

WEEKLY MARKETS ROUND-UP

Executive Summary

5th February 2024

Top news: US Equities on all-time highs on strong macro / earnings – last week was intense in terms of releases. This week is set to be much quieter (only the ISM Services PMI this afternoon). Indeed, last week started with earnings from Alphabet and a beat on both earnings and sales yet a slight disappointment on advertising growth (stock -4%). Microsoft then also beat on both sales and earnings and was rather flat. Wednesday started with the Treasury's Quarterly Refunding Announcement (QRA). It painted a benign picture of declining borrowing into Q1 and especially Q2, while below the surface T-bills issuance could go negative while longer term issuance would then rise. Such increase in longer maturity issuance could put renewed pressure on longer term real rates. Later that day, the FED then delivered a rather shocking hawkish message dashing any hopes of a March rate cut. Thursday then focused on earnings again with a decent release from Apple, a strong beat from Amazon (stock +8%) while Meta made history with a 20% rise on blockbuster earnings, the largest ever one day absolute gain of any stock: +197bn USD. On the macro side, the ISM US Manufacturing PMI surprised very positively at 49.1 vs 47.2 exp. (almost expanding again, i.e. almost >50). Corroborating this strong data, Friday saw a huge beat in Non-Farm Payrolls again (+353k vs +187k exp.).

Equity: most equity markets are at all-time / multi-years highs, while our table below suggests that many of the indexes are Overbought. Upside momentum may persist, yet we would rather favor some retracement into February.

Fixed Income: benchmark yields dropped slightly last week. They were down heavily prior to the FED and then bounced back on the FED's renewed hawkishness. We believe yields may remain resilient into mid/late February.

FOREX: the Dollar followed yields. It was down vs the most currencies into the FED and then rose back to neutral towards the end of the week. We would also expect it to hold / push slightly higher during February.

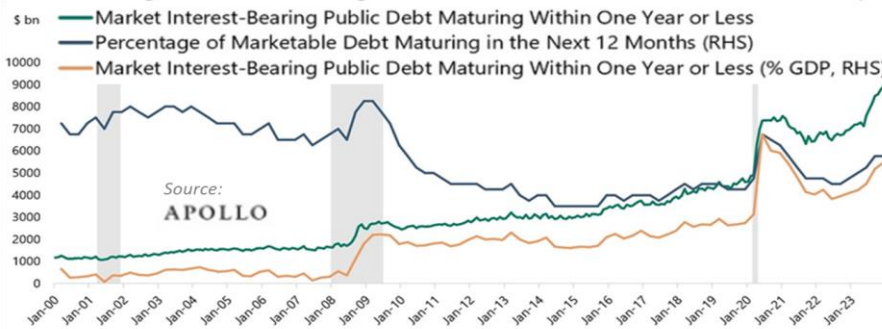
Commodities: Brent resumed its downtrend last week and may remain under pressure into the Spring (towards 60s USD/b). Gold bounced as the regional banks crisis flared up again, yet could retrace during February, inversely to USD.

	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	4 959	Mar-23	3 856	28,6%	Feb-24	4 959	0,0%	4,0%	up	slightly OB
Nasdaq100 Index	USD	17 643	Mar-23	11 830	49,1%	Feb-24	17 643	0,0%	4,9%	up	slightly OB
Dow Jones Industrials Index	USD	38 654	Mar-23	31 819	21,5%	Feb-24	38 654	0,0%	2,6%	up	slightly OB
EuroStoxx50	EUR	4 655	Oct-23	4 014	15,9%	Jan-24	4 663	-0,2%	2,9%	up	OB
Swiss Market Index	CHF	11 240	Oct-23	10 324	8,9%	May-23	11 595	-3,1%	0,9%	neutral	slightly OB
Nikkei225	JPY	36 158	Mar-23	26 946	34,2%	Jan-24	36 547	-1,1%	8,0%	up	slightly OB
Shanghai Composite	CNY	2 730	Feb-24	2 730	0,0%	May-23	3 395	-19,6%	-8,2%	down	slightly OS
US 10Y Treasury Yield	%	4,03%	Apr-23	3,31%	0,7%	Oct-23	4,99%	-1,0%	0,2%	down	slightly OS
German 10Y Bund Yield	%	2,24%	Dec-23	1,97%	0,3%	Sep-23	2,97%	-0,7%	0,2%	down	slightly OS
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	96	Oct-23	84	14,8%	Apr-23	105	-8,9%	-3,6%	up	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	110	Oct-23	99	11,2%	Dec-23	112	-1,9%	-1,2%	up	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	Feb-23	70	10,9%	Dec-23	78	-0,8%	-0,1%	up	slightly OB
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	88	Oct-23	80	10,2%	Dec-23	90	-2,4%	-1,7%	up	slightly OB
EUR/USD		1,08	Oct-23	1,05	3,0%	Jul-23	1,12	-4,0%	-2,3%	neutral	neutral
GBP/USD		1,26	Mar-23	1,18	6,8%	Jul-23	1,31	-3,8%	-0,8%	neutral	neutral
USD/JPY		148	Mar-23	131	13,5%	Nov-23	152	-2,2%	5,2%	neutral	neutral
USD/CHF		0,87	Jan-24	0,84	3,1%	Mar-23	0,94	-8,0%	3,0%	neutral	neutral
AUD/USD		0,65	Oct-23	0,63	3,4%	Feb-23	0,70	-6,8%	-4,4%	neutral	neutral
Brent Oil (per Barrel)	USD	79	Jun-23	72	9,8%	Sep-23	97	-18,3%	2,4%	down	neutral
Gold Spot (per Ounce)	USD	2 039	Feb-23	1 811	12,6%	Dec-23	2 077	-1,9%	-1,2%	neutral	neutral

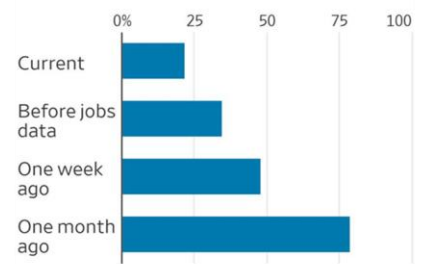
Macro-Economic Focus: How much longer can Goldilocks persist?

Goldilocks describes a situation where growth and inflation are moderate/(-ting), thereby justifying a rather dovish monetary environment and often resulting in strong positive market moves. Such dynamics have been effectively in place since October, yet recent announcements and releases may trigger a pause. The first graph (top-left) puts last week's Treasury QRA into perspective. The report stressed only mild net new issuance of Treasuries (incl. only 1.8 trillion USD in refinancing), while almost 9 trillion of refinancing is due over the next year (i.e. upside pressure on long term real yields in H2?). On the short end of the curve, following last week's FED, March rate cuts odds have dropped from 75% a month ago to below 25%, i.e. also hawkish (top-right graph). In the meantime, the US economy remains super resilient (lower graphs) with the Manuf. PMI expected to rise further into the Summer, while the Growth rate of Nonfarm Payrolls has started to nudge up again.

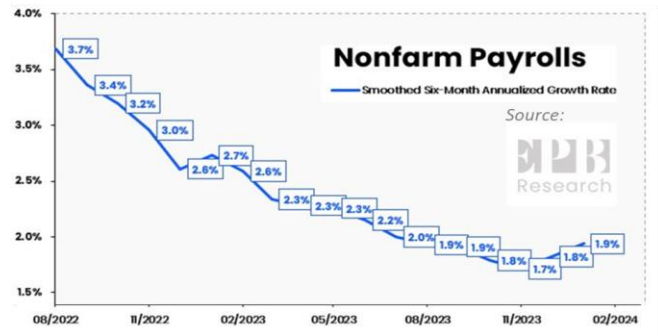
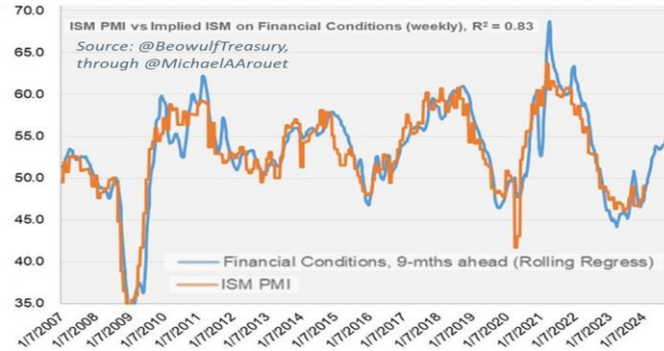
A record-high \$8.9 trillion of government debt will mature over the next year



Odds that the Fed cuts rates in March



Note: Probability derived from fed-funds futures contracts
Source: CME Group through @WSJ and @elerianm



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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