

# WEEKLY MARKETS ROUND-UP

## Executive Summary

29<sup>th</sup> July 2024

**Top news: MSFT, AAPL, AMZN, META earnings, FOMC meeting and Non-Farm Payrolls** – last week saw Alphabet beating slightly on earnings and revenue on Tuesday while TSLA deceived. Both dropped resp. 10 and 15% into the end of the week as the rotation out of Big Tech continued. The rest of last week's data saw rather weak Global PMI data, especially on the manufacturing front both in the EuroZone and the US, a much higher than expected Q2 US Advanced GDP release (2.8 vs 2.0% exp.) and Core PCE inflation that came in in line at +0.2% MoM on Friday. This week will await earnings from MSFT on Tuesday after close, META on Wednesday after close, AAPL, AMZN on Thursday after close and Exxon on Friday before open. Tuesday will also see JOLTs US Job openings, Wednesday the BoJ, EuroZone CPI, Chicago PMI and the FÉD meeting, Thursday the BoE and US ISM Manufacturing PMI and Friday US Non-Farm Payrolls. We will then be taking the following week off from writing (no Newsletter) yet expect US Services PMI on Monday and then earnings from Aramco, Eli Lilly and Novo Nordisk during the rest of that week.

**Equities:** last week, the S&P500 dropped 1%, the Nasdaq100 -3%, while the Dow Jones Industrial, the EuroStox50 and the SMI were all up slightly. The rotation out of Tech hence continued. The Nikkei225 suffered a whopping -7% loss on USD/JPY deleveraging and the Shanghai Comp -3% on weak macro data. Equity markets don't seem quite Oversold yet, and could still dip slightly more this week, yet generally we would then still expect renewed strength into early Fall.

**Fixed Income:** 10Y yields resumed lower last week, yet only slightly (minus 5-6 bps). We believe these could continue lower into late Q3 / early Q4, possibly by a further -0.5%. This reflects aggressive rate cuts expectations, which are being priced in again, initial cuts shifting the whole curve down and perhaps some cyclical weakness on the long end.

**FOREX:** EUR, GBP or AUD all dropped slightly last week on risk-off sentiment, USD/JPY dropped -2% and USD/CHF -1%. Yen and CHF crosses hence fell aggressively. This week, these trends may extend slightly and then stabilize.

**Commodities:** both Oil and Gold continued to retrace slightly last week as cross assets deleveraging continued. We remain rather prudent on Oil into late Summer, while we continue to consider Dips on Gold as it remains uptrending.

	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance YTD in %	Trend last 6m <sup>1</sup>	Exaggeration OB / OS <sup>2</sup>
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	5 459	Oct-23	4 117	32,6%	Jul-24	5 667	-3,7%	14,5%	up	neutral
Nasdaq100 Index	USD	19 024	Oct-23	14 110	34,8%	Jul-24	20 675	-8,0%	13,1%	up	neutral
Dow Jones Industrials Index	USD	40 589	Oct-23	32 418	25,2%	Jul-24	41 198	-1,5%	7,7%	neutral	neutral
EuroStoxx50	EUR	4 863	Oct-23	4 014	21,1%	May-24	5 101	-4,7%	7,5%	neutral	neutral
Swiss Market Index	CHF	12 242	Oct-23	10 324	18,6%	Jul-24	12 365	-1,0%	9,9%	up	neutral
Nikkei225	JPY	37 667	Oct-23	30 527	23,4%	Jul-24	42 224	-10,8%	12,6%	neutral	neutral
Shanghai Composite	CNY	2 890	Feb-24	2 702	7,0%	Jul-23	3 291	-12,2%	-2,9%	neutral	slightly OS
US 10Y Treasury Yield	%	4,19%	Dec-23	3,79%	0,4%	Oct-23	4,99%	-0,8%	0,3%	neutral	neutral
German 10Y Bund Yield	%	2,41%	Dec-23	1,97%	0,4%	Sep-23	2,97%	-0,6%	0,4%	neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	93	Oct-23	82	13,7%	Dec-23	98	-5,4%	-3,8%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	109	Oct-23	97	12,4%	Jul-24	109	-0,6%	0,2%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	78	Oct-23	69	12,7%	Jul-24	78	0,0%	3,6%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	90	Oct-23	78	15,5%	Jul-24	90	-0,6%	3,1%	neutral	neutral
EUR/USD		1,09	Oct-23	1,05	3,7%	Dec-23	1,11	-2,3%	-1,7%	neutral	neutral
GBP/USD		1,29	Oct-23	1,21	6,5%	Jul-24	1,30	-1,1%	1,0%	neutral	slightly OB
USD/JPY		154	Jan-24	141	9,2%	Jul-24	162	-4,8%	9,0%	neutral	neutral
USD/CHF		0,88	Jan-24	0,84	5,1%	Oct-23	0,92	-4,0%	5,0%	neutral	slightly OS
AUD/USD		0,65	Oct-23	0,63	4,0%	Dec-23	0,68	-4,4%	-3,9%	neutral	neutral
Brent Oil (per Barrel)	USD	81	Dec-23	73	10,8%	Sep-23	97	-16,0%	5,3%	neutral	neutral
Gold Spot (per Ounce)	USD	2 388	Oct-23	1 820	31,2%	Jul-24	2 469	-3,3%	15,8%	up	neutral

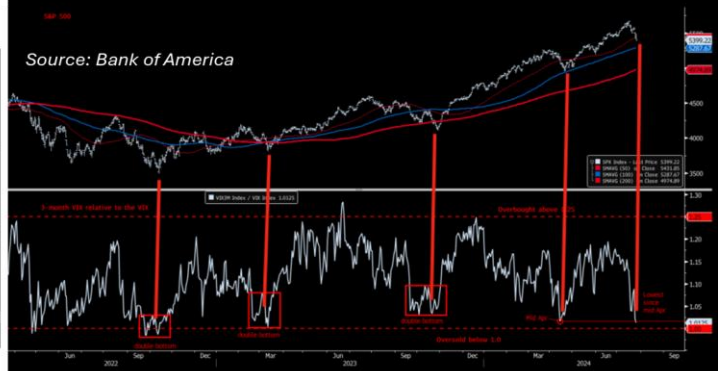
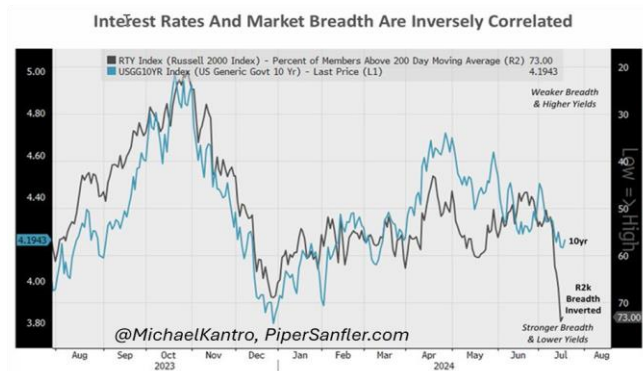
\* These large fixed income ETFs are used as proxies to assess the state of duration trades as well as of credit markets

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29<sup>th</sup> July 2024

## Rotation Focus: Small Cap rebound signals lower yields as market rather Oversold

The bounce of US Small Caps vs the S&P500 (and BigTech) continued this week. All of the YTD outperformance of the Nasdaq100 vs the Russell2000 has now pretty much been erased. This requires huge confidence as shown by the upper graphs below. Indeed, while the S&P500 has seen a mix of increased profitability and multiples YTD (top-right), the performance of the S&P600 SmallCap index is almost entirely due to higher valuations (top-left). As the bottom-right graph shows, Small Caps breadth highly correlates with lower yields and the drop in the US10Y currently priced in is large and very dovish. This leap of faith is meeting Oversold conditions on the ratio of medium term volatility (3 months VIX) vs current VIX. BofA argues (bottom-right) that the ratio may still drop a bit further but could then signal a market reacceleration. Considering current presumption in lower yields, such a rally would be based on dovish confidence rather than fundamentals.



### 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](mailto:wealth-management@primis.swiss)

[www.primis.swiss](http://www.primis.swiss)

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