

WEEKLY MARKETS ROUND-UP

Executive Summary

22nd July 2024

Top news: Alphabet and Tesla earnings, Advanced Q2 US GDP and PCE inflation data – last week started following up from the previous one as the Trump assassination attempt over the weekend fueled further rotation out of Big Tech and into Small Caps and other more Value and Defensive sectors. Yet, the rest of the week was more mixed with US retail sales printing hotter than expected on Tuesday and the ECB holding on further rate cuts on Thursday. US unemployment claims however then came in higher than expected. On the earnings front, Netflix beat on earnings, yet disappointed on forward guidance, while ASML, Europe's 2nd largest company, dropped almost 20% on possible export restrictions to China. Generally, the end of the week was risk-off with most risk assets retracing. This week could prove crucial for Tech themes again with both Alphabet and Tesla reporting on Tuesday after the close. The market will be looking to confirm further growth on Cloud and AI for Alphabet, and will focus on Tesla's margins considering the acute competition currently in EVs. Macro-wise, Global Flash PMIs will be released on Tuesday, US advanced Q2 GDP on Thursday, while we will await Core PCE US Inflation data on Friday. As for the US election, cards are being reshuffled as Biden drops out. Will Kamala be the next Democrat nominee?

Equities: last week was risk-off for the Nasdaq100 (down 5%), the S&P500 (down 2%), the EuroStoxx50 (off more than 4%), while the Russell2000 was up almost 2% and the Dow Jones Industrials was slightly positive. This rotation out of Tech could be rather healthy as it may point to wider breadth for the current uptrend into the Fall (see next page).

Fixed Income: benchmark yields were rather flat last week considering that the ECB held on further rate cuts, while US retail sales surprised positively. Generally, we expect the current retracement on yields to continue into late Q3.

FOREX: the Dollar stabilized late last week as EUR/USD and GBP/USD appear slightly Overbought. Generally, USD may still resist 1-2 weeks, yet we then expect it drop into the Fall as rate cuts anticipations become clearer.

Commodities: both Oil and Gold retraced slightly last week, yet Oil remains rather neutral in terms of trend and could continue to move sideways during the Summer, while, on the other hand, Gold is still in a strong uptrend for now.

	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	5 505	Oct-23	4 117	33,7%	Jul-24	5 667	-2,9%	15,4%	up	neutral
Nasdaq100 Index	USD	19 523	Oct-23	14 110	38,4%	Jul-24	20 675	-5,6%	16,0%	up	neutral
Dow Jones Industrials Index	USD	40 288	Oct-23	32 418	24,3%	Jul-24	41 198	-2,2%	6,9%	neutral	neutral
EuroStoxx50	EUR	4 827	Oct-23	4 014	20,2%	May-24	5 101	-5,4%	6,8%	neutral	neutral
Swiss Market Index	CHF	12 173	Oct-23	10 324	17,9%	Jul-24	12 365	-1,6%	9,3%	up	slightly OB
Nikkei225	JPY	40 064	Oct-23	30 527	31,2%	Jul-24	42 224	-5,1%	19,7%	up	neutral
Shanghai Composite	CNY	2 982	Feb-24	2 702	10,4%	Jul-23	3 291	-9,4%	0,2%	neutral	neutral
US 10Y Treasury Yield	%	4,24%	Dec-23	3,79%	0,5%	Oct-23	4,99%	-0,7%	0,4%	neutral	neutral
German 10Y Bund Yield	%	2,47%	Dec-23	1,97%	0,5%	Sep-23	2,97%	-0,5%	0,4%	neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	93	Oct-23	82	13,6%	Dec-23	98	-5,4%	-3,9%	neutral	slightly OB
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	Oct-23	97	12,2%	Jul-24	109	-0,8%	-0,0%	neutral	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	78	Oct-23	69	12,3%	Jul-24	78	-0,4%	3,1%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	89	Oct-23	78	14,8%	Jul-24	90	-1,1%	2,5%	neutral	neutral
EUR/USD		1,09	Oct-23	1,05	3,9%	Dec-23	1,11	-2,0%	-1,4%	neutral	slightly OB
GBP/USD		1,29	Oct-23	1,21	6,9%	Jul-24	1,30	-0,7%	1,4%	neutral	slightly OB
USD/JPY		157	Jul-23	139	12,9%	Jul-24	162	-2,5%	11,6%	neutral	neutral
USD/CHF		0,89	Jan-24	0,84	5,7%	Oct-23	0,92	-3,5%	5,6%	neutral	neutral
AUD/USD		0,67	Oct-23	0,63	6,2%	Dec-23	0,68	-2,4%	-1,8%	neutral	neutral
Brent Oil (per Barrel)	USD	83	Dec-23	73	12,9%	Sep-23	97	-14,3%	7,4%	neutral	neutral
Gold Spot (per Ounce)	USD	2 400	Oct-23	1 820	31,9%	Jul-24	2 469	-2,8%	16,4%	up	neutral

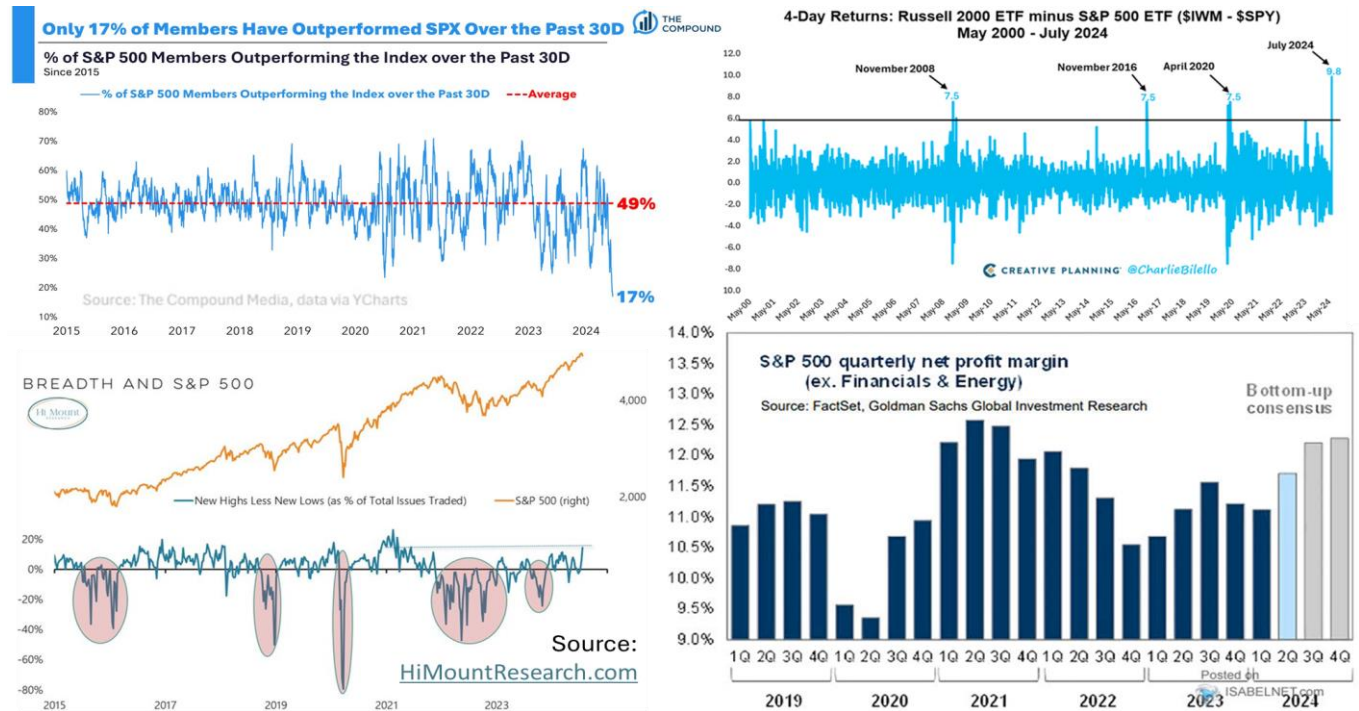
* These large fixed income ETFs are used as proxies to assess the state of duration trades as well as of credit markets

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Breadth Focus: strong rotation into Small Caps points to broader rally participation

Ten days ago, the lower US CPI (and the induced promise of rate cuts) ignited a rotation rally into Small Caps as well as most lagging sectors. The Trump assassination attempt last weekend led to further refocus on such “Trump trades” as his chances of winning the election seemed to increase dramatically. Such changes in momentum do indeed follow months of thin Big Tech outperformance, especially during June and early July, with only 17% of S&P500 constituents outperforming during this period (top-left graph from 2 weeks ago). Since then, Small Caps have made a historical comeback registering the strongest 4 days relative strength in 25 years (top-right). Yet, we doubt this shift anticipates a drastic change in leadership. More likely, it probably points to the next stage of a bull market with increased breadth and participation (bottom-left). A reacceleration in earnings growth also seems to confirm further upside potential into yearend (bottom-right).



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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Primis Investment (Suisse) SA
5 rue Jacques-Balmat, 1204 Geneva –Switzerland
T: + 41 22 570 60 80

wealth-management@primis.swiss

www.primis.swiss

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