

# WEEKLY MARKETS ROUND-UP

## Executive Summary

17<sup>th</sup> June 2024

**Top news: SNB and BOE press conferences on Thursday** – last week started with digesting the results of the European elections, while the surprise dissolution of the French parliament, with President Macron hence calling new elections, could now see the victory of the right and left extremes making the country ungovernable. European markets have been dropping since, while US ones remain extraordinarily resilient (see next page). The divergence was further exacerbated by US CPI coming in below expectations on Wednesday with Core at +0.2% MoM vs +0.3% exp. and Headline at 0% vs + 0.1% exp. (YoY +3.3% vs 3.4% exp.). That evening, the FED also held its FOMC press conference. It provided a bit more hawkishness than expected, with the FED holding rates as planned, yet with most governors now expecting only 1 cut in 2024 (vs 3 last March). That said, Chair Powell left the door open to more, stating that many participants considered these forecasts a close call. Friday then saw the release of the Univ. of Michigan preliminary Consumer Sentiment. It surprised negatively at 65.5 vs 72.1 exp., fueling further “bad news is good news” dynamics and helping the Nasdaq100 make new all-time highs again to close the week. This week will focus on US Retail sales on Tuesday, the SNB and BOE press conferences on Thursday and on Global Flash PMIs on Friday.

**Equities:** last week EuroStoxx50 dropped almost 4%, while S&P500 rose by circa 2% and Nasdaq100 by circa 4%. The latter is now slightly Overbought, and one may wonder how long its positive divergence can continue without a Dip.

**Fixed Income:** with the lower US CPI, US10Y and German10Y yields both dropped 20-30 bps last week. The rise in the credit spread between France and Germany was noteworthy, reaching levels not seen since the 2012 Euro crisis.

**FOREX:** the European Elections and the French parliamentary turmoil tanked the Euro, which dropped 1% vs USD, yet also vs all other Majors. CHF was however particularly strong, even rising vs USD on European risk-off dynamics.

**Commodities:** Oil bounced 4% last week and despite the weaker UoM Consumer sentiment data on Friday, as traders are raising their expectations for demand in H2. Gold rose slightly on rate cut anticipations and the European turmoil.

	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	5 432	Oct-23	4 117	31,9%	Jun-24	5 434	-0,0%	13,9%	up	neutral
Nasdaq100 Index	USD	19 660	Oct-23	14 110	39,3%	Jun-24	19 660	0,0%	16,8%	up	slightly OB
Dow Jones Industrials Index	USD	38 589	Oct-23	32 418	19,0%	May-24	40 004	-3,5%	2,4%	neutral	neutral
EuroStoxx50	EUR	4 839	Oct-23	4 014	20,5%	May-24	5 101	-5,1%	7,0%	neutral	neutral
Swiss Market Index	CHF	12 045	Oct-23	10 324	16,7%	Jun-24	12 255	-1,7%	8,1%	up	slightly OB
Nikkei225	JPY	38 815	Oct-23	30 527	27,1%	Mar-24	40 888	-5,1%	16,0%	neutral	neutral
Shanghai Composite	CNY	3 033	Feb-24	2 702	12,2%	Jul-23	3 291	-7,9%	1,9%	neutral	neutral
US 10Y Treasury Yield	%	4,22%	Jun-23	3,72%	0,5%	Oct-23	4,99%	-0,8%	0,3%	up	neutral
German 10Y Bund Yield	%	2,36%	Dec-23	1,97%	0,4%	Sep-23	2,97%	-0,6%	0,3%	up	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	95	Oct-23	83	14,0%	Jun-23	101	-6,0%	-3,5%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	Oct-23	97	11,5%	Dec-23	110	-1,3%	-0,7%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	Oct-23	70	10,6%	Jun-24	77	-0,4%	1,6%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	89	Oct-23	79	13,6%	May-24	90	-0,4%	1,4%	neutral	neutral
EUR/USD		1,07	Oct-23	1,05	2,2%	Jul-23	1,12	-4,8%	-3,0%	neutral	neutral
GBP/USD		1,27	Oct-23	1,21	5,0%	Jul-23	1,31	-3,4%	-0,4%	neutral	neutral
USD/JPY		157	Jul-23	138	14,0%	Apr-24	158	-0,6%	11,6%	up	neutral
USD/CHF		0,89	Jan-24	0,84	5,8%	Oct-23	0,92	-3,3%	5,8%	neutral	neutral
AUD/USD		0,66	Oct-23	0,63	5,1%	Jul-23	0,69	-3,9%	-2,9%	neutral	neutral
Brent Oil (per Barrel)	USD	83	Jun-23	72	14,4%	Sep-23	97	-14,4%	7,3%	neutral	neutral
Gold Spot (per Ounce)	USD	2 333	Oct-23	1 820	28,2%	May-24	2 427	-3,9%	13,1%	up	neutral

## Focus on US relative performance: unparalleled strength by US markets / Big Tech

Last week, while the EuroStoxx50 was breaking down, following the European elections, as right wing parties progressed, and France called a heated parliamentary election, the S&P500 and the Nasdaq100 continued to make all-time highs resp. on Thursday and Friday. US' relative performance has recently accelerated again vs both Europe (top-left graph) and China (top-right graph). While the ratio vs Europe typically rises when yields drop benefiting long duration tech stocks, the outperformance vs China appears more secular as the latter battles deflationary forces. In the US, the dominance of large Tech names is now extreme with AAPL, MSFT and NVDA reaching 3 trillion market cap or as much as the whole Russell2000 index (bottom-left graph). History tells us that such divergence is unsustainable, e.g. between the Dow Jones Transport index and the wider market (a.k.a. the 100+ years old Dow Theory, bottom-right graph). Ultimately some convergence will probably materialize, yet lags can be quite long, historically circa 280 days for this divergence or potentially not until the Fall.



### 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".

**Disclaimer:** The information in this document is being provided for general market commentary and information purposes. This document does not constitute a solicitation or offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction. Any reference to a transaction, trade, position, holding, security, market, or level is purely meant to educate readers about possible opportunities and risks in the marketplace and are not meant to imply that any person or entity should take any action whatsoever without first evaluating such action(s) in light of their own situation either on their own or through a professional advisor. If a person or entity does not believe they are qualified to make such decisions, they should seek professional advice. The prices listed are for reference only and are in no way intended to represent an actual trade. This information is not a substitute for professional advice of any nature, including tax, legal, and financial. While we believe the information contained herein to be accurate, all numbers should be verified by the reader through independent sources. Primis Investment (Suisse) SA assumes no responsibility for errors or omissions in the contents of this document. In no event shall Primis Investment (Suisse) SA be liable for any special, direct, indirect, consequential, or incidental damages or any damages whatsoever, whether in an action of contract, negligence, or other tort, arising out of or in connection with the contents of this document or any related services. Trading securities, options, futures, or any other security involves risk and can result in the immediate and substantial loss of the capital invested. Every reader/recipient is responsible for his or her own investment decisions. Primis Investment (Suisse) SA reserves the right to make additions, deletions, or modifications to the contents of this document and related services at any time without prior notice.

