

WEEKLY MARKETS ROUND-UP

Executive Summary

18th March 2024

Top news: awaiting the BoJ, the FED and the Euro summit – US inflation surprised once more by its resilience. On Tuesday, Core CPI came in at +0.4% MoM (vs +0.3% exp.). Headline CPI was in line at +0.4% MoM, yet rose slightly YoY at 3.2% (vs 3.1% exp.). Then, on Thursday, US PPI also surprised to the upside with Core at +0.3% MoM (vs +0.2% exp.) and Headline at +0.6% (vs +0.3% exp.). Concomitantly, on Thursday, US Retail Sales rebounded but less than expected i.e. +0.3% MoM on Core (vs +0.5% exp.) and +0.6% on Headline (vs +0.8% exp.). Together, these releases were slightly stagflationary, which may have impacted Friday's Univ. of Michigan Consumer Sentiment, which also deceived at 76.5 (vs 77.1 exp.). This week, focus will shift to central banks. Indeed, on Tuesday, the BoJ may raise its short term rate for the first time in 17 years. On Wednesday, markets will scrutinize the FED meeting searching for clues as to when the first rate cut will take place. On Thursday, Flash PMIs will give early indications on the forthcoming strength of the main economies. Finally, on Friday, we await the Euro summit. It happens twice a year, brings together the heads of state of the Euro area countries and aims to give guidance on the economic policy of the Euro area.

Equity: the S&P500 and the Dow Jones Industrial retreated slightly last week, while the Nasdaq100 dropped 1.3%. The EuroStoxx50 and the Shanghai Composite were slightly up still and the Nikkei225 dropped almost 3%. Most equity markets remain Overbought and we believe the upside risk/reward over the next 2-3 months is rather unappealing.

Fixed Income: hotter inflation prints last week pushed yields higher again by +0.23% for the US10Y and by +0.16% for the 10Y Bund. We expect further upside into Q2 and perhaps until midyear as the rate cuts could be further delayed.

FOREX: USD is benefiting from the rebound in US yields. We hence expect it to hold up over the next 2-3 months vs European currencies. That said, all eyes will be on the Yen and the BoJ this week in light of a possible rate hike.

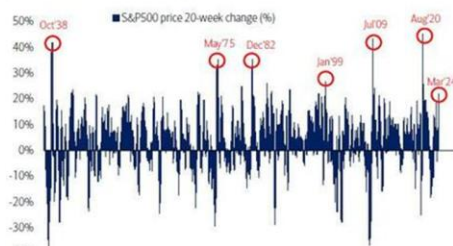
Commodities: Oil has reached its highest point in 3 months. Its recovery probably continues for now. Gold retraced slightly last week yet remains in an uptrend. Risk/reward is probably stretched for now, especially if USD rebounds.

	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	5 117	Mar-23	3 937	30,0%	Mar-24	5 175	-1,1%	7,3%	up	slightly OB
Nasdaq100 Index	USD	17 808	Mar-23	12 563	41,8%	Mar-24	18 303	-2,7%	5,8%	up	neutral
Dow Jones Industrials Index	USD	38 715	Mar-23	32 030	20,9%	Feb-24	39 132	-1,1%	2,7%	up	neutral
EuroStoxx50	EUR	4 986	Oct-23	4 014	24,2%	Mar-24	5 001	-0,3%	10,3%	up	OB
Swiss Market Index	CHF	11 676	Oct-23	10 324	13,1%	Mar-24	11 790	-1,0%	4,8%	up	OB
Nikkei225	JPY	38 708	Mar-23	26 946	43,7%	Mar-24	40 109	-3,5%	15,7%	up	slightly OB
Shanghai Composite	CNY	3 055	Feb-24	2 702	13,0%	May-23	3 395	-10,0%	2,7%	neutral	neutral
US 10Y Treasury Yield	%	4,31%	Apr-23	3,31%	1,0%	Oct-23	4,99%	-0,7%	0,4%	neutral	neutral
German 10Y Bund Yield	%	2,43%	Dec-23	1,97%	0,5%	Sep-23	2,97%	-0,5%	0,4%	neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	93	Oct-23	84	11,0%	Apr-23	105	-11,8%	-6,0%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	Oct-23	98	9,7%	Dec-23	111	-2,9%	-2,3%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	Mar-23	70	10,6%	Dec-23	78	-0,9%	-0,2%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	88	Oct-23	79	11,3%	Dec-23	89	-1,3%	-0,6%	neutral	neutral
EUR/USD		1,09	Oct-23	1,05	4,0%	Jul-23	1,12	-3,1%	-1,4%	neutral	neutral
GBP/USD		1,27	Oct-23	1,21	5,4%	Jul-23	1,31	-3,1%	-0,0%	neutral	neutral
USD/JPY		149	Mar-23	131	14,0%	Nov-23	152	-1,7%	5,7%	neutral	neutral
USD/CHF		0,88	Jan-24	0,84	5,1%	Mar-23	0,93	-4,9%	5,0%	neutral	neutral
AUD/USD		0,66	Oct-23	0,63	4,2%	Jul-23	0,69	-4,7%	-3,7%	neutral	neutral
Brent Oil (per Barrel)	USD	85	Jun-23	72	18,8%	Sep-23	97	-11,6%	10,8%	neutral	neutral
Gold Spot (per Ounce)	USD	2 156	Oct-23	1 820	18,4%	Mar-24	2 183	-1,2%	4,5%	up	OB

US Equity Focus: extreme positioning implies risks for Q2 as cuts may get delayed

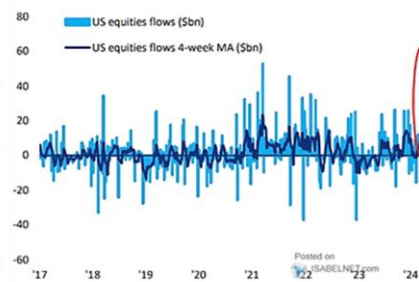
US Equities are Overbought and some retracement seems likely into Q2. Indeed, the recent +25% rally on the S&P500 over the last 5 months has been exceptional as such strength has happened only 10 times in modern history (top-left). This has led to record FOMO (Fear of Missing Out) inflows recently into US equities (top-middle), while complacency towards risks is also extreme with the Put to Call skew (the price of Puts vs the price of Calls) close to its 20 years lows (top-right). Concentration in Momentum stocks (i.e. recent winners: currently Big Tech) is at levels not seen since the GFC (bottom-left). We hence expect some rotation at least, probably back to Value and Defensives. Thereafter, once the cuts finally come (now expected from mid June), Tech, which remains much more profitable (bottom-right), could then outperform again.

Chart 9: Stocks +25% In 5mos...has happened 10 times since 1930s
S&P 500 price 20-week change



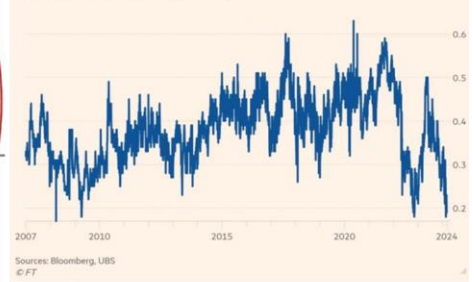
Source: BofA Global Investment Strategy, Bloomberg

Chart 10: Record \$56.1bn weekly inflow to US equity funds
Flows to US equities (weekly vs 4-wk ma)



Source: BofA Global Investment Strategy, EPFR

The price between puts and calls has narrowed to historic lows
S&P 500 2-month 25 day P-C skew (normalised)

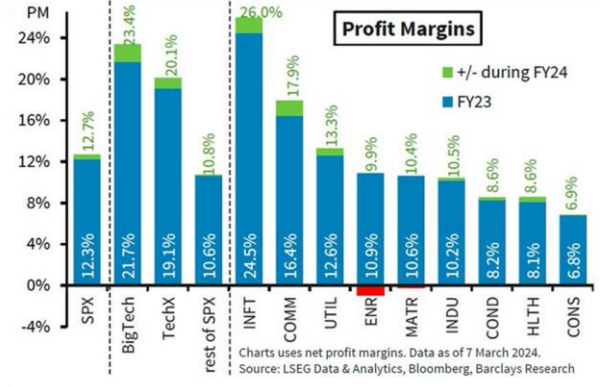


Sources: Bloomberg, UBS
© FT



Source: J.P. Morgan Equity Macro Research

Annotations: @MacroCharts



Charts uses net profit margins. Data as of 7 March 2024.
Source: LSEG Data & Analytics, Bloomberg, Barclays Research

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".

Disclaimer: The information in this document is being provided for general market commentary and information purposes. This document does not constitute a solicitation or offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction. Any reference to a transaction, trade, position, holding, security, market, or level is purely meant to educate readers about possible opportunities and risks in the marketplace and are not meant to imply that any person or entity should take any action whatsoever without first evaluating such action(s) in light of their own situation either on their own or through a professional advisor. If a person or entity does not believe they are qualified to make such decisions, they should seek professional advice. The prices listed are for reference only and are in no way intended to represent an actual trade. This information is not a substitute for professional advice of any nature, including tax, legal, and financial. While we believe the information contained herein to be accurate, all numbers should be verified by the reader through independent sources. Primis Investment (Suisse) SA assumes no responsibility for errors or omissions in the contents of this document. In no event shall Primis Investment (Suisse) SA be liable for any special, direct, indirect, consequential, or incidental damages or any damages whatsoever, whether in an action of contract, negligence, or other tort, arising out of or in connection with the contents of this document or any related services. Trading securities, options, futures, or any other security involves risk and can result in the immediate and substantial loss of the capital invested. Every reader/recipient is responsible for his or her own investment decisions. Primis Investment (Suisse) SA reserves the right to make additions, deletions, or modifications to the contents of this document and related services at any time without prior notice.



Primis Investment (Suisse) SA
5 rue Jacques-Balmat, 1204 Geneva –Switzerland
T: + 41 22 570 60 80

wealth-management@primis.swiss

www.primis.swiss