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# WEEKLY MARKETS ROUND-UP

### **Executive Summary**

11<sup>th</sup> March 2024

**Top news: US CPI, Retail Sales and UoM Consumer Sentiment –** last week started with the ISM Services PMI on Tuesday, which expanded slightly less than expected, falling short however from confirming the very negative Manufacturing PMI released the previous Friday. The Non-Farm Payrolls on Friday were also "mixed": the headline number came in at 275k new jobs for February vs 198k exp., yet the blockbuster 353k data from January was revised down to 229k, while the unemployment rate rose to 3.9% (vs 3.7% exp.) and average hourly earnings dropped to +0.1% MoM (vs +0.2% exp. and +0.5% last month), both respectively reaching their highest and lowest levels since February 2022. On the Central Banks front, both Powell and Lagarde confirmed that huge progress had been made on taming inflation and that they were confident, yet not quite certain yet, that the 2% targets could be reached soon. Hence, rate cuts are coming this year but not quite yet. In this context, this week's US CPI and PPI data will be crucial (expected rather flat on Tuesday and Thursday). Thursday will also see US Retail Sales, which are expected to bounce back from last month's very negative data. On Friday, the Univ. of Michigan Preliminary Consumer Sentiment is then expected.

**Equity:** US markets retreated slightly last week while Europe continued to push, some +1.4% higher. We expect equities to linger on higher into April, perhaps correct into midyear as the economy could start to slow, yet the rate cuts are still awaited, and then to rally strongly into the Fall as the rate cuts are finally pushed through during the Summer.

**Fixed Income:** US and German 10Y benchmark yields continued to resume lower last week. They may attempt to retest their December lows by early Q2 but could then bounce back into midyear. We then expect both to drop into Q4.

**FOREX:** USD also started to resume lower last week following yields in their retracement. As with them, we expect the US Dollar to remain under pressure into early Q2, then probably to bounce into midyear before dropping again into Q4. **Commodities:** Brent could retrace back with yields into early Q2, but then probably remains rangebound, building a base into the Fall. Gold broke out, could push above 2'200 USD/oz into April, and then probably retraces into midyear.

	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 <sup>1</sup>	OB / OS <sup>2</sup>
S&P500 Index	USD	5 124	Mar-23	3 856	32,9%	Mar-24	5 157	-0,7%	7,4%	up	slightly OB
Nasdaq100 Index	USD	18 019	Mar-23	11 923	51,1%	Mar-24	18 303	-1,6%	7,1%	up	slightly OB
Dow Jones Industrials Index	USD	38 723	Mar-23	31 819	21,7%	Feb-24	39 132	-1,0%	2,7%	up	neutral
EuroStoxx50	EUR	4 961	Oct-23	4 014	23,6%	Mar-24	4 974	-0,3%	9,7%	up	OB
Swiss Market Index	CHF	11 647	Oct-23	10 324	12,8%	Mar-24	11 647	0,0%	4,6%	neutral	slightly OB
Nikkei225	JPY	39 689	Mar-23	26 946	47,3%	Mar-24	40 109	-1,0%	18,6%	up	slightly OB
Shanghai Composite	CNY	3 046	Feb-24	2 702	12,7%	May-23	3 395	-10,3%	2,4%	neutral	neutral
US 10Y Treasury Yield	%	4,08%	Apr-23	3,31%	0,8%	Oct-23	4,99%	-0,9%	0.2%	neutral	neutral
German 10Y Bund Yield	%	2,27%	Dec-23	1,97%	0,3%	Sep-23	2,97%	-0,7%		neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	96	Oct-23	84	14,4%	Apr-23	105	-9,2%	-3,2%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	109	Oct-23	98	10,9%	Dec-23	111	-1,8%	-1,2%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	Mar-23	70	11,3%	Dec-23	78	-0,5%	0,2%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	89	Oct-23	79	12,5%	Dec-23	89	-0,3%	0,4%	neutral	slightly OB
EUR/USD		1,09	Oct-23	1,05	4,5%	Jul-23	1,12	-2,7%	-0,9%	neutral	neutral
GBP/USD		1,29	Mar-23	1,21	6,7%	Jul-23	1,31	-2,1%	1,0%	neutral	slightly OB
USD/JPY		147	Mar-23	131	12,5%	Nov-23	152	-3,1%	4,3%	neutral	neutral
USD/CHF		0,88	Jan-24	0,84	4,3%	Mar-23	0,93	-6,0%	4,3%	neutral	neutral
AUD/USD		0,66	Oct-23	0,63	5,2%	Jul-23	0,69	-3,8%	-2,7%	neutral	neutral
Brent Oil (per Barrel)	USD	82	Jun-23	72	13,9%	Sep-23	97	-15,3%	6.2%	neutral	neutral
Gold Spot (per Ounce)	USD	2 178	Oct-23	1 820	19,6%		2 178	0,0%		neutral	OB

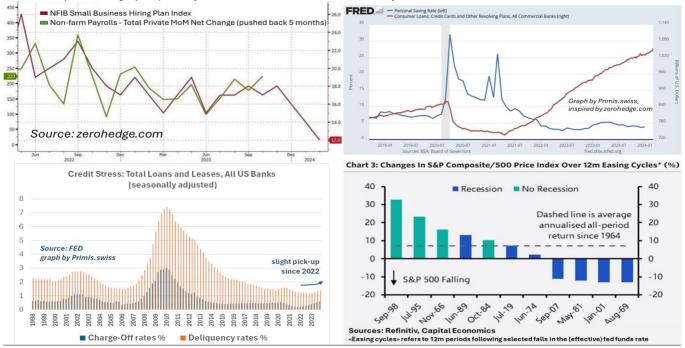
\* These large fixed income ETFs are used as proxies to assess the state of duration trades as well as of credit markets

Source: Primis Investment (Suisse) SA

# WEEKLY MARKETS ROUND-UP

## Soft-landing Focus: would justify the cuts, while probably boosting equities further

In our 2<sup>nd</sup> January newsletter, we wondered how a soft landish consensus could justify 6 expected rate cuts while analysts only saw 2% yearly gains on average for the S&P500. 2 months and a +7.5% rally later, the Altanta FED <u>GDPnow</u> estimate for Q1 remains well above 2% (no landing yet), while Non-Farm Payrolls just delivered another beat on Friday (despite last month's strong data being revised down consequently). Going forward, we expect some declines in Private jobs (which should compensate for massive Government hiring) following the recent drop in Small Business Hiring plans (top-left), while on the other hand, consumers are gradually getting maxed-out, taking out more loans while the saving rate has dropped well below pre-COVID levels (top-right). Yet, for now, Charge-Offs and Delinquencies remain low despite a slight pick-up (bottom-left). With 1% cuts still expected until year-end, such soft-landing/easing conditions would usually remain very supportive for stocks (bottom-right), especially if a recession can be avoided/delayed until the November US Presidential Election.



#### 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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Primis Investment (Suisse) SA 5 rue Jacques-Balmat, 1204 Geneva –Switzerland T: + 41 22 570 60 80 wealth-management@primis.swiss

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