

WEEKLY MARKETS ROUND-UP

Executive Summary

15th July 2024

Top news: Netflix earnings as well as the ECB on Thursday – last week saw June Headline US CPI go negative on a MoM basis at -0.1% vs +0.1% exp. and 0% in May. Core was also soft, rising +0.1% vs +0.2% exp. and +0.2% last month. YoY, Headline came in at 3.0% vs 3.1% exp. and Core at 3.3% vs 3.4%. As a consequence, rate cuts odds have risen markedly with the market expecting the FED to cut by September and then again in November and December, while 4 more cuts are priced in between Q1 and Q3 next year. The lower CPI echoed Chair Powell testifying in front of Congress last Tuesday and Wednesday, stating that risks were more balanced, that the FED's mandate focus was shifting beyond inflation and that cuts could actually materialize before the 2% inflation target is hit. Friday then delivered a surprise on US PPI which came in hotter than expected (+0.4% MoM for Core vs +0.2% exp.), suggesting either that corporates may have to pass on price increases onto customers at some point or suffer margin contraction. For now, earnings season has kicked off positively with JP Morgan, BoNY or Citi beating on Earnings and Revenues, mostly on fee businesses (Wells Fargo disappointed however). Early this week will see more banks reporting (GS, MS, BoFA), along with Netflix on Thursday and on the macro front, US retail sales on Tuesday and the ECB on Thursday.

Equities: last week, most markets rose a further 1-1.5% yet the Nasdaq100 dropped slightly, probably as investors were rotating into other themes as rate cuts odds rose. Equities are slightly Overbought short term, yet still uptrending.

Fixed Income: US and German 10Y yields continued slightly lower last week. We expect further downside during Q3, probably by 50bps or more, as prospective rate cuts are confirmed and cyclical factors could slow moderately.

FOREX: as rates go, so goes the US Dollar, while EUR/USD and GBP/USD resp. rose 1 and 2 figures last week. USD/JPY also saw a significant 3 figures drop on suspected BOJ intervention. USD probably continues lower into the Summer.

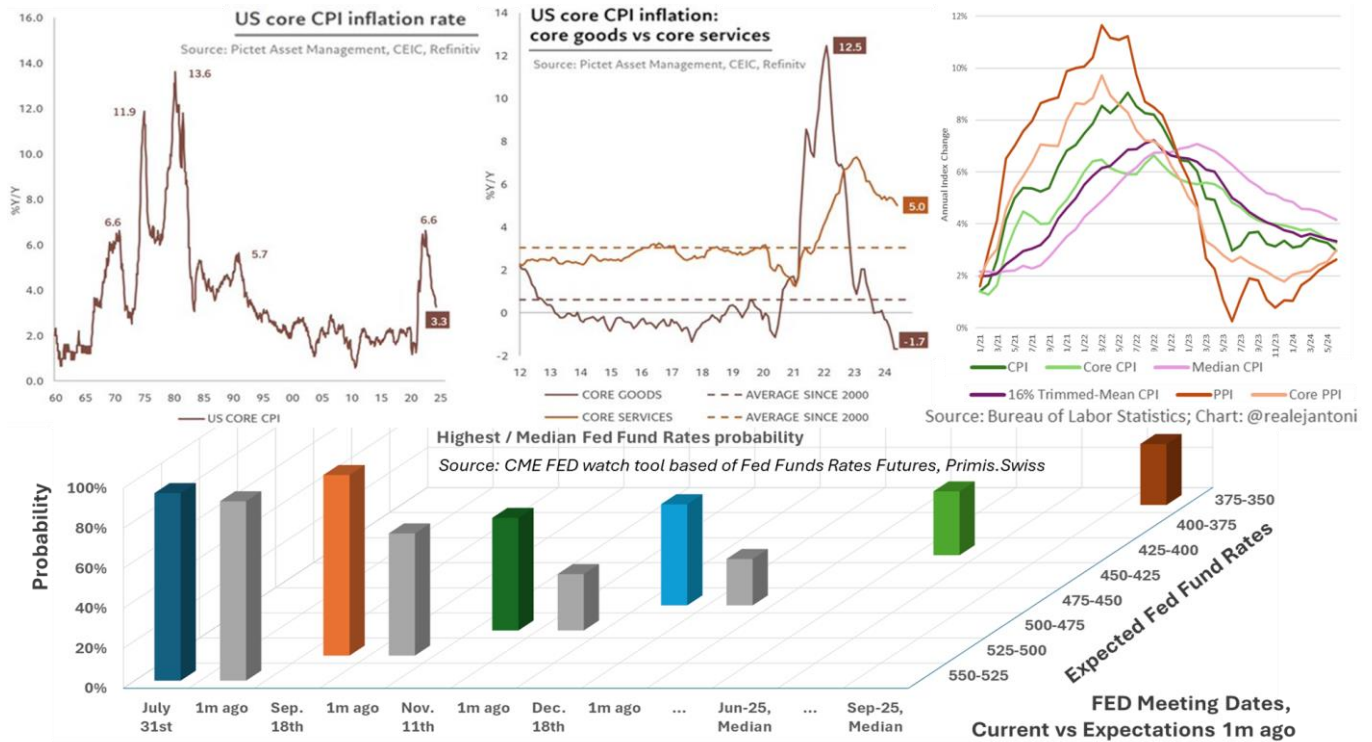
Commodities: Oil is consolidating following its strong June comeback rally. Gold shot up following the softer US CPI data, is not yet Overbought on the table below, and considering the current dovish mood, could make new highs soon.

	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	5 615	Oct-23	4 117	36,4%	Jul-24	5 634	-0,3%	17,7%	up	slightly OB
Nasdaq100 Index	USD	20 331	Oct-23	14 110	44,1%	Jul-24	20 675	-1,7%	20,8%	up	slightly OB
Dow Jones Industrials Index	USD	40 001	Oct-23	32 418	23,4%	May-24	40 004	-0,0%	6,1%	neutral	neutral
EuroStoxx50	EUR	5 043	Oct-23	4 014	25,6%	May-24	5 101	-1,1%	11,5%	neutral	neutral
Swiss Market Index	CHF	12 365	Oct-23	10 324	19,8%	Jul-24	12 365	0,0%	11,0%	up	slightly OB
Nikkei225	JPY	41 191	Oct-23	30 527	34,9%	Jul-24	42 224	-2,4%	23,1%	up	slightly OB
Shanghai Composite	CNY	2 971	Feb-24	2 702	10,0%	Jul-23	3 291	-9,7%	-0,1%	neutral	neutral
US 10Y Treasury Yield	%	4,19%	Jul-23	3,75%	0,4%	Oct-23	4,99%	-0,8%	0,3%	neutral	neutral
German 10Y Bund Yield	%	2,49%	Dec-23	1,97%	0,5%	Sep-23	2,97%	-0,5%	0,5%	neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	94	Oct-23	82	14,8%	Jul-23	99	-4,8%	-2,8%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	109	Oct-23	97	13,0%	Jul-24	109	0,0%	0,7%	neutral	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	78	Oct-23	69	12,3%	Jul-24	78	0,0%	3,1%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	90	Oct-23	78	16,1%	Jul-24	90	0,0%	3,7%	neutral	slightly OB
EUR/USD		1,09	Oct-23	1,05	4,2%	Jul-23	1,12	-3,0%	-1,2%	neutral	neutral
GBP/USD		1,30	Oct-23	1,21	7,5%	Jul-23	1,31	-0,7%	2,0%	neutral	slightly OB
USD/JPY		158	Jul-23	139	13,7%	Jul-24	162	-2,4%	11,8%	up	neutral
USD/CHF		0,89	Jan-24	0,84	6,3%	Oct-23	0,92	-2,9%	6,3%	neutral	neutral
AUD/USD		0,68	Oct-23	0,63	7,7%	Dec-23	0,68	-0,9%	-0,4%	neutral	slightly OB
Brent Oil (per Barrel)	USD	85	Dec-23	73	16,1%	Sep-23	97	-12,0%	10,3%	neutral	neutral
Gold Spot (per Ounce)	USD	2 412	Oct-23	1 820	32,5%	May-24	2 427	-0,6%	16,9%	up	neutral

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

Easing Focus: as CPI softens again, 7 rates cuts are now priced in until Sep-25

On Thursday US Core CPI printed soft again at 3.3% YoY (top-left) while Core Goods were very negative following a sustained drop in real retail sales since 2022, and Core Services are starting to drop, even on an ex-shelter basis (sourced from [Pictet](#), top-middle). That said, US PPI then surprised upwards on Friday. The top-right graph from [@realejantoni](#) shows that while median CPI appears more sticky than Core and Headline, PPI prices are surging back towards 3% with Core wholesale prices rising as much as +0.4% MoM (hinting to a convergence of CPI/PPI around 3%, not 2%, as Corporates will need to pass on these price increases at some point). Whatever, for now, the market has turned ultra dovish (bottom graph) with 3 rate cuts, starting in September, expected into year-end (up from 1 a month ago), and 7 into September 2025.



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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