

WEEKLY MARKETS ROUND-UP

Executive Summary

27th May 2024

Top news: Preliminary US GDP and PCE Inflation Price index – last week, on Wednesday, the FOMC Minutes came in a bit on the hawkish side as participants expressed concerns on the lack of progress on inflation, while some even mentioned the possibility of further tightening if risks of higher inflation persisted. Equity markets dropped -0.7% on the release, yet later that day rose back to new highs as NVIDIA beat on both earnings and revenue and increased guidance for the next few quarters. Last Thursday then saw the release of the Global PMIs (which are advanced indicators of economic strength). These generally beat on average for most countries both on Manufacturing and Services, while input prices were worryingly strong. On Friday, Univ. Of Michigan data then tamed these rather hawkish dynamics with Consumer Sentiment beating expectations, while Inflation's Expectations faded slightly. Growth and the inflation/disinflation debate will take the limelight again this week with the Prelim. US Q1 GDP release on Thursday (along with its price deflator) and the FED's favorite inflation gauge, Core PCE to be released on Friday (see next page).

Equities: most indexes are slightly off their highs, while the Nasdaq100, boosted by NVIDIA, is again on all-time highs. Trends remain neutral/up, while not yet really Overbought (close yet not quite). We remain rather defensive into June.

Fixed Income: 10Y benchmark Treasury and Bund yields inched up again last week and remain in slight uptrends. Going forward, the short end of the curve will be driven by rate cuts anticipations and hence by incoming inflation data, while the long end will follow the short end yet also inflation expectations, growth perspectives and commodity prices.

FOREX: USD is still pushing higher, yet is now slightly Overbought, vs currencies with Central Banks more dovish than the FED (JPY, CHF, also CNY). More cyclical currencies such as EUR, GBP or AUD could still retrace short term over the next couple of weeks, yet then seem positive into the Summer (maybe as an H2 FED pivot is confirmed further).

Commodities: Oil remains under pressure for now yet could still bounce into June. Gold topped out last Monday and then sold off (slightly higher yields and USD, plus slightly Overbought). It probably remains under pressure short term.

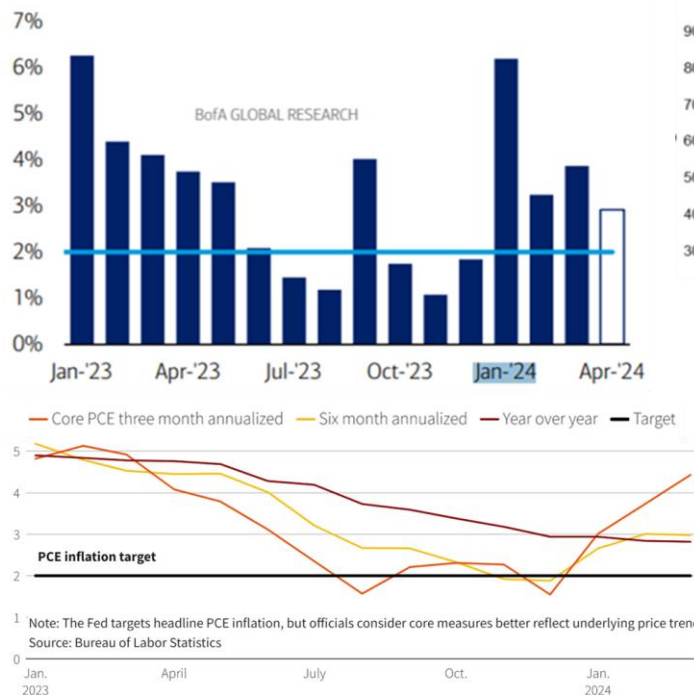
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance	Trend	Exaggeration
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	5 305	Oct-23	4 117	28,8%	May-24	5 321	-0,3%	11,2%	up	neutral
Nasdaq100 Index	USD	18 808	Oct-23	14 110	33,3%	May-24	18 808	0,0%	11,8%	up	neutral
Dow Jones Industrials Index	USD	39 070	Oct-23	32 418	20,5%	May-24	40 004	-2,3%	3,7%	neutral	neutral
EuroStoxx50	EUR	5 035	Oct-23	4 014	25,4%	May-24	5 101	-1,3%	11,4%	up	neutral
Swiss Market Index	CHF	11 932	Oct-23	10 324	15,6%	May-24	12 038	-0,9%	7,1%	neutral	slightly OB
Nikkei225	JPY	38 646	Oct-23	30 527	26,6%	Mar-24	40 888	-5,5%	15,5%	up	neutral
Shanghai Composite	CNY	3 089	Feb-24	2 702	14,3%	Jul-23	3 291	-6,1%	3,8%	neutral	neutral
US 10Y Treasury Yield	%	4,47%	Jun-23	3,61%	0,9%	Oct-23	4,99%	-0,5%	0,6%	up	neutral
German 10Y Bund Yield	%	2,58%	Dec-23	1,97%	0,6%	Sep-23	2,97%	-0,4%	0,6%	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	9,8%	Dec-23	110	-2,8%	-2,2%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	Oct-23	70	10,2%	May-24	77	-0,5%	1,3%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	89	Oct-23	79	12,9%	May-24	90	-1,0%	0,8%	neutral	neutral
EUR/USD		1,08	Oct-23	1,05	3,6%	Jul-23	1,12	-3,5%	-1,7%	neutral	neutral
GBP/USD		1,27	Oct-23	1,21	5,5%	Jul-23	1,31	-3,0%	0,0%	neutral	neutral
USD/JPY		157	Jul-23	138	13,7%	Apr-24	158	-0,8%	11,3%	up	slightly OB
USD/CHF		0,91	Jan-24	0,84	8,8%	Oct-23	0,92	-0,7%	8,7%	neutral	slightly OB
AUD/USD		0,66	Oct-23	0,63	5,3%	Jul-23	0,69	-3,7%	-2,7%	neutral	neutral
Brent Oil (per Barrel)	USD	82	Jun-23	72	14,3%	Sep-23	97	-14,9%	6,6%	neutral	neutral
Gold Spot (per Ounce)	USD	2 335	Oct-23	1 820	28,3%	May-24	2 427	-3,8%	13,2%	up	slightly OB

Focus on Inflation: progress is stalling while the 2% target is still some ways away

Next Friday will see the April Core PCE price index release, i.e. the FED's preferred inflation gauge. It is expected at +0.24% MoM or +2.9% annualized. This is still well above the set 2% inflation target (top-left graph). Worse, when considered on a 3 months or 6 months basis, the PCE seems to be reaccelerating (bottom-left graph). Last week, US Flash PMI surprised positively on both Manufacturing and Services, yet this also implied higher input prices (top-right graph), i.e. "Growth is increasingly tied to inflation" [@Real EJ Antoni](#), which you would expect in an economy relying increasingly on fiscal stimulus. Finally, while Commodities seem to be resuming higher, inflation may follow over the next few quarters (bottom-right graph).

Exhibit 2: Core PCE inflation (m/m annualized)

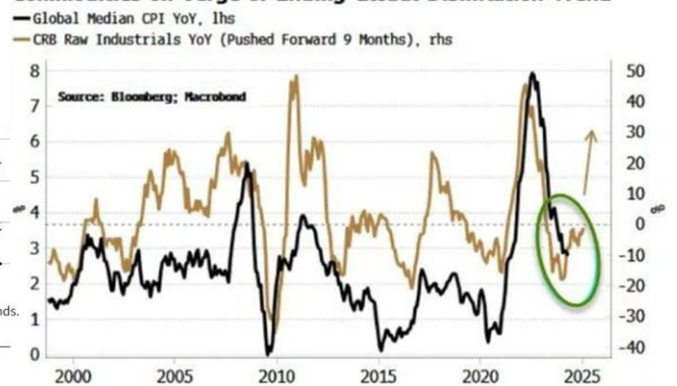
Core PCE inflation is likely to come in well above target once again in April



S&P Global Flash US PMI price indices



Commodities on Verge of Ending Global Disinflation Trend



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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