PRIMIS® INVESTMENT

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# WEEKLY MARKETS ROUND-UP

## Executive Summary

12th February 2024

**Top news: US CPI and Retail sales –** last week, on Monday, the January ISM Services PMI confirmed the strong Manufacturing reading from the previous Friday, coming in at 53.4 vs 52 exp. and 50.6 in December, or well in expansion territory. The rest of the week didn't feature much releases, yet equity markets made headlines again with the S&P500 topping the symbolic 5'000 mark. This week will be more active on the macro front with the US CPI on Tuesday. Core is expected to remain stable at +0.3% MoM, while Headline could drop from +0.3% last month to + 0.2% (or from 3.4% to 2.9% YoY). On Thursday, US Retail sales are also expected to slow following last month's blockbuster release. Similarly on Friday, consensus expects a slight increase in the preliminary University of Michigan Consumer Sentiment index following last month's surge. Friday will also feature US PPI, which is expected to nudge up slightly.

**Equity:** upside momentum did persist last week, with indeed the S&P500 topping 5'000 and the Nasdaq100 also making new all-time highs, while the EuroStoxx50 and the Nikkei225 are making multi-year ones. Risk/reward seems stretched, and we would still expect some retracement over the next few weeks. That said, for now, the market seems unwilling to give up any performance, as if it was waiting for the NVIDIA earnings on February 21st.

**Fixed Income:** benchmark yields have bounced back over the last few weeks considering the recent strong data. US CPI and PPI releases will be important tests this week to confirm further disinflation or persistent economic resilience.

**FOREX:** the Dollar also continued to hold up last week along with yields. For now, the positive US economic growth differential vs Europe along with the interest differential, which is currently retesting its Autumn highs, are supporting the US Dollar as the first rate cut is being pushed out in time (now expected on the 1st May, rather than March).

**Commodities:** Brent could still come under pressure into the Spring (perhaps into the lower 70s USD/b), yet for now is proving rather resilient considering the strong economic data. Gold is retracing again, possibly breaking below 2'000 USD/oz and potentially dropping towards 1'970-1'950 into late February, a buy the dips opportunity in our view.

| | 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 | 5 027 | Mar-23 | 3 856 | 30,4% | Feb-24 | 5 027 | 0,0% | 5,4% | up | slightly OB |
| Nasdaq100 Index | USD | 17 962 | Mar-23 | 11 830 | 51,8% | Feb-24 | 17 962 | 0,0% | 6,8% | up | slightly OB |
| Dow Jones Industrials Index | USD | 38 672 | Mar-23 | 31 819 | 21,5% | Feb-24 | 38 726 | -0,1% | 2,6% | up | slightly OB |
| EuroStoxx50 | EUR | 4 716 | Oct-23 | 4 014 | 17,5% | Feb-24 | 4 716 | 0,0% | 4,3% | up | OB |
| Swiss Market Index | CHF | 11 092 | Oct-23 | 10 324 | 7,4% | May-23 | 11 595 | -4,3% | -0,4% | neutral | neutral |
| Nikkei225 | JPY | 36 897 | Mar-23 | 26 946 | 36,9% | Feb-24 | 36 897 | 0,0% | 10,3% | up | slightly OB |
| Shanghai Composite | CNY | 2 866 | Feb-24 | 2 702 | 6,1% | May-23 | 3 395 | -15,6% | -3,7% | down | neutral |
| US 10Y Treasury Yield | % | 4,18% | Apr-23 | 3,31% | 0,9% | Oct-23 | 4,99% | -0,8% | 0,3% | down | neutral |
| German 10Y Bund Yield | % | 2,39% | Dec-23 | 1,97% | 0,4% | Sep-23 | 2,97% | -0,6% | 0,4% | down | neutral |
| US 20Y Treasuries (TLT ETF, 17-18Y duration)* | USD | 94 | Oct-23 | 84 | 11,3% | Apr-23 | 106 | -11,7% | -5,8% | neutral | neutral |
| US Investment Grade (LQF ETF - 8-9Y duration)* | USD | 108 | Oct-23 | 99 | 9,4% | Dec-23 | 112 | -3,2% | -2,6% | up | neutral |
| US High Yield (HYG ETF, 3-4Y duration)* | USD | 77 | Feb-23 | 69 | 11,3% | Dec-23 | 78 | -0,6% | 0,2% | up | slightly OB |
| EM USD Sovereigns (EMB ETF, 7-8Y duration)* | USD | 87 | Oct-23 | 80 | 9,9% | Dec-23 | 90 | -2,6% | -1,9% | neutral | neutral |
| 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 | | 149 | Mar-23 | 131 | 14,2% | Nov-23 | 152 | -1,6% | 5,8% | neutral | neutral |
| USD/CHF | | 0,87 | Jan-24 | 0,84 | 4,0% | Mar-23 | 0,94 | -7,2% | 3,9% | neutral | neutral |
| AUD/USD | | 0,65 | Oct-23 | 0,63 | 3,6% | Feb-23 | 0,70 | -6,6% | -4,2% | neutral | neutral |
| Brent Oil (per Barrel) | USD | 82 | Jun-23 | 72 | 14,4% | Sep-23 | 97 | -14,9% | 6,7% | down | neutral |
| Gold Spot (per Ounce) | USD | 2 025 | Feb-23 | 1 811 | 11,8% | Dec-23 | 2 077 | -2,5% | -1,9% | 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*

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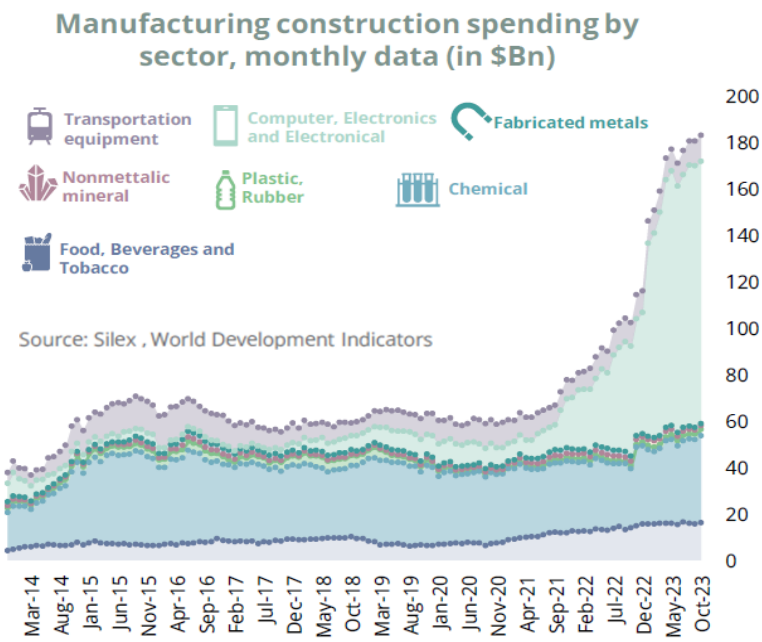
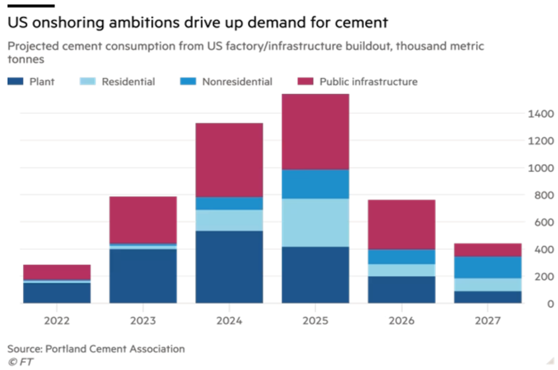
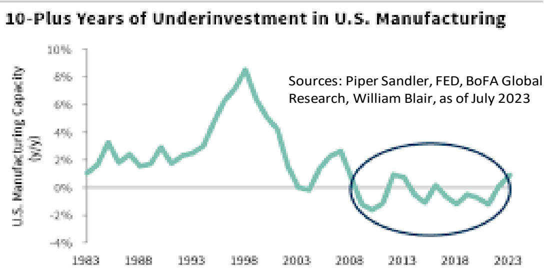
## US Spending Focus: Huge stimulus targeted towards strategic Industries

Over the last 2 newsletters, we have raised concern about the rapidly rising levels of deficits and debt in the US and the challenges to finance these going forward. We turn this week to the other side of this equation considering where some of this spending may be channeled. Indeed, while Bidenomics does help families with additional childcare and tax credit (thereby reducing the childhood poverty rate in half according to The Economist), there is also a surge in subsidies towards companies to incentivize the US re-onshoring of their manufacturing. The left-hand graph from Silex (a Geneva based asset manager), pictures the sharp rise in manufacturing construction spending, especially in Computer, Electronics and Electronical (i.e. Chips). This trend is for real as it is having a direct impact on Manufacturing construction with cement consumption projected to rise sharply again in 2024/25 (top right). More broadly, US Manufacturing Capacity is finally rising again after 10 years of underinvestment (bottom right). Hence, one might consider Bidenomics as an expensive and reckless fiscal expansion, that said, in a certain way, it is also ironically targeted at making America's manufacturing great again.




**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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