

WEEKLY MARKETS ROUND-UP

Executive Summary

8th July 2024

Top news: all eyes on US CPI on Thursday – last week showed mixed economic data again, with EuroZone CPI coming in slightly higher than expected on Tuesday, while on Wednesday, the US ISM Services PMI dropped to 48.8 vs 52.6 expected pointing to a slowing economy. That evening, the release of the Minutes of the last FED meeting weren't decisive either as various Governors showed disparate concerns either on persistent inflation, economic slowdown or unemployment. The bottom line is that amid this uncertainty, the Dots plot continues to point to only 1 rate cut until yearend. Finally, on Friday, US Non-Farm Payrolls came in slightly higher than expected at +206k vs 191. However, this data was mixed once again, with the unemployment rate rising to 4.1% from 4.0% last month, average hourly earnings flat at an expected +0.3% MoM, while last month's headline data was heavily revised down from +272K to +218K. Next week will see Chair Powell and Treasury Yellen testify in front of Congress on Tuesday and Wednesday, yet most importantly on Wednesday, the release of the US CPI data. Core is expected flat at +0.2% MoM, Headline could nudge back up from 0% last month to 0.1% MoM. YoY headline could drop from 3.3% to 3.1%. Friday will then see the PPI and the Univ. of Michigan Preliminary Consumer Sentiment Index (expected to drop from 68.2 to 67), but most importantly probably, the kick-off of earnings season with the large US banks (JPM, BofNY, Citi and Wells Fargo).

Equities: last week, the Nasdaq100 continued to plough ahead (+4%) and is becoming slightly Overbought in the table below. The S&P500 and the EuroStoxx50 both also rose 2%. Short term dips are possible, yet should prove temporary.

Fixed Income: German 10Y yields rose slightly early last week as French elections concerns propped up real rates, but then retraced during the week. The US10Y Yield dropped -0.1% mostly as a result of the negative Services data.

FOREX: USD dropped across the board last week as the impact of French politics faded a bit and also upon the negative Services data. USD/JPY may have topped out for now just below 162 and is still slightly Overbought.

Commodities: both Oil and Gold rose last week as the US Dollar weakened. The rebound on Oil did slow however, while Gold, on the other hand, reaccelerated, finishing the week just below 2'400 USD/oz.

	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	5 567	Oct-23	4 117	35,2%	Jul-24	5 567	0,0%	16,7%	up	neutral
Nasdaq100 Index	USD	20 392	Oct-23	14 110	44,5%	Jul-24	20 392	0,0%	21,2%	up	slightly OB
Dow Jones Industrials Index	USD	39 376	Oct-23	32 418	21,5%	May-24	40 004	-1,6%	4,5%	neutral	neutral
EuroStoxx50	EUR	4 979	Oct-23	4 014	24,0%	May-24	5 101	-2,4%	10,1%	neutral	neutral
Swiss Market Index	CHF	12 006	Oct-23	10 324	16,3%	Jun-24	12 255	-2,0%	7,8%	up	neutral
Nikkei225	JPY	40 912	Oct-23	30 527	34,0%	Jul-24	40 914	-0,0%	22,3%	neutral	neutral
Shanghai Composite	CNY	2 950	Feb-24	2 702	9,2%	Jul-23	3 291	-10,4%	-0,8%	neutral	neutral
US 10Y Treasury Yield	%	4,28%	Jul-23	3,75%	0,5%	Oct-23	4,99%	-0,7%	0,4%	neutral	neutral
German 10Y Bund Yield	%	2,53%	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	93	Oct-23	83	11,5%	Jul-23	100	-7,6%	-5,7%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	Oct-23	97	11,1%	Dec-23	110	-1,6%	-1,0%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	77	Oct-23	70	11,1%	Jul-24	77	0,0%	2,1%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	89	Oct-23	79	13,8%	May-24	90	-0,3%	1,6%	neutral	neutral
EUR/USD		1,08	Oct-23	1,05	3,5%	Jul-23	1,12	-3,6%	-1,8%	neutral	neutral
GBP/USD		1,28	Oct-23	1,21	6,1%	Jul-23	1,31	-2,4%	0,6%	neutral	neutral
USD/JPY		161	Jul-23	138	16,5%	Jul-24	162	-0,5%	14,0%	up	slightly OB
USD/CHF		0,90	Jan-24	0,84	6,5%	Oct-23	0,92	-2,7%	6,5%	neutral	neutral
AUD/USD		0,67	Oct-23	0,63	7,2%	Jul-23	0,69	-2,0%	-0,9%	neutral	slightly OB
Brent Oil (per Barrel)	USD	87	Dec-23	73	18,6%	Sep-23	97	-10,0%	12,7%	neutral	neutral
Gold Spot (per Ounce)	USD	2 391	Oct-23	1 820	31,4%	May-24	2 427	-1,5%	15,9%	up	neutral

China Focus: towards a new trade war as the West hikes tariffs on Chinese EVs

Early May, the US hiked tariffs on Chinese EVs from 25% to 100%, the EU just followed with duties ranging from 17 to 38% (on top of 10% existing ones). Other goods such as solar panels, wind turbines, chips could also be impacted as the West denounces unfair subsidies and dumping onto their markets. EV is emblematic as a price war in China among many new producers could push the global Auto industry into deflation (top-left graph). Following the implosion of their 40 trillion real estate market last year, it seems that China is attempting to export itself out of its economic slump. Indeed, Industrial production is rising above its pre-pandemic trend while retail sales are diverging worryingly (top-right). In the US, Chinese Imports are now third behind Mexico and Canada (bottom graph). They've slumped steadily since 2016 and the last Trade War. Considering who might get back in the White House in November, a Chinese dawn could prove rather elusive.

Chart 14: Auto deflation yet to hit the RoW

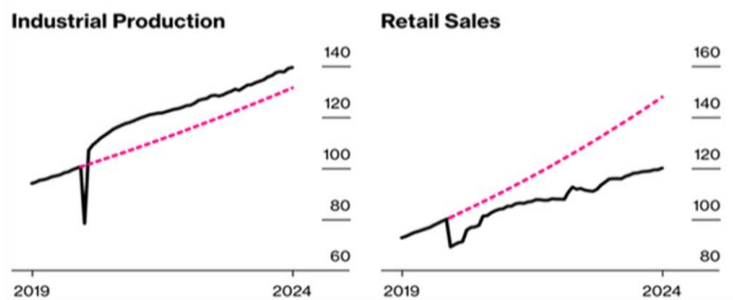


Source: national sources, Datastream, TS Lombard

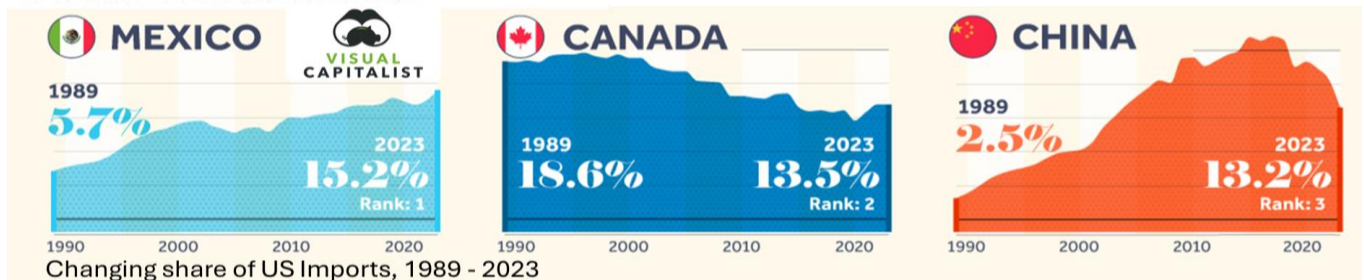
China Recovery Driven by Industry as Consumers Cut Back

Monthly factory output and retail sales (December 2019 = 100)

Actual (black line) / Pre-pandemic trend (pink dashed line)



Source: Bloomberg Economics based on National Bureau of Statistics



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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