

# WEEKLY MARKETS ROUND-UP

## Executive Summary

20<sup>th</sup> May 2024

**Top news: FOMC Minutes and NVIDIA earnings on Wednesday** – last week finally provided some confirmation that US Inflation could be resuming lower (after several sticky prints). Indeed, on Wednesday, US Headline CPI came in at +0.3% MoM from +0.4% last month and with +0.4% expected. Core was in line, yet generally, this was the news equities had awaited to confirm a dovish pivot and rally to new all-time highs. Previously, on Tuesday, US PPI did however come out red hot (+0.5% MoM), yet mainly due to downward revisions in the previous month and specific services components. Hence, in hindsight, the dichotomy doesn't seem to point to a new resurgence of the inflation pipeline. Furthermore, weak retail sales, also on Wednesday (Headline at +0.2% MoM vs +0.4% exp.), finished to nail the hawkish coffin. This week, markets will mostly look to the Minutes of the last FOMC meeting on Wednesday to gauge when the FED may start cutting rates (consensus is currently set on the 18<sup>th</sup> Sept. meeting), while Global Flash PMIs and the revised Univ. of Michigan Consumer Sentiment and Inflation Expectations are expected on Thursday and Friday. Following last week's revenue miss by Home Depot, and Walmart, beating on both earnings and revenue, highlighting a low cost shift in consumer patterns, this week will focus on NVIDIA's release on Wednesday after the close

**Equities:** many indexes made historical highs once again. They'd been flat from last week yet woke up and rallied from Tuesday onwards. This de facto pivot is positive for equities into the Summer, yet perhaps with some slight dips.

**Fixed Income:** the lower highs made late April on benchmark yields now serve as important resistance (i.e. or support for the various bond ETFs). If these hold, it would confirm a more dovish environment into the Fall (next page).

**FOREX:** less US Inflation means earlier rate cuts and less interest differential. USD hence retraced last week by 1-2% vs EUR, GBP or AUD. It holds for now vs currencies with Central Banks which are secularly more dovish (JPY or CHF).

**Commodities:** Oil inched up last week and remains in a slight uptrend, while gold shot up to new highs again on the dovish CPI print and as USD came under pressure. The uptrend is strong, yet 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	5 303	May-23	4 115	28,9%	May-24	5 308	-0,1%	11,2%	up	neutral
Nasdaq100 Index	USD	18 546	May-23	13 604	36,3%	May-24	18 597	-0,3%	10,2%	neutral	neutral
Dow Jones Industrials Index	USD	40 004	Oct-23	32 418	23,4%	May-24	40 004	0,0%	6,1%	neutral	neutral
EuroStoxx50	EUR	5 064	Oct-23	4 014	26,2%	May-24	5 101	-0,7%	12,0%	up	neutral
Swiss Market Index	CHF	12 038	Oct-23	10 324	16,6%	May-24	12 038	0,0%	8,1%	neutral	OB
Nikkei225	JPY	38 787	Oct-23	30 527	27,1%	Mar-24	40 888	-5,1%	15,9%	up	neutral
Shanghai Composite	CNY	3 154	Feb-24	2 702	16,7%	May-23	3 296	-4,3%	6,0%	neutral	slightly OB
US 10Y Treasury Yield	%	4,42%	Jun-23	3,61%	0,8%	Oct-23	4,99%	-0,6%	0,5%	up	neutral
German 10Y Bund Yield	%	2,52%	Dec-23	1,97%	0,6%	Sep-23	2,97%	-0,4%	0,5%	up	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	91	Oct-23	83	10,3%	Jun-23	100	-9,1%	-6,7%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	107	Oct-23	97	10,0%	Dec-23	110	-2,6%	-2,0%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	May-23	70	10,7%	May-24	77	-0,2%	1,5%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	89	Oct-23	79	13,5%	May-24	90	-0,5%	1,3%	neutral	neutral
EUR/USD		1,09	Oct-23	1,05	3,8%	Jul-23	1,12	-3,3%	-1,5%	neutral	neutral
GBP/USD		1,27	Oct-23	1,21	5,2%	Jul-23	1,31	-3,3%	-0,3%	neutral	neutral
USD/JPY		156	Jul-23	138	12,8%	Apr-24	158	-1,7%	10,4%	up	slightly OB
USD/CHF		0,91	Jan-24	0,84	8,1%	Oct-23	0,92	-1,3%	8,1%	neutral	neutral
AUD/USD		0,67	Oct-23	0,63	6,3%	Jul-23	0,69	-2,8%	-1,7%	neutral	slightly OB
Brent Oil (per Barrel)	USD	84	Jun-23	72	16,8%	Sep-23	97	-13,1%	9,0%	up	neutral
Gold Spot (per Ounce)	USD	2 415	Oct-23	1 820	32,7%	May-24	2 415	0,0%	17,1%	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

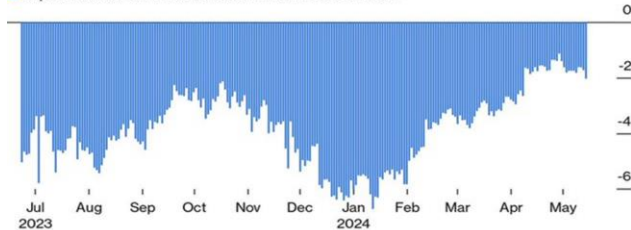
## Focus on market dynamics: visualizing Bad news is Good news

US CPI last week came in softer than expected, providing further confirmation of the forthcoming pivot that the recent weakening of US Economic Surprises and a rather dovish FED were already suggesting. As Bloomberg points to on both left-hand graphs below, markets are now pricing 2 rates cuts again until yearend, while the inverse correlation between these short term monetary anticipations and long term Bonds is and has been very strong. Furthermore, since the FED stopped hiking last Fall, Credit (and more generally risk assets) have outperformed. This recent dovish pivot now seems to echo the one made last Fall in a double bottom/base building structure, which is clearly visible on 20Y Treasuries, a.k.a. TLT (right-hand graph). The resulting trendline and similar ones on Credit and Equities are now safeguarding the Bad news is Good news anthem. Going forward, breaking all three could mark the return of Good news is Bad news, while breaking only the blue one could imply Good news is Good news, and holding the blue one yet breaking the other two, Bad news is Bad news.

### The Ebbs and Flows of Easing

Futures are once more fully pricing two cuts by the end of this year

■ Implicit Number of 25-Basis Point Fed Funds Cuts in 2024



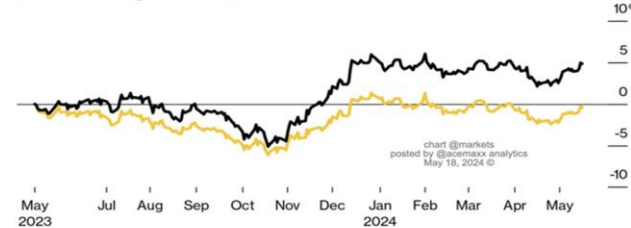
Source: Bloomberg World Interest Rate Probabilities

Bloomberg Opinion

### Credit Clearly Outperforming Treasuries After Fed Halted Hikes

Corporate notes have been far less concerned by policy path whiplash

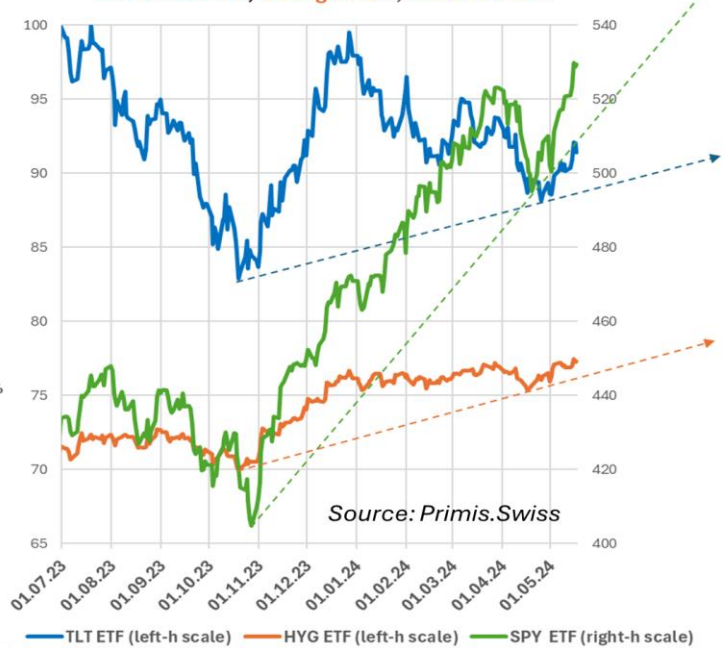
✓ US investment-grade bonds / US Treasuries



Source: Bloomberg

Bloomberg

### 20Y Treasuries, US High Yield, S&P500 Index



Source: Primis.Swiss

TLT ETF (left-h scale) HYG ETF (left-h scale) SPY ETF (right-h scale)

### 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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