

WEEKLY MARKETS ROUND-UP

Executive Summary

8th April 2024

Top news: US CPI and FED Minutes on Wednesday, ECB on Thursday – last week, economic data came in higher than expected once again, starting with the US ISM Manufacturing PMI, which was back in expansion territory (at 50.3 vs 48.5 exp.) after 16 months of sub 50 contraction readings. Services PMI on Wednesday was slightly lower than expected at 51.4 vs 52.8, but on average, the data was above expectations and in positive territory (i.e. >50). The market then focused on the March US Non-Farm Payrolls on Friday, which again also beat expectations at +303k new jobs vs +212k exp. In contrast, EuroZone, CPI on Wednesday registered a drop below expectations at 2.9% YoY vs 3.0% on Core and 2.4% vs 2.5% on Headline. These developments highlight the resilience of the US economy (in absolute and relative terms) triggering rather hawkish “higher for longer” comments by Chair Powell on Tuesday, and even more so by FED Gov. Kashkari on Thursday. In this respect, next week will focus on Wednesday’s US CPI data and the release of the previous FED meeting minutes, and also by contrast, on the ECB rate decision on Thursday.

Equity: S&P500 and EuroStoxx50 both corrected between 1-1.5% last week, initially into Tuesday and then on Thursday following FED’s Kashkari’s comments. The uptrend since last October is gradually showing signs of exhaustion.

Fixed Income: benchmark rates jumped last week, especially US ones, on the hawkish FED comments. Higher for longer seems confirmed as long as inflation remains sticky. Yet ultimately, we expect cuts to come in H2 (next page).

FOREX: USD was pretty much flat last week, dropping into midweek, yet recuperating these losses following Kashkari’s comments. Dynamics of the US to EuroZone rates differential seem in favor of the US over the next 2-3 months.

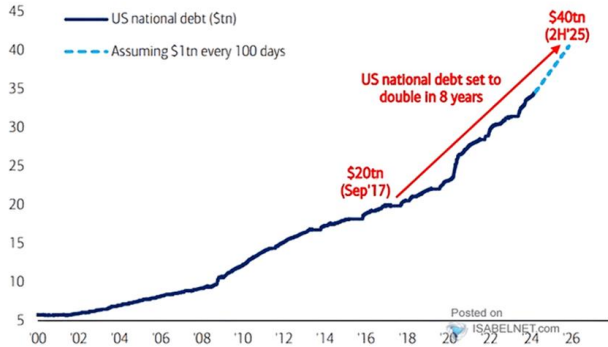
Commodities: Brent Oil broke back above 90 USD/barrel last week (to 91) on tensions in the Middle East and as Saudi Arabia continued to hike prices. We expect further gains over the next few months. Gold gained another 100 USD/oz last week, and is starting to be very Overbought on our table below. Yet, recent strength is probably right in calling the FED’s bluff as the US seems to have painted itself into a corner of sticky inflation and rapidly rising interest expenses.

	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	5 204	Apr-23	4 056	28,3%	Mar-24	5 254	-1,0%	9,1%	up	neutral
Nasdaq100 Index	USD	18 108	Apr-23	12 725	42,3%	Mar-24	18 339	-1,3%	7,6%	up	neutral
Dow Jones Industrials Index	USD	38 904	Oct-23	32 418	20,0%	Mar-24	39 807	-2,3%	3,2%	up	neutral
EuroStoxx50	EUR	5 015	Oct-23	4 014	24,9%	Mar-24	5 083	-1,4%	10,9%	up	slightly OB
Swiss Market Index	CHF	11 496	Oct-23	10 324	11,4%	Mar-24	11 790	-2,5%	3,2%	up	slightly OB
Nikkei225	JPY	38 992	Apr-23	27 634	41,1%	Mar-24	40 888	-4,6%	16,5%	up	neutral
Shanghai Composite	CNY	3 069	Feb-24	2 702	13,6%	May-23	3 395	-9,6%	3,2%	neutral	neutral
US 10Y Treasury Yield	%	4,40%	May-23	3,36%	1,0%	Oct-23	4,99%	-0,6%	0,5%	neutral	neutral
German 10Y Bund Yield	%	2,40%	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	91	Oct-23	84	9,2%	May-23	104	-12,5%	-7,6%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	107	Oct-23	98	8,9%	Dec-23	111	-3,6%	-3,0%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	May-23	70	9,0%	Mar-24	78	-0,9%	-0,0%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	89	Oct-23	79	12,5%	Mar-24	90	-0,6%	0,5%	neutral	neutral
EUR/USD		1,08	Oct-23	1,05	3,5%	Jul-23	1,12	-3,6%	-1,8%	neutral	neutral
GBP/USD		1,26	Oct-23	1,21	4,6%	Jul-23	1,31	-3,8%	-0,8%	neutral	neutral
USD/JPY		152	Apr-23	133	14,4%	Nov-23	152	-0,1%	7,5%	neutral	neutral
USD/CHF		0,90	Jan-24	0,84	7,2%	Oct-23	0,92	-2,0%	7,2%	neutral	slightly OB
AUD/USD		0,66	Oct-23	0,63	4,5%	Jul-23	0,69	-4,5%	-3,4%	neutral	neutral
Brent Oil (per Barrel)	USD	91	Jun-23	72	26,5%	Sep-23	97	-5,9%	18,0%	up	slightly OB
Gold Spot (per Ounce)	USD	2 330	Oct-23	1 820	28,0%	Apr-24	2 330	0,0%	12,9%	up	OB

Fiscal Focus: despite sticky Inflation, FED may cut rates, further upside for Gold

Last week, we mentioned why inflation could remain sticky during Q2 and on Thursday FED Gov. Kashkari confirmed that the FED may not cut rates this year if inflation does so. That said, considering the projections of US national debt (top-left graph) and US interest expenses with or without rate cuts (top-right graph), the FED may ultimately have to cut in H2/24 even if inflation sticks. Gold investors are sniffing out these developments, despite high real rates still (bottom-left graph), while Central banks are also gradually replacing their reserves in foreign Treasuries with Gold (bottom-right graph).

US national debt (\$tn) and projection assuming \$1tn increase every 100 days



US interest payments (\$ bn) and rates projections

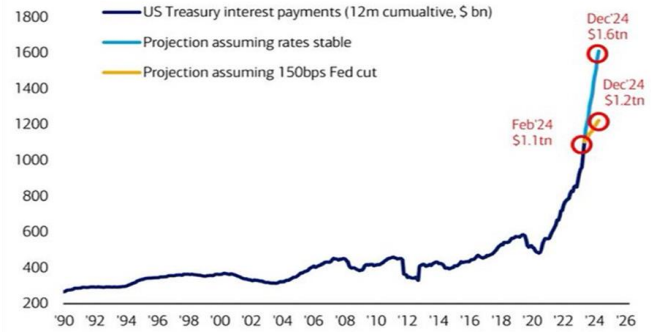
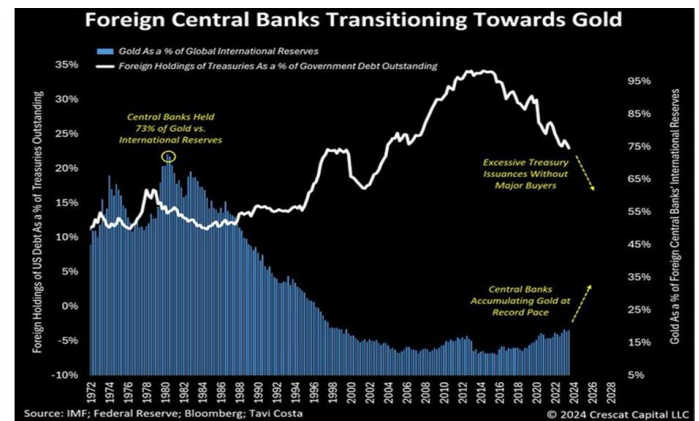


Chart 2: Gold discounting a collapse in real rates
US 10-year real rate % (inverted) vs gold price (RHS)



Source: BofA Global Investment Strategy, Bloomberg



Source: IMF, Federal Reserve, Bloomberg, Tavi Costa © 2024 Crescat Capital LLC

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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