

# WEEKLY MARKETS ROUND-UP

## Executive Summary

19<sup>th</sup> February 2024

**Top news: NVIDIA earnings, FED Minutes and Flash PMIs** – last week was active in terms of macro releases, delivering some surprises. Indeed, it started with US CPI on Tuesday coming in higher than expected with Headline at 3.1% YoY and 0.3% MoM (vs 2.9% and 0.2% exp.) and Core at 3.9% YoY and 0.4% MoM (vs 3.7% and 0.3% exp.). Inflation is hence moving away, rather than towards, the FED's 2% target. Following this hawkish news, risk assets dropped. These recuperated somewhat into Thursday, a move which was then confirmed by US Retail sales coming in much worse than expected -0.8% vs -0.2% exp. (bad news is good news). Yet, the week ended on a hawkish note on Friday as Core and Headline PPI posted a whopping +0.5% and + 0.3% MoM resp. when +0.1% had been expected for both. Later in the day, the University of Michigan Preliminary Consumer Sentiment Index and Inflation Expectations both also nudged up, although slightly. This week, we will be awaiting earnings from NVIDIA on Wednesday after the market close. We will also look out for the minutes from the FED's last meeting on Wednesday, which will probably provide further push back on rapid rate cuts. Thursday will then see Flash PMIs, which are advanced indicators of economic growth: the contraction in Europe is expected to slow, while the US should remain in expansion territory.

**Equity:** the S&P500 retreated by -0.2% while the Nasdaq100 lost 1.7% last week. The EuroStoxx50 however continued to progress by 1% and is now outperforming US markets year-to-date with +5.4%. According to our table below, most developed markets remain Overbought and we hence still expect some retracement over the next 2-3 weeks.

**Fixed Income:** the US10Y Treasury yield rose another 0.1% last week on the hawkish CPI and PPI releases, while in Europe the German 10Y Bund yields was flat. We expect further upside pressure on yields into late February initially.

**FOREX:** the Dollar continued to rise slightly following yields higher. USD/JPY topped 150 again and is getting closer to last year's highs around 152. We would also expect the Dollar to continue to push slightly higher into late February.

**Commodities:** Brent rose slightly last week, while Gold dropped by circa 10 USD/oz as yields pushed a bit higher.

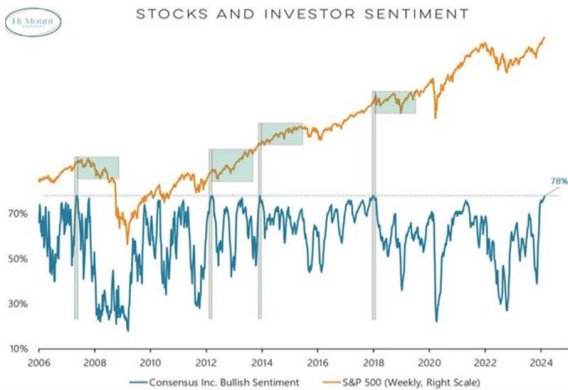
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance YTD in %	Trend last 6m <sup>1</sup>	Exaggeration OB / OS <sup>2</sup>
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	5 016	Mar-23	3 856	30,1%	Feb-24	5 030	-0,3%	5,2%	up	slightly OB
Nasdaq100 Index	USD	17 680	Mar-23	11 830	49,4%	Feb-24	17 962	-1,6%	5,1%	up	slightly OB
Dow Jones Industrials Index	USD	38 687	Mar-23	31 819	21,6%	Feb-24	38 797	-0,3%	2,6%	up	slightly OB
EuroStoxx50	EUR	4 764	Oct-23	4 014	18,7%	Feb-24	4 764	0,0%	5,4%	up	OB
Swiss Market Index	CHF	11 307	Oct-23	10 324	9,5%	May-23	11 595	-2,5%	1,5%	neutral	neutral
Nikkei225	JPY	38 516	Mar-23	26 946	42,9%	Feb-24	38 516	0,0%	15,1%	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	%	4,29%	Apr-23	3,31%	1,0%	Oct-23	4,99%	-0,7%	0,4%	down	neutral
German 10Y Bund Yield	%	2,40%	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	93	Oct-23	84	10,0%	Apr-23	106	-12,7%	-6,9%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	107	Oct-23	99	8,7%	Dec-23	112	-3,8%	-3,2%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	Feb-23	69	10,7%	Dec-23	78	-1,1%	-0,4%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	87	Oct-23	80	9,5%	Dec-23	90	-2,9%	-2,2%	neutral	neutral
EUR/USD		1,08	Oct-23	1,05	2,9%	Jul-23	1,12	-4,1%	-2,4%	neutral	neutral
GBP/USD		1,26	Mar-23	1,18	6,6%	Jul-23	1,31	-4,0%	-1,0%	neutral	neutral
USD/JPY		150	Mar-23	131	14,9%	Nov-23	152	-1,0%	6,5%	neutral	neutral
USD/CHF		0,88	Jan-24	0,84	4,7%	Mar-23	0,94	-6,5%	4,7%	neutral	neutral
AUD/USD		0,65	Oct-23	0,63	3,7%	Feb-23	0,69	-5,5%	-4,1%	neutral	neutral
Brent Oil (per Barrel)	USD	83	Jun-23	72	16,2%	Sep-23	97	-13,5%	8,3%	neutral	neutral
Gold Spot (per Ounce)	USD	2 014	Feb-23	1 811	11,2%	Dec-23	2 077	-3,1%	-2,4%	neutral	neutral

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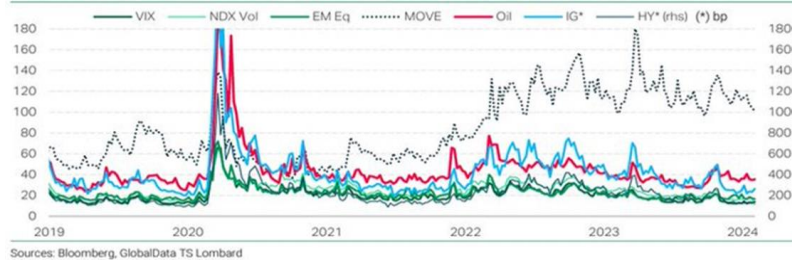
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## Risk/Reward Focus: while Equities seem stretched, protection is also rather cheap

Most measures of market excess are now flashing red, e.g. the Investors Intelligence Sentiment Index (top-left graph), which has reached levels usually triggering some consolidation or temporary Dips. S&P500 market breadth is also weak with 4 stocks (Microsoft, NVIDIA, Meta and Amazon) accounting for circa 70% of the YTD performance. In fact, the US market is so concentrated that the largest 10% of stocks now represent 75% of the market capitalization, a level only achieved once before in 1929 while year 2000 came close (top-right graph). In the meantime, the volatility of most risk assets is at historical lows (bottom left graph). This provides an opportunity for investors wanting to remain exposed while protecting the downside. The bottom right table shows indicative pricing for 1Y outperformance certificates. Indeed, one can seek 100% upside exposure to the S&P500 up to a 14% Cap with only 65% downside participation. The Mag7 would offer 100% upside up to +24% with 50% of the downside. EuroStoxx50 is even cheaper, 135% of the upside up to 14% with 50% downside only.



### Low vol in most asset classes opens up an opportunity to cheaply hedge geopolitical/political risks



### 1 YEAR OUTPERFORMANCE CERTIFICATE WITH A/A- BANK

Underlying	Participation		Upside Cap*
	Upside	Downside	
S&P500 Index	100%	65%	14%
Nasdaq100 Index	100%	51%	14%
SemiConductors SMH ETF	100%	50%	20%
Equal Weighted "Mag7"	100%	50%	24%
EuroStoxx50 Index	135%	50%	14%

\* Upside Cap over 1Y relates to the performance of the underlying  
 Source: Primis.swiss, indicative broad market estimates, for information purposes only, not a recommendation

### 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 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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