

WEEKLY MARKETS ROUND-UP

Executive Summary

13th May 2024

Top news: all eyes on Wednesday's US CPI – last week was meant to be quiet on the economic releases front and equity markets rode this data vacuum into Friday, rising circa 2% in the US and more than 3.5% in Europe reaching new marginal all-time highs on the EuroStoxx50. A rather stagflationary University of Michigan release on Friday afternoon (Consumer sentiment dropping to 67.4 from 76.3 exp., the biggest miss on record, while next 12 months Inflation Expectations rose to 3.5% YoY vs 3.2% exp.) reopened the hawkish vs dovish debate, setting the stage for the all important US CPI this Wednesday. Core is expected to drop from +0.4% MoM in March to +0.3% in April, while Headline could remain stable around +0.4%. YoY Headline could drop from 3.5% to 3.4%. This crucial release will be preceded by US PPI on Tuesday (expected rather flat to slightly up), and concomitant with US Retail Sales, which are expected to drop, following strong readings in March. On the earnings front, the focus will also be on consumers, with the rather cyclical Home Depot releasing on Tuesday pre-open and discount retailer Walmart on Thursday pre-open.

Equities: US equities retested up close to their late March highs, while indeed, some European markets made it slightly higher. Technically, the trend on equity markets remains neutral to slightly up, while these are not Overbought anymore. That said, we remain rather prudent for now, given the uncertainty around the US CPI data this week.

Fixed Income: benchmark yields were pretty much flat last week, falling early in the week and then bouncing into late Friday. Their trend is still slightly up for now on the table below, so that we cannot confirm a dovish shift quite yet.

FOREX: USD was also pretty much flat last week, except for USD/JPY which bounced back 2% following its drop the previous week. It appears that despite the BOJ's recent intervention, upside momentum remains persistent for now.

Commodities: Oil failed to rebound last week, following a 5% drop the previous week. It remains in an uptrend however on the table below. Gold rallied and retested up close to its highs last week, rising almost 3%, before fading a bit on Friday. It remains slightly Overbought 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	5 223	May-23	4 110	27,1%	Mar-24	5 254	-0,6%	9,5%	up	neutral
Nasdaq100 Index	USD	18 161	May-23	13 414	35,4%	Mar-24	18 339	-1,0%	7,9%	neutral	neutral
Dow Jones Industrials Index	USD	39 513	Oct-23	32 418	21,9%	Mar-24	39 807	-0,7%	4,8%	neutral	neutral
EuroStoxx50	EUR	5 085	Oct-23	4 014	26,7%	May-24	5 085	0,0%	12,5%	up	neutral
Swiss Market Index	CHF	11 754	Oct-23	10 324	13,9%	Mar-24	11 790	-0,3%	5,5%	neutral	slightly OB
Nikkei225	JPY	38 229	May-23	29 626	29,0%	Mar-24	40 888	-6,5%	14,2%	up	neutral
Shanghai Composite	CNY	3 155	Feb-24	2 702	16,7%	May-23	3 311	-4,7%	6,0%	neutral	slightly OB
US 10Y Treasury Yield	%	4,50%	May-23	3,50%	1,0%	Oct-23	4,99%	-0,5%	0,6%	up	neutral
German 10Y Bund Yield	%	2,51%	Dec-23	1,97%	0,5%	Sep-23	2,97%	-0,5%	0,5%	up	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	90	Oct-23	83	8,7%	Jun-23	100	-10,3%	-8,0%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	106	Oct-23	97	9,1%	Dec-23	110	-3,4%	-2,8%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	May-23	70	10,1%	May-24	77	-0,4%	1,0%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	89	Oct-23	79	12,5%	Apr-24	90	-1,0%	0,5%	neutral	neutral
EUR/USD		1,08	Oct-23	1,05	2,9%	Jul-23	1,12	-4,2%	-2,4%	neutral	neutral
GBP/USD		1,25	Oct-23	1,21	3,7%	Jul-23	1,31	-4,6%	-1,6%	neutral	neutral
USD/JPY		156	May-23	136	14,5%	Apr-24	158	-1,6%	10,4%	neutral	slightly OB
USD/CHF		0,91	Jan-24	0,84	7,8%	Oct-23	0,92	-1,6%	7,7%	neutral	slightly OB
AUD/USD		0,66	Oct-23	0,63	4,9%	Jul-23	0,69	-4,1%	-3,1%	neutral	neutral
Brent Oil (per Barrel)	USD	83	Jun-23	72	15,4%	Sep-23	97	-14,1%	7,6%	up	neutral
Gold Spot (per Ounce)	USD	2 361	Oct-23	1 820	29,7%	Apr-24	2 391	-1,3%	14,4%	up	slightly OB

* These large fixed income ETFs are used as proxies to assess the state of duration trades as well as of credit markets

Inflation Focus: all eyes on the US CPI this week following a stagflationary UoM

Early last week, we pointed to the possibility of a positive reversal in rate cuts anticipations, while on the other hand, inflationary surprises still persisted. The University of Michigan Consumer Sentiment and Inflation Expectations data last Friday further crystallized this debate. Indeed, while consumer sentiment saw the biggest negative miss on record, inflation expectations continued to surprise hawkishly (top-left graph). This release finished to reverse the sharp jump in rate cut anticipations, which followed the negative surprise in US Payrolls 10 days ago (top-right chart), and shows the current sensitivity of these expectations to incoming economic and inflation data. This week's CPI is expected to take a hit from Owner's equivalent rent inflation, the largest component of CPI (bot-left graph from Standard Chartered), while Core CPI could drop below +0.3% MoM (bot-right chart from Morgan Stanley). Indeed, all eyes will hence be on Wednesday's US CPI.

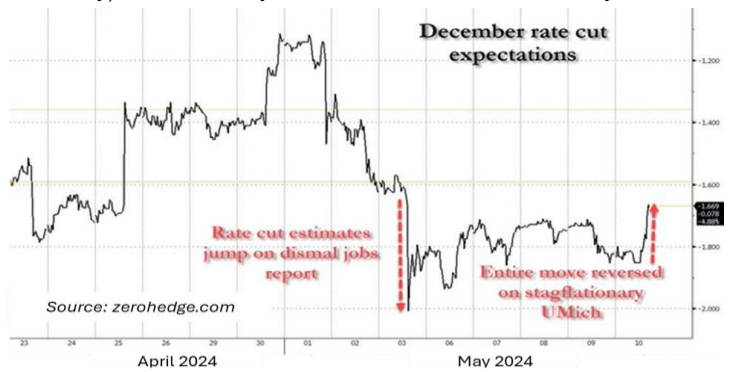
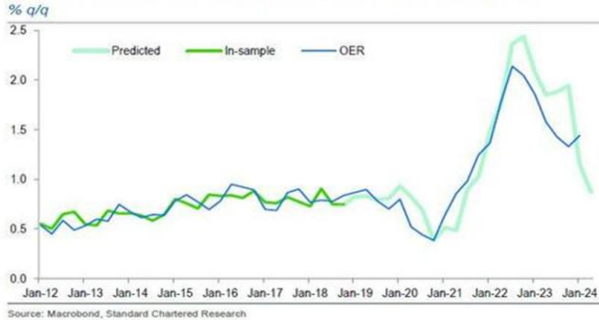
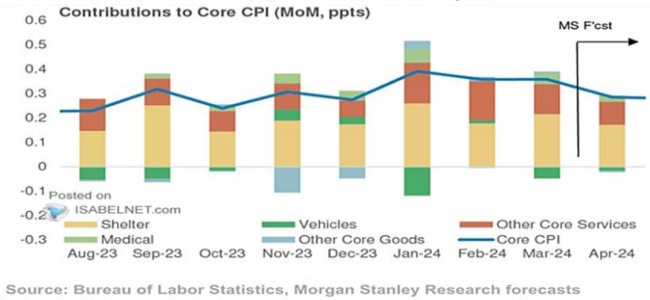


Figure 1: OER inflation equation points to sharp drop in coming months



Core inflation decelerates to 0.29%M in April



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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