PRIMIS® INVESTMENT

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WEEKLY MARKETS ROUND-UP

Executive Summary

3rd June 2024

Top news: ECB on Thursday and Non-Farm Payrolls on Friday – last week saw a series of conflicting data once again. On Thursday, US Q1 Preliminary GDP Q/Q Growth came in slightly better than expected at +1.3% vs 1.2%, but that afternoon m/m April Home sales slumped -7.7% to their lowest level since October 2022. On Friday, YoY Flash CPI and Core Flash CPI in the EuroZone printed above expectations, resp. at 2.6% vs 2.5% exp. and 2.4% last month and at 2.9% vs 2.7% exp. and 2.7% last month, yet in the US Core PCE, the FED's favored inflation gauge, came in slightly below expectations at +0.2% MoM vs 0.3% exp. while the YoY figure was in line at 2.8%. The week ended the Chicago PMI dropping to 35.4 when 41.1 was expected, reaching its lowest level in 4 years. This economic bad news was probably the catalyst for the huge recovery rally on equities into the close ("bad news is good news"). This week, we await again a string of economic data, ISM Manufacturing and Services PMIs resp. on Monday and Wednesday, the Jolts Job Openings on Tuesday and finally the US Non-Farm Payrolls release on Friday. On the Central Banks front, we will consider decisions form the Bank of Canada on Wednesday and the ECB on Thursday.

Equities: following the huge recovery rally late on Friday (+1.6% of the low for the S&P500), it will be very interesting to see how markets react early this week. Will they confirm a resume uptrend or dip back to test Friday lows.

Fixed Income: the US10Y rose into mid last week and then gave up these gains into Friday, while on the other hand the German 10Y yield held up with the strong EuroZone inflation data on Friday and ahead of the ECB this Thursday.

FOREX: USD rose into Thursday yet gave back these gains into Friday on the more dovish PCE data. We believe EUR, GBP or AUD may still retrace slightly this week yet then move higher into the Summer. JPY or CHF are slightly weaker.

Commodities: Oil was flat last week, rising into Wednesday and then dropping back. Yesterday, OPEC+ decided to extend productions cuts into 2025 as demand forecasts are being revised down. This week will be a good test to see if Oil can further stabilize. Gold remained on the correction path last week, and probably still over the next 2-3 weeks.

	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 %	YTD in %	last 6m[1]	OB / OS[2]
S&P500 Index	USD	5 278	Oct-23	4 117	28,2%	May-24	5 321	-0,8%	10,6%	up	neutral
Nasdaq100 Index	USD	18 537	Oct-23	14 110	31,4%	May-24	18 869	-1,8%	10,2%	up	neutral
Dow Jones Industrials Index	USD	38 686	Oct-23	32 418	19,3%	May-24	40 004	-3,3%	2,6%	neutral	neutral
EuroStoxx50	EUR	4 984	Oct-23	4 014	24,1%	May-24	5 101	-2,3%	10,2%	up	neutral
Swiss Market Index	CHF	12 001	Oct-23	10 324	16,2%	May-24	12 038	-0,3%	7,7%	neutral	slightly OB
Nikkei225	JPY	38 488	Oct-23	30 527	26,1%	Mar-24	40 888	-5,9%	15,0%	neutral	neutral
Shanghai Composite	CNY	3 087	Feb-24	2 702	14,2%	Jul-23	3 291	-6,2%	3,8%	neutral	neutral
US 10Y Treasury Yield	%	4,50%	Jun-23	3,67%	0,8%	Oct-23	4,99%	-0,5%	0,6%	up	neutral
German 10Y Bund Yield	%	2,66%	Dec-23	1,97%	0,7%	Sep-23	2,97%	-0,3%	0,6%	up	slightly OB
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	90	Oct-23	83	9,1%	Jun-23	100	-10,0%	-7,6%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	107	Oct-23	97	9,7%	Dec-23	110	-2,9%	-2,2%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	Oct-23	70	10,3%	May-24	77	-0,4%	1,3%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	89	Oct-23	79	13,0%	May-24	90	-0,9%	0,9%	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%	0,1%	neutral	neutral
USD/JPY		157	Jul-23	138	14,0%	Apr-24	158	-0,6%	11,5%	up	slightly OB
USD/CHF		0,90	Jan-24	0,84	7,3%	Oct-23	0,92	-2,0%	7,2%	neutral	neutral
AUD/USD		0,67	Oct-23	0,63	5,7%	Jul-23	0,69	-3,4%	-2,3%	neutral	neutral
Brent Oil (per Barrel)	USD	82	Jun-23	72	13,6%	Sep-23	97	-15,5%	5,9%	neutral	neutral
Gold Spot (per Ounce)	USD	2 329	Oct-23	1 820	28,0%	May-24	2 427	-4,0%	12,9%	up	neutral

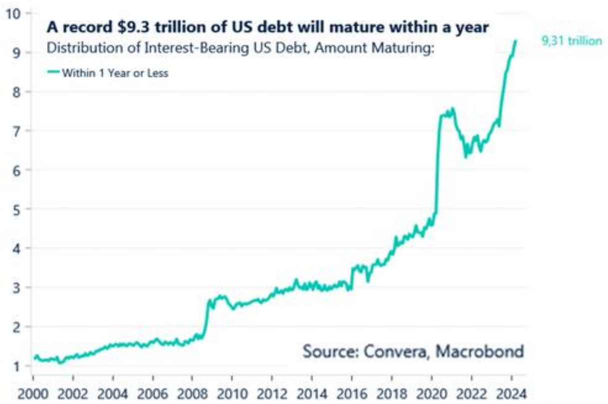
* These large fixed income ETFs are used as proxies to assess the state of duration trades as well as of credit markets

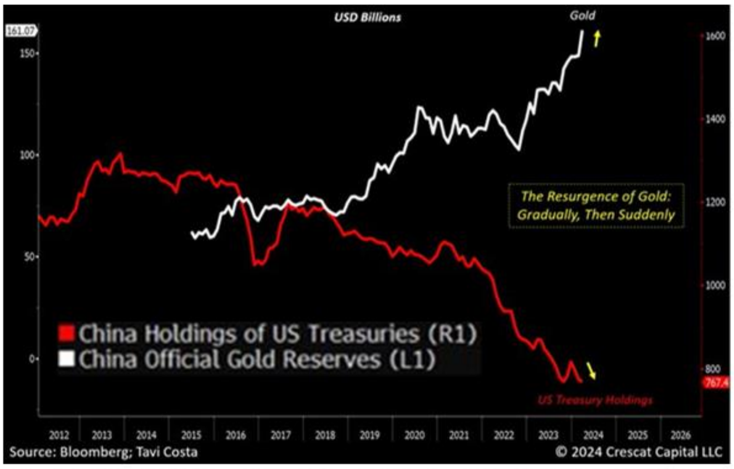
Source: Primis Investment (Suisse) SA

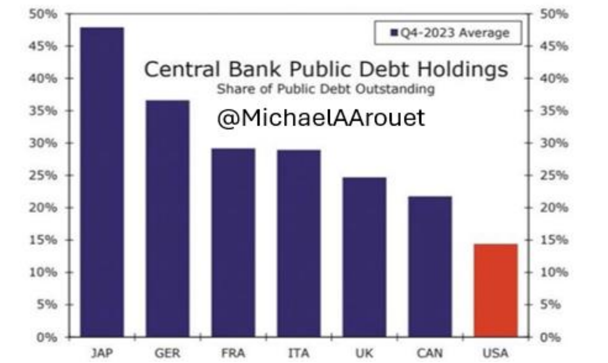
3rd June 2024

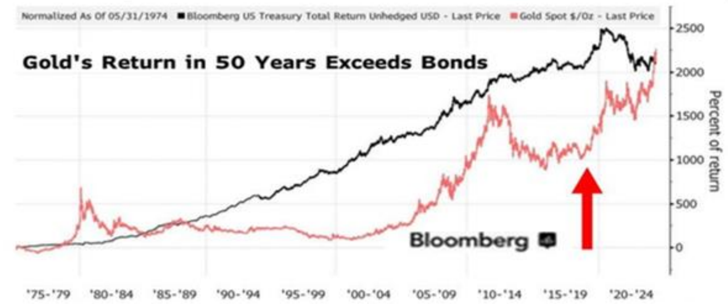
Focus on US Debt and Gold: falling Treasury demand will continue to prop up Gold

A record 9.3 trillion USD of Treasuries are set to mature over the next 12 months (top-left graph). Yet, traditional buyers such as China are gradually shifting away, replacing their Treasury holdings with Gold - a 400 billion USD switch already since 2018 (top-right graph). One may wonder how longer term real rates will evolve if the Treasury needs to rely only on domestic buyers; unless, the FED resumes QE (or some kind of Yield Curve Control) as it still has some leeway compared to its developed peers to buy a larger portion of the US Government Bond market (bottom-left graph). This would further monetize the US debt, and probably help Gold extend its 50 years total return outperformance vs Treasuries (bottom-right graph).









Notes:

1. **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".
2. **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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