PRIMIS® INVESTMENT

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WEEKLY MARKETS ROUND-UP

Executive Summary

19th August 2024

Top news: Fed Minutes and Jackson Hole Central Banks Symposium – last week, equity market continued their bounce and are approaching their historic highs made in July. Incoming data was indeed supportive, with US PPI coming in pretty much flat MoM on Tuesday (when +0.2% was expected), and CPI slightly below expectations on Wednesday at +0.2% on both Core and Headline and 2.9% YoY. Thursday confirmed a sense of Goldilocks environment as US Retail sales substantially beat expectations with Core at +0.4% MoM vs +0.1% expected and Headline at +1.0% vs +0.4% exp. As Goldman Sachs commented "the data mix hit a sweet spot between recession fears and re-acceleration fears", and this is proving very positive for all risk assets (e.g. the US High Yield ETF in the table below is also on all-time highs). This week will focus on the FED's reaction function to such supportive data with the minutes of the last FED meeting expected on Wednesday and Chair Powell's speech at the Jackson Hole Central Banks Symposium on Friday. In terms of data, the Global Purchasing Managers' Index (a.k.a. the PMIs, which are forward looking indicators of the economy) will be released on Thursday. Services could continue to expand in both the US and Europe, while Manufacturing could retreat slightly in the US and should remain in a deeper contraction in Europe.

Equities: last week, US markets were up every day and respectively rose 6% for the Nasdaq100, 4.5% for the S&P500 and 3% for the Dow Jones. EuroStoxx50 was also up by 3.5% while Nikkei225 was up by 9%. The early August dip now seems well behind us and all-time highs are in sight again. Short term, the week could see a bit of pacing in the rally.

Fixed Income: yields dropped slightly last week following the weaker inflation data and despite a slight bounce on the strong US retail sales. Further confirmation of this benign environment could help extend this downtrend into the Fall.

FOREX: the more cyclical EUR, GBP or AUD started to resume higher vs USD last week. USD/CHF was rather stable while USD/JPY continued its recovery from the recent carry trade unwind. These trends could continue into late Q3.

Commodities: Oil for now continues to consolidate in a tight range (Brent traded flat last week around 80 USD/barrel). Gold topped 2'500 USD/oz for the first time ever as lower inflation confirms the upcoming rate cuts and a lower USD.

	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 %	YTD in %	last 6m[1]	OB / OS [2]
S&P500 Index	USD	5 554	Oct-23	4 117	34,9%	Jul-24	5 667	-2,0%	16,4%	neutral	neutral
Nasdaq100 Index	USD	19 509	Oct-23	14 110	38,3%	Jul-24	20 675	-5,6%	15,9%	neutral	neutral
Dow Jones Industrials Index	USD	40 660	Oct-23	32 418	25,4%	Jul-24	41 198	-1,3%	7,9%	neutral	neutral
EuroStoxx50	EUR	4 841	Oct-23	4 014	20,6%	May-24	5 101	-5,1%	7,1%	neutral	neutral
Swiss Market Index	CHF	12 189	Oct-23	10 324	18,1%	Jul-24	12 365	-1,4%	9,4%	neutral	neutral
Nikkei225	JPY	38 063	Oct-23	30 527	24,7%	Jul-24	42 224	-9,9%	13,7%	neutral	neutral
Shanghai Composite	CNY	2 879	Feb-24	2 702	6,6%	Sep-23	3 177	-9,4%	-3,2%	down	slightly OS
US 10Y Treasury Yield	%	3,88%	Dec-23	3,79%	0,1%	Oct-23	4,99%	-1,1%	0,0%	down	slightly OS
German 10Y Bund Yield	%	2,25%	Dec-23	1,97%	0,3%	Sep-23	2,97%	-0,7%	0,2%	down	slightly OS
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	97	Oct-23	82	18,7%	Aug-24	99	-1,4%	0,5%	up	slightly OB
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	111	Oct-23	97	15,1%	Aug-24	111	-0,0%	2,5%	neutral	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	79	Oct-23	69	14,0%	Aug-24	79	0,0%	4,8%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	92	Oct-23	77	18,2%	Aug-24	92	0,0%	5,5%	neutral	slightly OB
EUR/USD		1,10	Oct-23	1,05	5,3%	Dec-23	1,11	-0,7%	-0,1%	neutral	slightly OB
GBP/USD		1,29	Oct-23	1,21	7,2%	Jul-24	1,30	-0,5%	1,7%	neutral	neutral
USD/JPY		148	Jan-24	141	4,8%	Jul-24	162	-8,7%	4,6%	neutral	slightly OS
USD/CHF		0,87	Jan-24	0,84	3,0%	Oct-23	0,92	-6,0%	2,9%	neutral	slightly OS
AUD/USD		0,67	Oct-23	0,63	5,9%	Dec-23	0,68	-2,6%	-2,1%	neutral	neutral
Brent Oil (per Barrel)	USD	80	Dec-23	73	8,8%	Sep-23	97	-17,5%	3,4%	neutral	neutral
Gold Spot (per Ounce)	USD	2 507	Oct-23	1 820	37,7%	Aug-24	2 507	0,0%	21,5%	up	neutral

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

Source: Primis Investment (Suisse) SA

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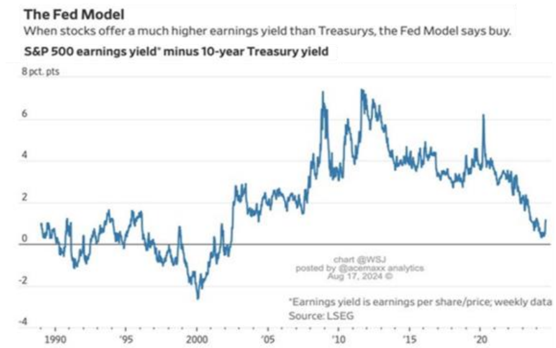
Valuation Focus: stocks quite well valued, yet profitability could increase further

Following the recent equity sell-off and subsequent rapid recovery, we take a step back to consider valuation, opportunity costs and profitability. Indeed, the CAPE ratio (price divided by the average last 10 years earnings adjusted for inflation) is back towards its late 2021 highs and getting closer to its 2000 all-time highs (top-left), while the earnings yield premium over Treasuries is back towards 0%, levels last seen also in 2000 (bottom-left). That said, both ratios could evolve positively as we expect Treasury yields to drop in coming quarters while profitability has increased massively since late 2020 (PE down despite a 55% rise in prices, top-right). Finally, the recent short term shift out of Cyclicals into Defensives has just posted a new record (red bars, bottom-right). Similar instances in the past have usually signaled capitulation and market bottoms.



Notes:

1. **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".
2. **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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