

# WEEKLY MARKETS ROUND-UP

## Executive Summary

25<sup>th</sup> March 2024

**Top news: US Consumer Confidence, Home sales and Core PCE Inflation** – last week, on Tuesday, the BoJ made history. It was indeed the last Central Bank to exit negative interest rates, i.e. it lifted its short term rate to between 0.0-0.1%, while also ending its Yield Curve Control policy and its purchases of equity ETFs. Governor Ueda cited a virtuous economic cycle strengthening to justify this decision. Interestingly other Central Banks are now starting to cut, which was the case on Thursday, with an initial -0.25% surprise cut from the SNB. Previously on Wednesday evening, the FED also confirmed that a cutting cycle was imminent, probably from June 12th and potentially amounting to 3 cuts this year and 3 more in 2025. These medium term projections from the various FED Governors were slightly more hawkish than expected on average, yet Chair Powell went to great length to spin his narrative in a dovish way. This week, we will focus back on the economy and especially consumers, with the Conference Board Consumer Confidence data on Tuesday and the Revised Univ. of Michigan Consumer Sentiment on Thursday. Both are expected pretty much flat. The market then expects a recovery in US Pending Home sales on Thursday, while US Core PCE Inflation data (i.e. the FED's favorite inflation indicator) is expected to drop slightly on Friday from +0.4% MoM last month to +0.3%.

**Equity:** S&P500, Nasdaq100, EuroStoxx50 and Nikkei225 all rose back to new highs last week, by resp. +2.4%, +3.2%, +1% and +6.5%. Most equity markets remain Overbought. Upside risk/reward into late Q2 seems rather unappealing.

**Fixed Income:** benchmark rates dropped back last week on the surprise SNB cut as well as Powell's dovishness. In our table below, the fixed income universe is rather neutral, probably until June/July and the start of the US rate cuts.

**FOREX:** USD strengthened further last week, probably as markets felt that the ECB may cut rates sooner and quicker than the FED. The BoJ's guidance on further hikes is still unclear and hence USD/JPY continues to rise for now.

**Commodities:** Oil retraced slightly last week, yet we expect further recovery into mid/late Q2. Gold rose to new highs around 2'210 USD/oz post the FED, yet retraced all these gains into late Friday. Risk/reward seems stretched for now.

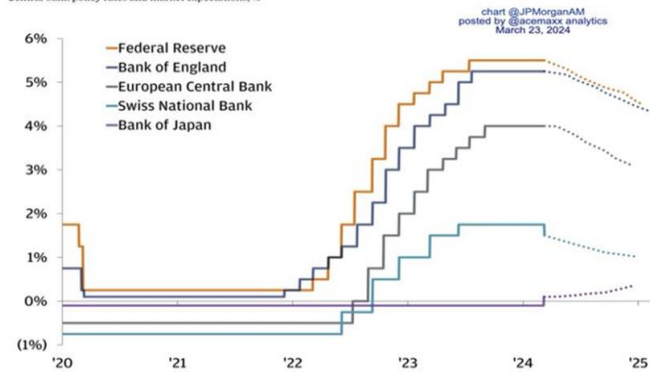
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance	Trend	Exaggeration
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	5 234	Mar-23	3 971	31,8%	Mar-24	5 242	-0,1%	9,7%	up	slightly OB
Nasdaq100 Index	USD	18 339	Mar-23	12 611	45,4%	Mar-24	18 339	0,0%	9,0%	up	neutral
Dow Jones Industrials Index	USD	39 476	Mar-23	32 394	21,9%	Mar-24	39 781	-0,8%	4,7%	up	slightly OB
EuroStoxx50	EUR	5 031	Oct-23	4 014	25,3%	Mar-24	5 052	-0,4%	11,3%	up	slightly OB
Swiss Market Index	CHF	11 652	Oct-23	10 324	12,9%	Mar-24	11 790	-1,2%	4,6%	up	slightly OB
Nikkei225	JPY	40 888	Apr-23	27 473	48,8%	Mar-24	40 888	0,0%	22,2%	up	slightly OB
Shanghai Composite	CNY	3 048	Feb-24	2 702	12,8%	May-23	3 395	-10,2%	2,5%	neutral	neutral
US 10Y Treasury Yield	%	4,20%	Apr-23	3,31%	0,9%	Oct-23	4,99%	-0,8%	0,3%	neutral	neutral
German 10Y Bund Yield	%	2,32%	Dec-23	1,97%	0,4%	Sep-23	2,97%	-0,6%	0,3%	neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	94	Oct-23	84	12,3%	Apr-23	105	-10,9%	-5,0%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	109	Oct-23	98	10,5%	Dec-23	111	-2,2%	-1,5%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	78	Mar-23	70	11,2%	Mar-24	78	-0,2%	0,6%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	90	Oct-23	79	13,2%	Mar-24	90	0,0%	1,1%	neutral	neutral
EUR/USD		1,08	Oct-23	1,05	3,2%	Jul-23	1,12	-3,8%	-2,1%	neutral	neutral
GBP/USD		1,26	Oct-23	1,21	4,3%	Jul-23	1,31	-4,0%	-1,0%	neutral	neutral
USD/JPY		151	Mar-23	131	15,7%	Nov-23	152	-0,2%	7,4%	neutral	neutral
USD/CHF		0,90	Jan-24	0,84	6,7%	Oct-23	0,92	-2,6%	6,6%	neutral	slightly OB
AUD/USD		0,65	Oct-23	0,63	3,4%	Jul-23	0,69	-5,4%	-4,4%	neutral	neutral
Brent Oil (per Barrel)	USD	86	Jun-23	72	19,3%	Sep-23	97	-11,3%	11,2%	neutral	slightly OB
Gold Spot (per Ounce)	USD	2 165	Oct-23	1 820	18,9%	Mar-24	2 186	-1,0%	5,0%	up	slightly OB

## Easing Focus: rate cuts very supportive for H2, yet short term, Equities Overbought

This week the Swiss National Bank was the first of the major central banks to start its rate cutting cycle. According to market expectations, the other majors should follow shortly (top-left graph). Such an easing environment is often supportive for equities, especially if the economy manages to avoid a hard landing (which seems to be the case for now). These could also get a further boost from productivity gains, which may be currently breaking out positively after 15 years of a sideways trend (top-right graph). We however remain prudent short term, considering that the S&P500 hasn't seen a 2% pull-back in the last 100 trading days (bottom-left graph) and that initial rate cuts in the US are not expected until June 12<sup>th</sup> (bottom-right graph).

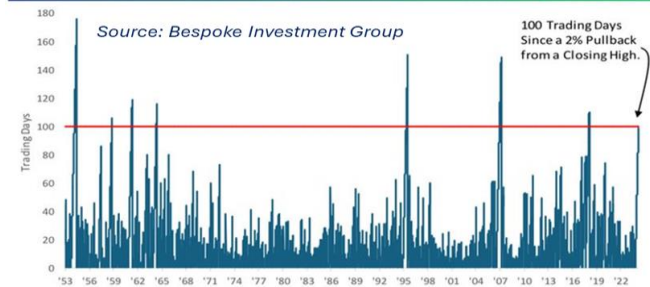
Off to the races: rate cuts are on the way

Central bank policy rates and market expectations, %



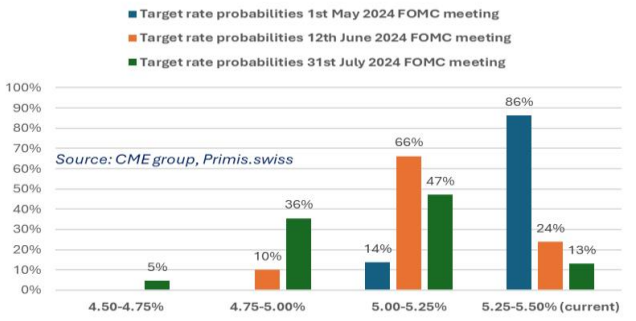
Sources: Federal Reserve, Bank of England, European Central Bank, Swiss National Bank, Bank of Japan, Bloomberg Finance L.P. Data as of March 21, 2024. Note: Federal Reserve market expectations are based on Fed funds futures. All other expectations are calculated using overnight indexed swaps.

### S&P 500 Streaks Without a 2% Decline From a Closing High: 1953 - 2024



### Exhibit 26: Labor productivity just jumped to a record high after 15 years of no gains

S&P 500 LTM revenue per employee (\$M; 1985-2/24); adjusted for CPI



### 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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