

WEEKLY MARKETS ROUND-UP

Executive Summary

2nd September 2024

Top news: awaiting the August Non-Farm Payrolls on Friday – last week was marked by NVIDIA's earnings on Wednesday evening. These came in strong with both revenue and earnings beating expectations and respectively growing 122% and 156% YoY. Despite these good results, the stock dropped almost 6% into Friday's close, while the S&P500 was slightly up. This sell-off reveals some interrogations regarding NVIDIA's projected exponential growth. For now, however, forward guidance is still strong for Q3, while the company just announced a 50bn USD share buy-back. As for the general economy, USD GDP also surprised positively with Preliminary Q2 QtoQ GDP coming in at +3.0% (the previous estimate was 2.8%) on Thursday. Then, on Friday, EuroZone CPI and US Core PCE were both in-line with expectations. This week starts with the US being closed today for Labor day. We will then await the ISM Manufacturing and Services Indexes tomorrow and Thursday, and on Wednesday and Friday respectively, the JOLTS Job Openings and the August Non-Farm Payrolls (expected to rise back to 164K vs 114k last month).

Equities: last week, the S&P500 was pretty much flat, with the Nasdaq100 dropping circa 1% and all other markets gaining close to 1%. Several markets are either close or making all-time highs, while on average only slightly Overbought. We hence remain constructive on equities, as profitability holds for now, and rate cuts are due to start.

Fixed Income: the US10Y benchmark yields rose back slightly last week following the strong GDP number, while the German 10Y Bund yield was pretty much flat. We believe the current retracement period probably continues into early Q4 at least. Credit instruments such as US High Yield or EM Sovereigns are slightly Overbought, yet close to all-time highs and hence remain strong. For now, indeed, their pricing does not reflect the likelihood of a recession.

FOREX: the US Dollar bounced most of last week, by 1-2 figures vs most currencies, yet less so vs Swiss Franc. Despite being quite Oversold, we would still expect the USD to linger on slightly lower, along with yields, into early Q4 initially.

Commodities: both Oil and Gold were pretty much flat last week. While we expect the former to continue to test a bit lower into early Fall, Gold seems to remain in an uptrend for now and could reach 2'600 USD/oz by then.

	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	5 648	Oct-23	4 117	37,2%	Jul-24	5 667	-0,3%	18,4%	neutral	neutral
Nasdaq100 Index	USD	19 576	Oct-23	14 110	38,7%	Jul-24	20 675	-5,3%	16,3%	neutral	neutral
Dow Jones Industrials Index	USD	41 563	Oct-23	32 418	28,2%	Aug-24	41 563	0,0%	10,3%	neutral	slightly OB
EuroStoxx50	EUR	4 958	Oct-23	4 014	23,5%	May-24	5 101	-2,8%	9,6%	neutral	neutral
Swiss Market Index	CHF	12 437	Oct-23	10 324	20,5%	Aug-24	12 437	0,0%	11,7%	neutral	slightly OB
Nikkei225	JPY	38 648	Oct-23	30 527	26,6%	Jul-24	42 224	-8,5%	15,5%	neutral	neutral
Shanghai Composite	CNY	2 842	Feb-24	2 702	5,2%	Sep-23	3 177	-10,5%	-4,5%	down	slightly OS
US 10Y Treasury Yield	%	3,90%	Aug-24	3,79%	0,1%	Oct-23	4,99%	-1,1%	0,0%	down	slightly OS
German 10Y Bund Yield	%	2,30%	Dec-23	1,97%	0,3%	Sep-23	2,97%	-0,7%	0,3%	down	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	96	Oct-23	82	17,5%	Aug-24	99	-2,3%	-0,5%	up	slightly OB
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	111	Oct-23	97	15,1%	Aug-24	112	-0,9%	2,6%	neutral	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	79	Oct-23	69	14,7%	Aug-24	79	-0,1%	5,4%	neutral	slightly OB
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	92	Oct-23	77	18,9%	Aug-24	93	-0,5%	6,1%	neutral	slightly OB
EUR/USD		1,10	Oct-23	1,05	5,5%	Aug-24	1,12	-1,3%	0,1%	neutral	slightly OB
GBP/USD		1,31	Oct-23	1,21	8,7%	Aug-24	1,33	-1,0%	3,1%	neutral	OB
USD/JPY		146	Jan-24	141	3,8%	Jul-24	162	-9,5%	3,6%	down	slightly OS
USD/CHF		0,85	Jan-24	0,84	1,1%	Oct-23	0,92	-7,7%	1,0%	neutral	OS
AUD/USD		0,68	Oct-23	0,63	7,4%	Dec-23	0,68	-1,2%	-0,7%	neutral	slightly OB
Brent Oil (per Barrel)	USD	79	Dec-23	73	7,6%	Sep-23	97	-18,4%	2,3%	down	neutral
Gold Spot (per Ounce)	USD	2 503	Oct-23	1 820	37,5%	Aug-24	2 525	-0,8%	21,3%	up	neutral

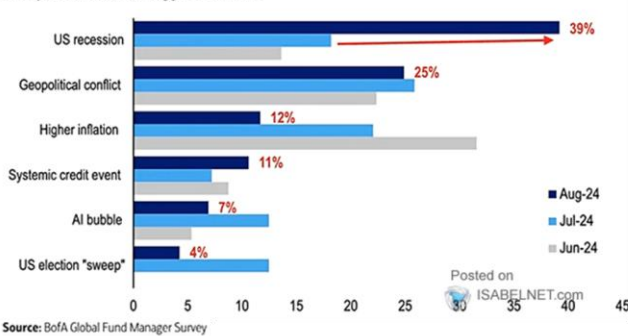
* These large fixed income ETFs are used as proxies to assess the state of duration trades as well as of credit markets

Sentiment vs Macro Focus: as recessionary fears mount, data remains robust

Recession fears are rising with 39% of respondents in the latest Fund Managers Survey citing it as the biggest tail risk (up from circa 17% in July and 12% in June – top-left graph). Such negative economic sentiment can justify the many FED rate cuts currently priced in. The hard data, however, remains rather robust for now. Last week, the US Q2 GDP was revised up to +3% QtoQ vs 2.8% in the previous estimate (top-right), while US corporate profits, once again, are making all-time highs (bottom-left). Such resilience, coupled with the recent pick-up in M2 money creation could lead to a resurgence of inflation in 2025 (bottom-right). If this is the case, the many rate cuts which are projected may have to be partially priced out again.

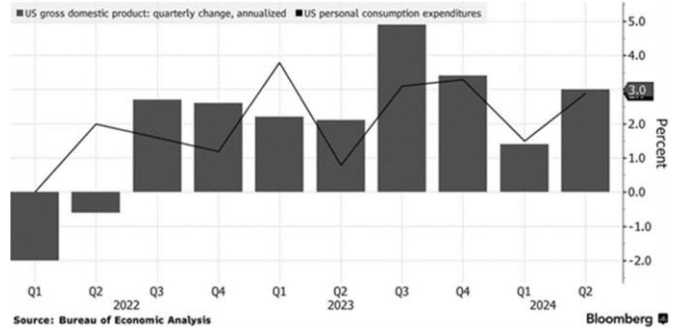
Chart 9: US recession overtakes geopolitical conflict as the #1 tail risk

What do you consider the biggest 'tail risk'?



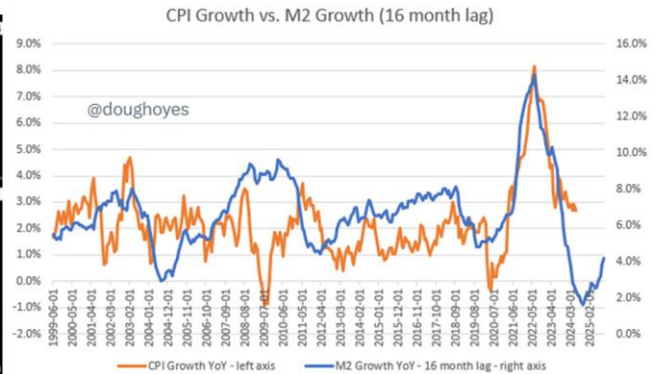
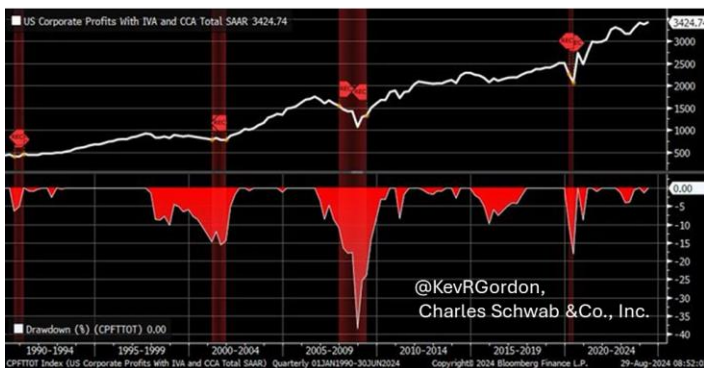
Source: BofA Global Fund Manager Survey

US GDP Revised Up on Consumer
Higher spending offset revisions in other categories



Source: Bureau of Economic Analysis

Bloomberg



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 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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