

# WEEKLY MARKETS ROUND-UP

## Executive Summary

29<sup>th</sup> April 2024

**Top news: AMZN, FOMC meeting, AAPL, Non-Farm Payrolls** – last week was heavy in terms of macro-economic data and earnings. It started with Global Flash PMI on Tuesday, which are advanced indicators for the major economies. Generally, Manufacturing worsened again following some improvement in Q1, while Services held steady. This mix points to rather late cycle dynamics, as did the miss on the US Advanced Q1 GDP release on Thursday (+1.6% vs +2.5% exp. and +3.4% in Q4), while both the Advanced GDP Price Index, as well as the Core PCE Inflation data on Friday (+0.3% MoM) held up (i.e. the combination is hence slightly stagflationary). On the earnings front, TSLA missed on both earnings and sales but promised new affordable cars by 2025. The stock jumped 13%. Meta then beat on both on Wednesday but offered disappointing guidance and hence dropped 16%, Microsoft and Alphabet also beat on both on Thursday evening and rose 2% and 10% resp. into Friday. This week will also be busy with the Manufacturing and Services US PMIs (resp. Wednesday and Friday), the FED meeting on Wednesday and Non-Farm Payrolls on Friday. On the earnings front, AMZN and AAPL will release resp. on Tuesday and Thursday after the close.

**Equity:** Equities mostly bounced last week. The trends on the various indexes are now neutral/up (table below), while risk is in the middle of the range (not Overbought, nor Oversold). That said, the consolidation period that started early April may still be underway. We would hence remain prudent over the next month or so as equities may retrace more.

**Fixed Income:** US and German 10Y Yields rose a further 4-5 bps last week as inflation generally continues to surprise by its resiliency. Yields appear slightly Overbought, yet we remain rather hawkish for now, probably into late Q2.

**FOREX:** USD pairs were generally flat last week except for USD/JPY. Indeed, the Yen dropped to new lows vs most currencies as the BOJ held rates steady at circa 0% and failed to clearly signal further rates hikes going forward.

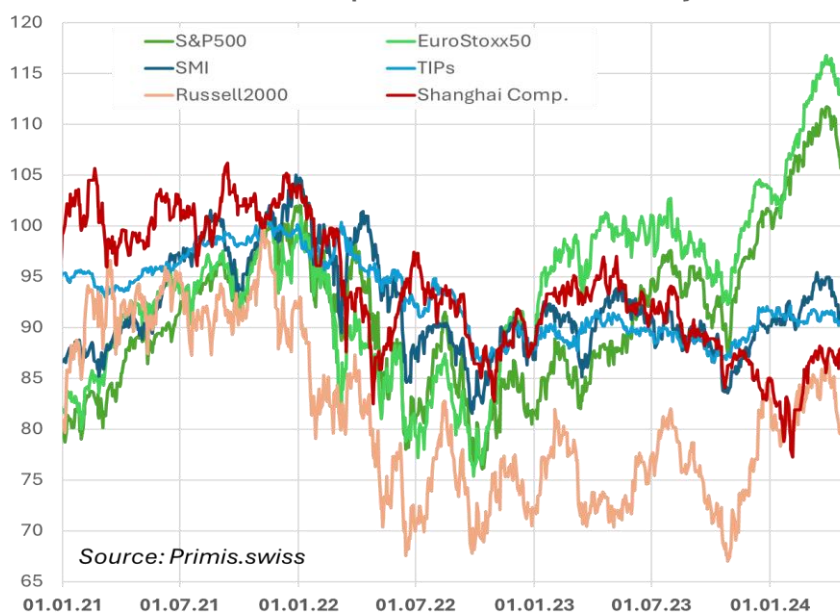
**Commodities:** Oil bounced 2% last week as the geopolitical tensions showed no signs of abating. Gold, on the other hand, dropped 2% on profit taking early in the week, and as inflation / hawkish concerns made a comeback.

	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	5 100	May-23	4 061	25,6%	Mar-24	5 254	-2,9%	6,9%	up	neutral
Nasdaq100 Index	USD	17 718	May-23	12 982	36,5%	Mar-24	18 339	-3,4%	5,3%	up	neutral
Dow Jones Industrials Index	USD	38 240	Oct-23	32 418	18,0%	Mar-24	39 807	-3,9%	1,5%	neutral	neutral
EuroStoxx50	EUR	5 007	Oct-23	4 014	24,7%	Mar-24	5 083	-1,5%	10,7%	up	neutral
Swiss Market Index	CHF	11 344	Oct-23	10 324	9,9%	Mar-24	11 790	-3,8%	1,9%	neutral	neutral
Nikkei225	JPY	37 935	May-23	28 950	31,0%	Mar-24	40 888	-7,2%	13,4%	up	neutral
Shanghai Composite	CNY	3 089	Feb-24	2 702	14,3%	May-23	3 395	-9,0%	3,8%	neutral	neutral
US 10Y Treasury Yield	%	4,66%	May-23	3,36%	1,3%	Oct-23	4,99%	-0,3%	0,8%	up	slightly OB
German 10Y Bund Yield	%	2,58%	Dec-23	1,97%	0,6%	Sep-23	2,97%	-0,4%	0,5%	neutral	slightly OB
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	88	Oct-23	83	6,9%	May-23	103	-14,3%	-9,5%	neutral	slightly OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	105	Oct-23	98	7,8%	Dec-23	110	-4,6%	-3,9%	neutral	slightly OS
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	May-23	70	9,2%	Mar-24	78	-1,2%	0,2%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	88	Oct-23	79	10,8%	Apr-24	90	-2,5%	-1,1%	neutral	neutral
EUR/USD		1,07	Oct-23	1,05	2,1%	Jul-23	1,12	-4,9%	-3,1%	neutral	slightly OS
GBP/USD		1,25	Oct-23	1,21	3,4%	Jul-23	1,31	-4,9%	-1,9%	neutral	neutral
USD/JPY		158	May-23	134	17,9%	Apr-24	158	0,0%	12,2%	neutral	slightly OB
USD/CHF		0,91	Jan-24	0,84	8,7%	Oct-23	0,92	-0,7%	8,7%	neutral	slightly OB
AUD/USD		0,65	Oct-23	0,63	3,8%	Jul-23	0,69	-5,1%	-4,1%	neutral	neutral
Brent Oil (per Barrel)	USD	89	Jun-23	72	24,3%	Sep-23	97	-7,5%	15,9%	up	neutral
Gold Spot (per Ounce)	USD	2 337	Oct-23	1 820	28,4%	Apr-24	2 391	-2,2%	13,3%	up	slightly OB

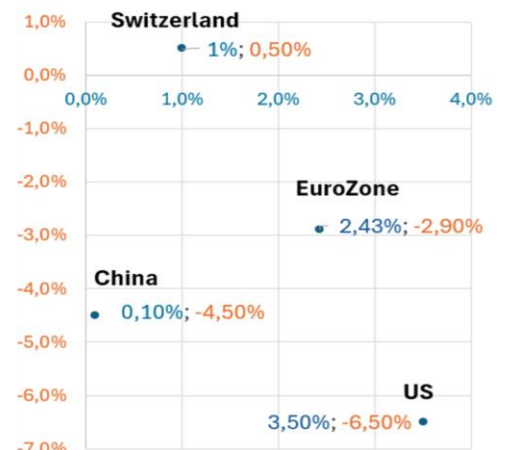
## Equity Focus: relative strength seems definitely linked to fiscal stimulus

Since late 2022 and again since last October, the S&P500 and the EuroStoxx50 have seen stellar performance (green lines, left-hand graph). We are however amazed as to the underperformance of other markets, especially Switzerland (dark blue line). While this underperformance could be due to idiosyncratic risk linked to some of its largest constituents (e.g. Roche or Nestlé), we believe there is more to it. Indeed, the performance of the SMI seems very closely related to US Tips (light blue line) in term of timing and volatility. Our right-hand graph may offer a worthwhile explanation, comparing real world Switzerland (budget surplus, inflation now at 1%) to the EuroZone and especially the US, which appears on steroids (CPI still well above target, 6.5% deficit). Yet, too much stimulus (a.k.a. leverage) can become counter-productive if it leads to distress. As examples, we show the Russell2000 (pink line) with its 40% of unprofitable companies (and a PE ratio which is half the S&P500) as well as China (red line), which is currently on the brink of deflation despite a 4.5% deficit. Hence, while relative strength does seem positively influenced by fiscal stimulus, it ceases to be once the distressed/deflationary line is crossed.

Main Indexes & TIPs performances since January 2021



Inflation and fiscal stimulus  
Horizontal axis: Latest CPI YoY %  
Vertical Axis: Running Budget Deficit % GDP



### 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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