

WEEKLY MARKETS ROUND-UP

Executive Summary

1st July 2024

Top news: FOMC Minutes on Wednesday and Non-Farm Payrolls on Friday – most of last week confirmed the “bad news is good news” markets theme with US Consumer Confidence coming in pretty much in-line on Tuesday, Final Q1 GDP being confirmed at +1.4% QtoQ as expected, or US pending home sales dropping a further 2.1% on Thursday while they were expected to stabilize. Finally, on Friday, Core PCE came in as expected at a low +0.1% MoM or down to +2.6% YoY. Throughout the week, the S&P500 was rising back to its highs made 10 days ago and even made brief new intraday all-time highs on Friday’s PCE news. An hour later, however, the Chicago PMI then surprised very positively coming in at 47.4 vs 39.7 expected (still in contraction mode, yet its first monthly increase since November and the largest monthly increase since July 2020), and a bit later, the UoM Consumer Sentiment also came in slightly above expectations. These late Friday good news led equity markets to give back all their weekly gains finishing below their previous week’s close. This week will also be very busy, with ISM Manufacturing PMI on Monday, EuroZone CPI on Tuesday, the ISM Services PMI and the FOMC Minutes on Wednesday and finally US Non-Farm Payrolls on Friday.

Equities: most equity markets are now neutral, the S&P500 close to all-time highs and EuroStoxx50 3-4% below them. Early this week may see a bit of US weakness, while on the other hand EuroZone markets seem to receive the French parliamentary results positively. Generally, dips may still happen, yet we remain positive into the Fall (see next page).

Fixed Income: US and German 10Y yields shot up on Friday following the Chicago PMI, both finishing the week circa 10-12bps above where they started it. We would still expect these to drop back during the Summer

FOREX: the Dollar remained firm last week as it made further marginal new highs vs the Yen above 161 and as EUR and GBP were probably sold in the run-up to their respective elections. These trends could reverse into July/August.

Commodities: both Oil and Gold were pretty much flat last week as Oil continues in its rebound since early June (up 8 USD/barrel) and Gold is still consolidating (down 125 USD/oz since mid May). We expect these countertrends to continue slightly longer into early/mid July. Oil may then consolidate again, while Gold could resume higher

	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	5 460	Oct-23	4 117	32,6%	Jun-24	5 487	-0,5%	14,5%	up	neutral
Nasdaq100 Index	USD	19 683	Oct-23	14 110	39,5%	Jun-24	19 909	-1,1%	17,0%	up	neutral
Dow Jones Industrials Index	USD	39 119	Oct-23	32 418	20,7%	May-24	40 004	-2,2%	3,8%	neutral	neutral
EuroStoxx50	EUR	4 894	Oct-23	4 014	21,9%	May-24	5 101	-4,1%	8,2%	neutral	neutral
Swiss Market Index	CHF	11 994	Oct-23	10 324	16,2%	Jun-24	12 255	-2,1%	7,7%	up	neutral
Nikkei225	JPY	39 583	Oct-23	30 527	29,7%	Mar-24	40 888	-3,2%	18,3%	neutral	neutral
Shanghai Composite	CNY	2 967	Feb-24	2 702	9,8%	Jul-23	3 291	-9,8%	-0,3%	neutral	neutral
US 10Y Treasury Yield	%	4,38%	Jul-23	3,75%	0,6%	Oct-23	4,99%	-0,6%	0,5%	neutral	neutral
German 10Y Bund Yield	%	2,50%	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	92	Oct-23	83	10,5%	Jul-23	100	-8,4%	-6,5%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	107	Oct-23	97	10,1%	Dec-23	110	-2,5%	-1,9%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	Oct-23	70	10,7%	Jun-24	77	-0,3%	1,7%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	88	Oct-23	79	12,6%	May-24	90	-1,3%	0,5%	neutral	neutral
EUR/USD		1,07	Oct-23	1,05	2,3%	Jul-23	1,12	-4,7%	-2,9%	neutral	neutral
GBP/USD		1,26	Oct-23	1,21	4,7%	Jul-23	1,31	-3,7%	-0,7%	neutral	neutral
USD/JPY		161	Jul-23	138	16,5%	Jun-24	161	0,0%	14,1%	up	slightly OB
USD/CHF		0,90	Jan-24	0,84	6,8%	Oct-23	0,92	-2,4%	6,8%	neutral	neutral
AUD/USD		0,67	Oct-23	0,63	5,9%	Jul-23	0,69	-3,1%	-2,1%	neutral	neutral
Brent Oil (per Barrel)	USD	86	Dec-23	73	18,0%	Sep-23	97	-10,5%	12,2%	neutral	neutral
Gold Spot (per Ounce)	USD	2 325	Oct-23	1 820	27,8%	May-24	2 427	-4,2%	12,7%	up	neutral

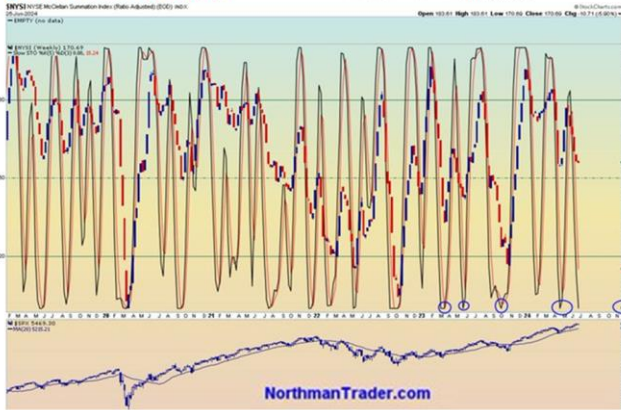
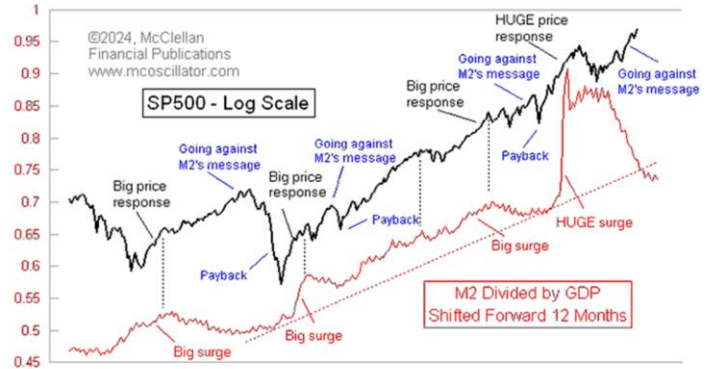
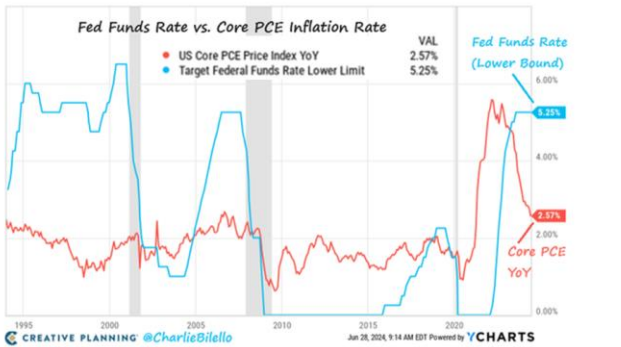
* These large fixed income ETFs are used as proxies to assess the state of duration trades as well as of credit markets

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Equity Focus: earnings growth may overrun the more restrictive monetary policy

Aside from current political/geopolitical concerns, we review equities from various angles. As shown in the top-left graph, Core PCE is now 2.7% below Fed Fund Rates, the most restrictive it's been since 2007. Long term, a more restrictive Money Supply since late 2022 should also lead to a market correction at some point (top-right). That said, looking at more technical measures, the broad New York Stock Ex. Summation Index measuring % Advances/Declines among stocks (bottom-left) is very Oversold (as it was last April or in October 2023). This may suggest a new thrust upwards during the Summer, which could be justified by a growing % of companies (>30%) growing net income at more than 25% YoY (bottom-right).



Percentage of S&P 500* Companies with >25% Trailing 12-Month Net Income Growth (Mar. 09 – Mar. 2024, quarterly)



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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