

WEEKLY MARKETS ROUND-UP

Executive Summary

4th March 2024

Top news: Chair Powell testifies to Congress, ECB and Non-Farm Payrolls – last week, on Wednesday, the Preliminary US GDP number for Q4 came in slightly below expectations at +3.2% vs +3.3% expected. Core PCE, the FED's preferred inflation data, was higher yet on target at +0.4% MoM on Thursday, while on Friday ISM Manufacturing PMI dropped to 47.8 vs 49.5 exp. and Univ. Of Michigan Consumer Sentiment was revised lower to 76.9 vs the previous estimate at 79.6. Overall, these news items were rather soft, fueling a bad news is good news type of environment for risk assets. This positive sentiment was further exacerbated on Friday as FED Gov. Waller floated the idea of a possible Operational Reverse-Twist where the FED would aim to reduce holdings of long term Agency Mortgage-backed Securities and Treasuries, freeing up resources to purchase shorter term Treasuries with more flexibility (a.k.a. possibly laying the ground for some form of QE). This week will also be active on the macro front with the ISM Services PMI on Tuesday, JOLTs JOB Openings on Wednesday, Chair Powell's testimonies in front of Congress on Wednesday and Thursday, the ECB meeting on Thursday and Non-Farm Payrolls on Friday (expected at 190k vs 353k last month).

Equity: last week, the S&P500 rose another +1%, the Nasdaq100 +2%, while Europe was slightly up and Japan surged by +3%. Most indexes are showing strong upside momentum, yet are also getting generally Overbought. While this rally may persist a few more weeks, we expect that dips over the next few months could also drop below current levels.

Fixed Income: US and German 10Y benchmark yields resumed lower towards the end of the week on the softer data, yet German 10Y still held above last Friday's dip. Both may attempt to retest their December lows by late Q1.

FOREX: the Dollar held its ground last week, yet could retrace with yields during March. By late Q1, it may retest its December lows, e.g. towards 1.11 on EUR/USD, 1.28 on GBP/USD. We would then expect a new bounce in Q2.

Commodities: Brent could also retrace back with yields during March but we believe it should hold above its December lows (around 72.5 USD/b). Gold probably continues to resume higher as the US Dollar retraces (to above 2'100).

	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance YTD in %	Trend last 6m ¹	Exaggeration OB / OS ²
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	5 137	Mar-23	3 856	33,2%	Mar-24	5 137	0,0%	7,7%	up	slightly OB
Nasdaq100 Index	USD	18 303	Mar-23	11 830	54,7%	Mar-24	18 303	0,0%	8,8%	up	slightly OB
Dow Jones Industrials Index	USD	39 087	Mar-23	31 819	22,8%	Feb-24	39 132	-0,1%	3,7%	up	slightly OB
EuroStoxx50	EUR	4 895	Oct-23	4 014	21,9%	Mar-24	4 895	0,0%	8,3%	up	OB
Swiss Market Index	CHF	11 494	Oct-23	10 324	11,3%	May-23	11 595	-0,9%	3,2%	neutral	slightly OB
Nikkei225	JPY	39 911	Mar-23	26 946	48,1%	Mar-24	39 911	0,0%	19,3%	up	slightly OB
Shanghai Composite	CNY	3 027	Feb-24	2 702	12,0%	May-23	3 395	-10,8%	1,8%	neutral	neutral
US 10Y Treasury Yield	%	4,19%	Apr-23	3,31%	0,9%	Oct-23	4,99%	-0,8%	0,3%	neutral	neutral
German 10Y Bund Yield	%	2,41%	Dec-23	1,97%	0,4%	Sep-23	2,97%	-0,6%	0,4%	neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	94	Oct-23	84	12,0%	Apr-23	106	-11,1%	-5,2%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	Oct-23	99	9,1%	Dec-23	112	-3,4%	-2,8%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	Mar-23	70	11,0%	Dec-23	78	-0,8%	-0,1%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	88	Oct-23	80	11,1%	Dec-23	90	-1,5%	-0,8%	neutral	neutral
EUR/USD		1,08	Oct-23	1,05	3,5%	Jul-23	1,12	-3,6%	-1,8%	neutral	neutral
GBP/USD		1,27	Mar-23	1,18	7,0%	Jul-23	1,31	-3,6%	-0,6%	neutral	neutral
USD/JPY		150	Mar-23	131	14,9%	Nov-23	152	-1,0%	6,4%	neutral	neutral
USD/CHF		0,88	Jan-24	0,84	5,0%	Mar-23	0,94	-6,3%	5,0%	neutral	neutral
AUD/USD		0,65	Oct-23	0,63	3,6%	Jul-23	0,69	-5,2%	-4,2%	neutral	neutral
Brent Oil (per Barrel)	USD	84	Jun-23	72	16,3%	Sep-23	97	-13,5%	8,5%	neutral	neutral
Gold Spot (per Ounce)	USD	2 084	Mar-23	1 813	14,9%	Mar-24	2 084	0,0%	1,0%	neutral	neutral

Bull Market Focus: Hawkish surprises as the main source of short term Risks

After almost 18 months of uptrend and new all-time highs, the S&P500 is back in a new bull market. This uptrend, while it currently feels euphoric, isn't especially strong historically, rather below average (top-left graph). Furthermore, a strong start to the year usually breeds further strength until year-end: on average performance over the first 2 months of the year more than doubles over the next 10 (bottom left graph). In this context, we would statistically expect the current Bull market to extend into yearend. The main short term risks (intermediate correction) could come from positive surprises in the economy (top-right graph), e.g. a rising Purchasing Managers Index after 16 months of below 50 readings (the longest negative streak since the 2000-2001 period), and more generally market complacency vis-à-vis inflation (bottom-right graph).

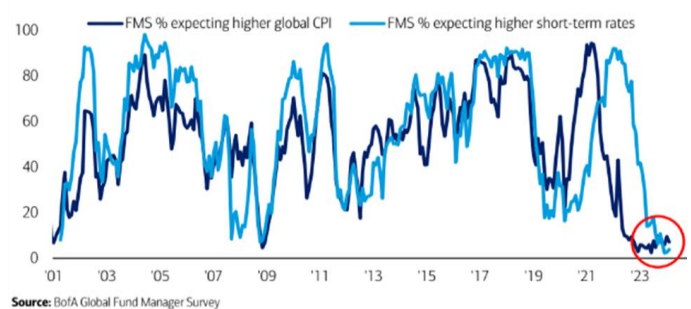
The current bull market gains are not outsized relative to history
S&P 500 returns in the first two years of a new bull market



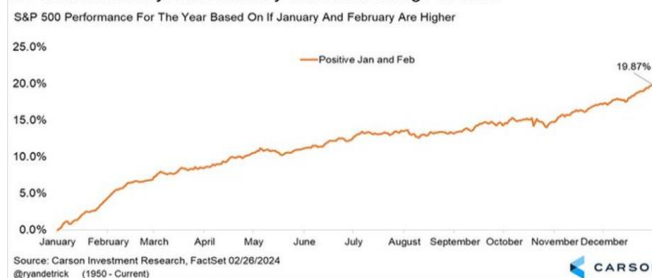
Chart 9: New orders to inventory ratio says ISM rising to 55 next 3m
ISM manufacturing PMI vs new orders/inventories (pushed fwd 3m)



Chart 8: Just 4% expect higher short-term rates, 7% higher inflation
FMS % expecting higher global CPI vs % expecting higher short-term rates



A Positive January And February Is A Good Thing For 2024



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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