

WEEKLY MARKETS ROUND-UP

Executive Summary

22nd January 2024

Top news: Flash PMIs, US Q4 advanced GDP and the ECB – last week focused on consumer resilience again with December retail sales smashing expectations at +0.6% MoM vs +0.4% exp. and +0.3% in November. This trend was further confirmed on Friday with the University of Michigan Consumer Sentiment index rising to 78.8 vs 69.8 expected, registering its largest 2 months increase since 1991. These outstanding readings were supported by a further drop in 1Y inflation expectations to 2.9% vs 3.1% last month, its lowest level since December 2020, and justified the new all-time highs achieved on Friday on US Indices. This week, we will shift to Japan early Tuesday morning, with the BoJ probably extending its ultra-loose monetary policy. Wednesday will then see the release of the Flash PMIs. These give forward guidance on the economy and are expected to nudge higher in Europe and decline slightly in the US. Thursday will focus on the ECB press conference (little change expected as the ECB probably remains data dependent) and the US Q4 GDP advanced estimate (exp. at a resilient +2%). Friday will see Core PCE, the FED's favorite inflation gauge. As for earnings, potential market moving reports from Netflix are expected Tuesday and Tesla on Wednesday.

Equity: indeed, last week, US indices reached new all-time highs on the back on strong consumer data and confidence, the Nikkei225 was also on multi years high, Europe lagged a bit, while China was making new multi years lows. We would still expect some equity retracement, probably from late January and during February (i.e. a -5 to -10% dip).

Fixed Income: last week US and Bund yields continued to rebound on the back of strong US consumer data. We expect both to hold up another few weeks before resuming their correction into the Spring and to new multi-months lows.

FOREX: the Dollar continued its weak bounce started late December, as it follows yields in their rebound. Here also, we would expect this countertrend to last another 1-2 weeks before USD retests down to new lows into the Spring

Commodities: similarly to yields and the Dollar, Brent continues to hold in the highs 70s USD/barrel, yet should then drop again into the Spring (towards 60s USD/barrel). Inversely, Gold could remain under pressure another few weeks.

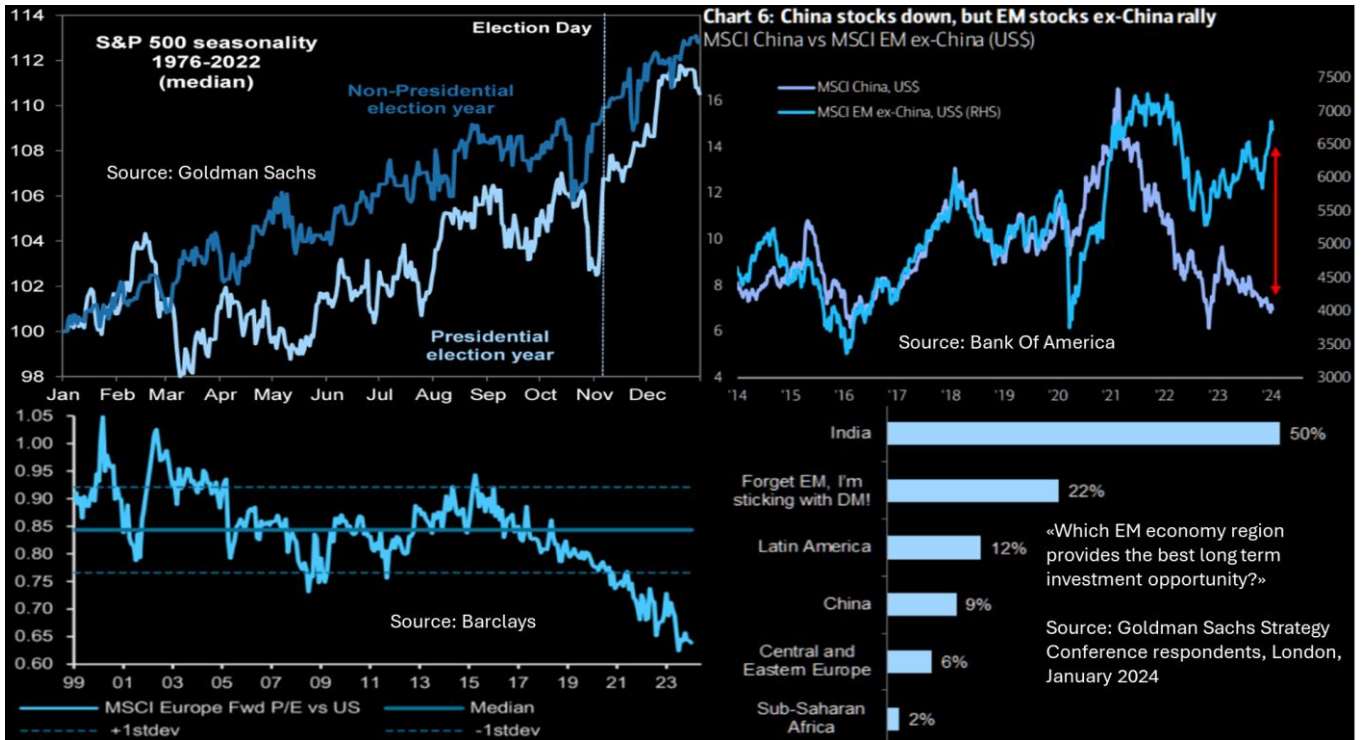
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance	Trend	Exaggeration
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	4 840	Mar-23	3 856	25,5%	Jan-24	4 840	0,0%	1,5%	up	slightly OB
Nasdaq100 Index	USD	17 314	Jan-23	11 815	46,5%	Jan-24	17 314	0,0%	2,9%	up	slightly OB
Dow Jones Industrials Index	USD	37 864	Mar-23	31 819	19,0%	Jan-24	37 864	0,0%	0,5%	up	slightly OB
EuroStoxx50	EUR	4 449	Oct-23	4 014	10,8%	Dec-23	4 549	-2,2%	-1,6%	up	neutral
Swiss Market Index	CHF	11 151	Oct-23	10 324	8,0%	May-23	11 595	-3,8%	0,1%	neutral	neutral
Nikkei225	JPY	35 963	Jan-23	26 906	33,7%	Jan-24	35 963	0,0%	7,5%	up	slightly OB
Shanghai Composite	CNY	2 832	Jan-24	2 832	0,0%	May-23	3 395	-16,6%	-4,8%	down	slightly OS
US 10Y Treasury Yield	%	4,13%	Apr-23	3,31%	0,8%	Oct-23	4,99%	-0,9%	0,3%	down	neutral
German 10Y Bund Yield	%	2,31%	Dec-23	1,97%	0,3%	Sep-23	2,97%	-0,7%	0,3%	down	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	94	Oct-23	84	12,4%	Apr-23	105	-10,8%	-4,8%	up	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	109	Oct-23	99	10,6%	Dec-23	111	-2,1%	-1,5%	up	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	Feb-23	70	10,8%	Dec-23	78	-1,0%	-0,3%	up	slightly OB
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	87	Oct-23	80	10,0%	Dec-23	90	-2,4%	-1,8%	up	slightly OB
EUR/USD		1,09	Oct-23	1,05	4,1%	Jul-23	1,12	-3,1%	-1,3%	neutral	neutral
GBP/USD		1,27	Mar-23	1,18	7,4%	Jul-23	1,31	-3,3%	-0,3%	neutral	neutral
USD/JPY		148	Feb-23	129	15,1%	Nov-23	152	-2,4%	5,0%	neutral	neutral
USD/CHF		0,87	Jan-24	0,84	3,2%	Mar-23	0,94	-7,9%	3,2%	neutral	neutral
AUD/USD		0,66	Oct-23	0,63	4,8%	Feb-23	0,71	-7,6%	-3,1%	neutral	neutral
Brent Oil (per Barrel)	USD	79	Jun-23	72	9,4%	Sep-23	97	-18,6%	2,0%	down	neutral
Gold Spot (per Ounce)	USD	2 030	Feb-23	1 811	12,1%	Dec-23	2 077	-2,3%	-1,6%	neutral	neutral

* 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

Equity Focus: pacing it until the election, Europe undervalued, India over China?

2024 started with a further rally and even a new all-time high on the S&P500. If the index then follows its usual seasonal pattern, the rally could see some retracement from February into March and then perhaps until May, especially considering that we are in a US election year (light blue line, top-left graph). The S&P500 could then gradually rise yet dip again just before the election and then accelerate higher into yearend. Geographically, we would probably give Europe a chance, as it is very oversold on a relative basis (left-bottom graph) with forward PEs at 12 in Europe vs 19 in the US. In EMs, China remains out of favor with strong underperformance since early 2021 (top-right graph), while investors would clearly favor the longer term prospects of India, and eventually Latam, over China (bottom-right graph), a perspective we would tend to share.



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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