highs (top-right graph). This is also the case for Portfolio positioning as shown by the Bank of America private client equity holdings as % of AuMs (bottom-left graph). Finally, with Money Markets having added circa 1 trillion USD since last March, there are now circa 6 trillion of cash ammunition (bottom-right graph) to sustain risk assets if Central Banks effectively start to ease and cash remuneration falls.



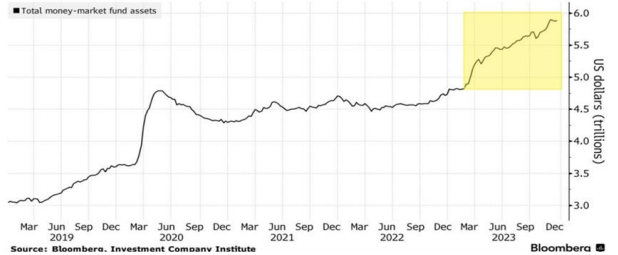
**Chart 15: GWIM equity allocation at 60%**  
BofA private client equity holdings as % of AUM



Source: BofA Global investment Strategy



**Money Markets Have Added \$1 Trillion Since March**  
Banking turmoil has boosted money-market assets to record



Source: Bloomberg, Investment Company Institute

### 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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