

# WEEKLY MARKETS ROUND-UP

## Executive Summary

6<sup>th</sup> May 2024

**Top news: dovish FED and NFP aftermath, few releases this week** – last week may represent an initial turning point in the higher for longer narrative as the FED appeared more dovish than anticipated and US Payrolls also rose less than expected. Indeed, despite admitting little progress on inflation in Q1, Chair Powell reaffirmed his opinion that it should resume lower later this year. He also dismissed the eventuality of further rates hikes while confirming the likelihood of rate cuts in H2. Finally, he announced that the balance sheet run-off (QT) would slow from 60 \$bn a month to 25 from June, which could bring some relief to real rates. Dovishness was then confirmed on Friday with the April US Non-Farm Payrolls. These rose by only 175k vs 238k exp. Average hourly earnings also came in lower: +0.2% MoM vs +0.3% exp. Finally, the ISM Manufacturing and Services data also surprised negatively last week, both dropping back into contraction. All in all, anticipations for a 1st rate cut in September have been confirmed and 2 rate cuts are now back on the agenda this year. On the earnings front, AMZN beat on both earnings and sales on Tuesday, rising more than 3%, while Apple rose 6% on Friday morning as sales slowed less than expected and a 110 \$bn share buy-back program was announced. This week we await the BoE on Thursday and Preliminary UoM Consumer Sentiment and Inflation Expectations on Friday. The week is quieter on the earnings front. We will then look to US CPI next week.

**Equities:** mostly flat last week, testing down into the FED and then recovering into Friday. Most indexes are neutral in the table below, yet we remain prudent for now as the retracement, which started 1 month ago may still be underway.

**Fixed Income:** benchmark yields are now 15 to 20 bps below their highs made circa 10 days ago. These rates are still slightly Overbought on the table below. We remain rather neutral for now until inflation definitely resumes lower.

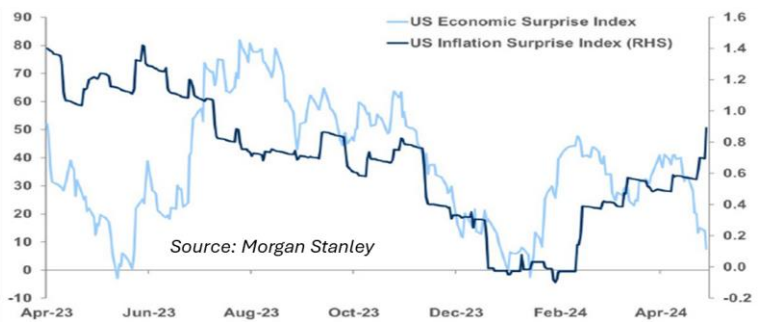
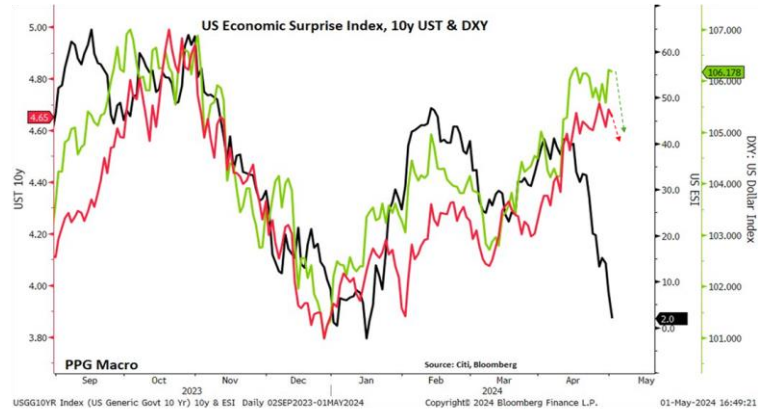
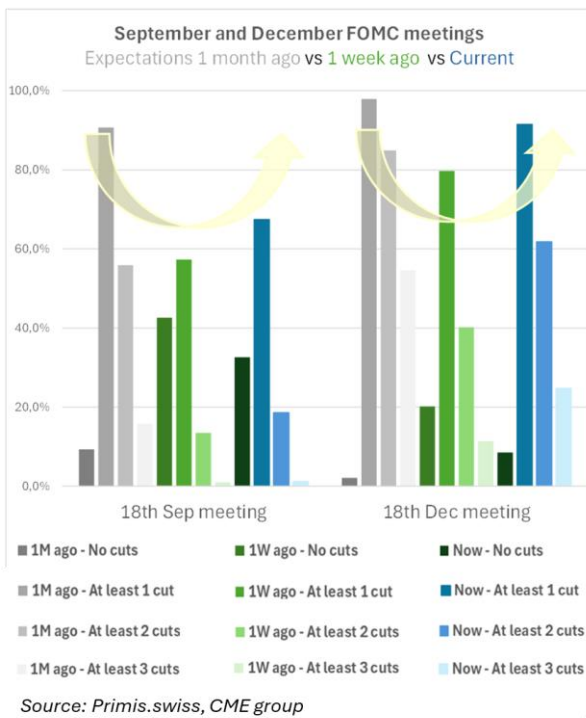
**FOREX:** USD also reacted to the dovish sentiment from Wednesday onwards and lost circa 1% vs most currencies. The Yen shot up between 2 and 3% vs most currencies as rumors of a BoJ FX intervention ran wild.

**Commodities:** Oil dropped 5% last week on the weaker data. Gold continued in its countertrend retracement.

	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	5 128	May-23	4 110	24,8%	Mar-24	5 254	-2,4%	7,5%	up	neutral
Nasdaq100 Index	USD	17 891	May-23	13 201	35,5%	Mar-24	18 339	-2,4%	6,3%	up	neutral
Dow Jones Industrials Index	USD	38 676	Oct-23	32 418	19,3%	Mar-24	39 807	-2,8%	2,6%	neutral	neutral
EuroStoxx50	EUR	4 921	Oct-23	4 014	22,6%	Mar-24	5 083	-3,2%	8,8%	up	neutral
Swiss Market Index	CHF	11 273	Oct-23	10 324	9,2%	Mar-24	11 790	-4,4%	1,2%	neutral	neutral
Nikkei225	JPY	38 236	May-23	28 950	32,1%	Mar-24	40 888	-6,5%	14,3%	up	neutral
Shanghai Composite	CNY	3 105	Feb-24	2 702	14,9%	May-23	3 395	-8,5%	4,4%	neutral	slightly OB
US 10Y Treasury Yield	%	4,50%	May-23	3,38%	1,1%	Oct-23	4,99%	-0,5%	0,6%	up	slightly OB
German 10Y Bund Yield	%	2,49%	Dec-23	1,97%	0,5%	Sep-23	2,97%	-0,5%	0,5%	neutral	slightly OB
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	90	Oct-23	83	8,9%	May-23	102	-11,8%	-7,8%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	106	Oct-23	98	9,1%	Dec-23	110	-3,4%	-2,8%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	May-23	70	9,9%	Mar-24	77	-0,1%	0,8%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	89	Oct-23	79	12,0%	Apr-24	90	-1,1%	0,0%	neutral	neutral
EUR/USD		1,08	Oct-23	1,05	2,8%	Jul-23	1,12	-4,2%	-2,5%	neutral	neutral
GBP/USD		1,25	Oct-23	1,21	3,9%	Jul-23	1,31	-4,5%	-1,5%	neutral	neutral
USD/JPY		153	May-23	134	14,0%	Apr-24	158	-3,3%	8,5%	neutral	slightly OB
USD/CHF		0,91	Jan-24	0,84	7,6%	Oct-23	0,92	-1,7%	7,6%	neutral	slightly OB
AUD/USD		0,66	Oct-23	0,63	5,0%	Jul-23	0,69	-4,0%	-3,0%	neutral	neutral
Brent Oil (per Barrel)	USD	83	Jun-23	72	15,5%	Sep-23	97	-14,1%	7,7%	up	neutral
Gold Spot (per Ounce)	USD	2 303	Oct-23	1 820	26,5%	Apr-24	2 391	-3,7%	11,6%	up	slightly OB

## Sentiment Focus: bad news is good news for markets, inflation just needs to follow

Last week dovish events helped shift rate cut expectations forward (left-hand graph), the first rate cut is now confirmed for September with a 67% probability, while 2 rates are expected in December with a 62% probability. Overall, while rate cuts expectations had dropped between a month and a week ago, they recovered last week, which may point to a sustainable reversal upwards in these anticipations. Indeed, economic surprises have deteriorated markedly over the last few weeks (top-right-graph) and could be leading similar drops in the Dollar Index or the US10Y. Friday saw an initial reaction (dotted lines). As a last deterrent, we would consider the divergence between economic and inflation surprises (bottom-right graph). It suggests the persistence of some stagflationary dynamics. We would hope that these gradually also start to roll-over.



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

[wealth-management@primis.swiss](mailto:wealth-management@primis.swiss)

[www.primis.swiss](http://www.primis.swiss)

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