

# WEEKLY MARKETS ROUND-UP

## Executive Summary

26<sup>th</sup> August 2024

**Top news: NVIDIA earnings, US Preliminary GDP, EuroZone and US PCE Inflation data** – last week, was influenced by “bad news is good news” type of thinking as markets continued to rise despite a huge downward revision in US Non-Farm payrolls (minus 800k for the 12 months ending March, yet still adding 2 mio jobs over the period) and weak manufacturing PMI data globally. That said, the FED’s reaction function seems to be playing the main role again with the dovish minutes of the last FED meeting being released on Wednesday, while on Friday, Chair Powell then declared victory on inflation during his much awaited Jackson Hole speech, and confirmed initial rates cuts starting next month. Going forward, equity markets will initially look to Wednesday evening after the close for the release of NVIDIA’s earnings (see our brief on the next page). We will then turn to Thursday to see if the strong 2.8% advanced US GDP data for Q2 is confirmed. Friday will then bring the EuroZone CPI data in the morning and the US real PCE Inflation release (i.e. the FED’s favorite inflation gauge) in the afternoon, which is expected to remain stable at +0.2% MoM.

**Equities:** last week, and despite a 2% sell-off on Thursday, the main indexes finished up 1-2% (except for the Shanghai Composite). Some are starting to be slightly Overbought on the table below, yet, for now, we would remain constructive into the Fall, especially if Growth holds and the FED does indeed start to cut rates in September. This week, NVIDIA’s earnings will also be crucial to the fate of the Tech sector and more generally for equity markets going forward

**Fixed Income:** on the back of the dovish FED, yields continued to drop last week, and to a certain extent more quickly in the US than in Europe (the ECB held rates 10 days ago, yet is expected to cut again in September). As for Credit, US High Yield has reached multi-year highs (spreads are very tight), while EM Sovereigns are also performing strongly.

**FOREX:** as Powell is pivoting to ease monetary policy, the US Dollar is selling off. It dropped circa 2% vs most of the majors last week. We expect further weakness into the Fall yet probably at a slower pace as USD is getting Oversold.

**Commodities:** Oil dipped into mid last week yet without new lows and then recovered into Friday. It probably remains in a range for now. Gold made slightly higher highs again last week as it continues to benefit from a weaker 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 %			
S&P500 Index	USD	5 635	Oct-23	4 117	36,8%	Jul-24	5 667	-0,6%	18,1%	neutral	neutral
Nasdaq100 Index	USD	19 721	Oct-23	14 110	39,8%	Jul-24	20 675	-4,6%	17,2%	neutral	neutral
Dow Jones Industrials Index	USD	41 175	Oct-23	32 418	27,0%	Jul-24	41 198	-0,1%	9,2%	neutral	slightly OB
EuroStoxx50	EUR	4 909	Oct-23	4 014	22,3%	May-24	5 101	-3,8%	8,6%	neutral	neutral
Swiss Market Index	CHF	12 347	Oct-23	10 324	19,6%	Jul-24	12 365	-0,1%	10,9%	neutral	slightly OB
Nikkei225	JPY	38 364	Oct-23	30 527	25,7%	Jul-24	42 224	-9,1%	14,6%	neutral	neutral
Shanghai Composite	CNY	2 854	Feb-24	2 702	5,6%	Sep-23	3 177	-10,2%	-4,1%	down	slightly OS
US 10Y Treasury Yield	%	3,80%	Dec-23	3,79%	0,0%	Oct-23	4,99%	-1,2%	-0,1%	down	slightly OS
German 10Y Bund Yield	%	2,23%	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	98	Oct-23	82	19,8%	Aug-24	99	-0,4%	1,4%	up	slightly OB
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	112	Oct-23	97	16,1%	Aug-24	112	0,0%	3,4%	neutral	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	79	Oct-23	69	14,8%	Aug-24	79	0,0%	5,5%	neutral	slightly OB
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	93	Oct-23	77	19,4%	Aug-24	93	0,0%	6,6%	neutral	slightly OB
EUR/USD		1,12	Oct-23	1,05	6,9%	Aug-24	1,12	0,0%	1,4%	neutral	OB
GBP/USD		1,32	Oct-23	1,21	9,4%	Aug-24	1,32	0,0%	3,8%	neutral	OB
USD/JPY		144	Jan-24	141	2,5%	Jul-24	162	-10,7%	2,4%	neutral	slightly OS
USD/CHF		0,85	Jan-24	0,84	0,8%	Oct-23	0,92	-7,9%	0,8%	neutral	OS
AUD/USD		0,68	Oct-23	0,63	7,9%	Dec-23	0,68	-0,7%	-0,2%	neutral	slightly OB
Brent Oil (per Barrel)	USD	79	Dec-23	73	7,9%	Sep-23	97	-18,2%	2,6%	down	slightly OS
Gold Spot (per Ounce)	USD	2 511	Oct-23	1 820	38,0%	Aug-24	2 514	-0,1%	21,7%	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

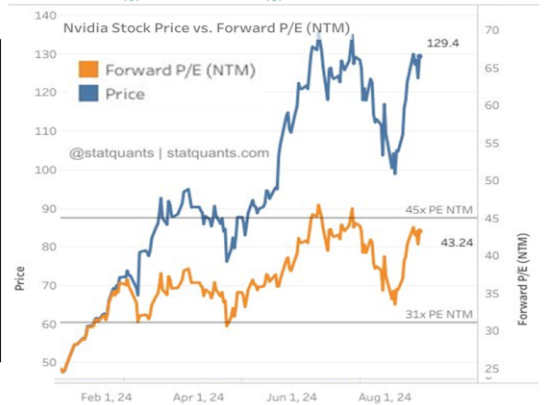
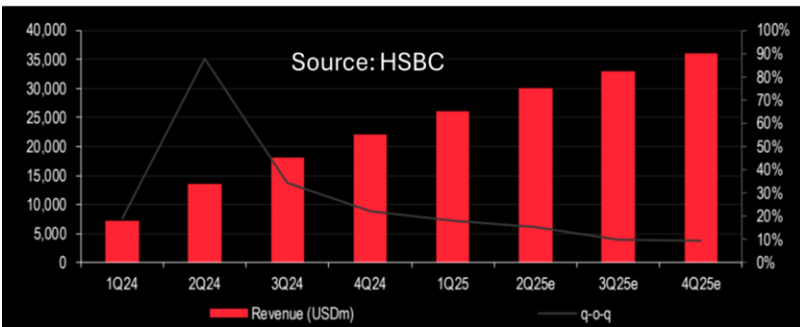
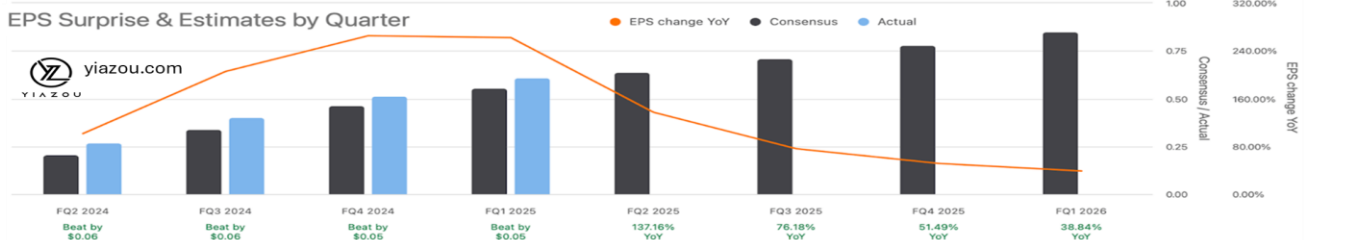
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## NVIDIA Earnings Focus: probably the most important Tech earnings in years

The title above is dubbed by Dan Ives, one of the most important Tech bulls on Wall Street, while explaining that the near-term fate of equity markets and especially the Tech sector will probably be decided by “whether underlying demand in new data-center capacity—needed to operate OpenAI’s ChatGPT, for example—remains robust as ever”. For now, according to Visible Alpha, 95% of analysts are positive, expecting further beats on earnings, revenues and increased guidance. Indeed, earnings from other companies in the AI supply chain have recently been robust and projections for future growth in earnings (top graph) and revenues (bottom left) at NVIDIA remain stellar. As Eric Schmidt, Google’s ex-CEO puts it, the main companies building data centers such as Amazon, Google or Microsoft are looking to spend 10s, 50s, 100s billions over the next few years, and this revenue will mostly go to NVIDIA with its 80% market share and 50%+ margins. So yes, NVIDIA’s is currently trading back towards the top of its yearly PE range around 45 (bottom-right, orange line), yet considering earnings projections 5 years from now, in 2030, the implied PE would then drop to below 20, which then becomes very reasonable.

EPS Surprise & Estimates by Quarter



### 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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