

WEEKLY MARKETS ROUND-UP

Executive Summary

9th September 2024

Top news: US CPI on Wednesday and the ECB rate decision on Thursday– last week, growth concerns continued to mount with the ISM US Manufacturing PMI contracting slightly less on Tuesday (47.2 vs 46.8 last month) yet below expectations of 47.5. On Wednesday, the Job openings JOLTs data came in at its lowest in 3.5 years at 7.67 million vs 8.09 expected and 7.91 last month. Thursday was slightly more encouraging with the ISM Services PMI coming in at 51.5 vs 51.3 expected, yet this relief was short lived as the US Non-Farm Payrolls on Friday only rose 142'000 when 164k was expected and while July was revised down 25k and June 50k. That said, for now, the unemployment rate remains stable at 4.2%. Overall, economic data continues to slow, yet several Fed Governors came in on Friday afternoon to confirm the likelihood of a potential 25bps initial cut next week (rather than the urgent and scary 50bps cuts). Treasury Yellen also reaffirmed that the economy remains solid, on the path to Soft Landing, with certainly less Job openings but no meaningful layoffs for now. This week, releases in the US will mostly focus on inflation, with CPI awaited rather flat MoM on Wednesday (and down to 2.6% YoY from 2.9% last month) and PPI expected slightly up on Thursday. The ECB rate decision will also take place on Thursday and most analysts expect it to cut a further 25bps.

Equities: last week, the S&P500 and the Nasdaq100 pretty much dropped 5%, with the EuroStoxx50 and the SMI down circa 4.5% and the Dow Jones Industrial at -3%. We would still expect some stabilization into October, for now.

Fixed Income: considering the growth concerns, both benchmark yields continued to drop, resp. by 20 and 10 bps for the US10Y and the German 10Y Bund yield. These levels are slightly Oversold yet we would expect further downside pressure into October. Credit instruments (e.g. US High Yield or EM Sovereigns) remain close to their highs for now.

FOREX: USD resumed lower last week considering the weaker US data and despite being quite Oversold already. This was especially the case for USD/JPY dropping from 146 to 142. This downtrend probably continues into October.

Commodities: Oil dropped quite aggressively last week, by circa 10%. It is now Oversold yet we expect a bit more weakness into October. Gold retreated slightly, yet probably remains in a strong long term uptrend for now.

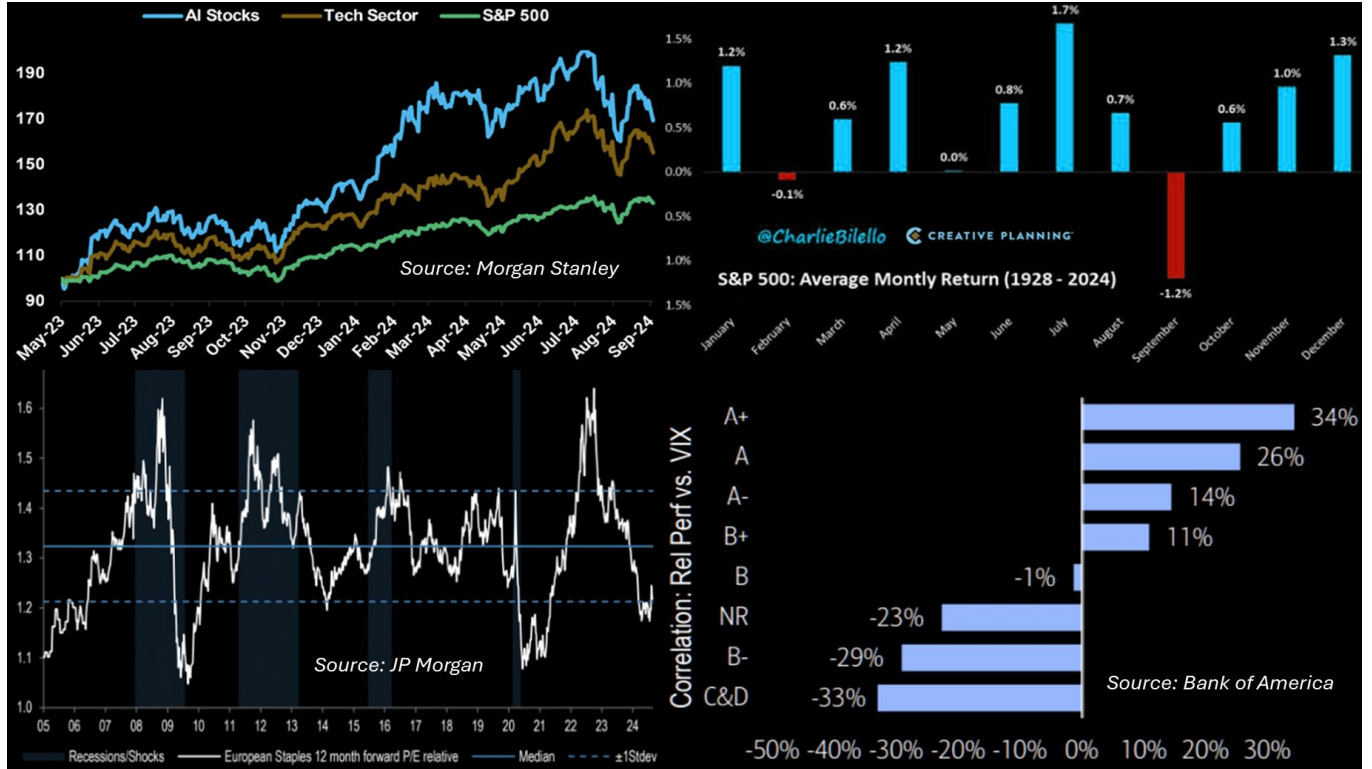
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance	Trend	Exaggeration
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	5 408	Oct-23	4 117	31,4%	Jul-24	5 667	-4,6%	13,4%	neutral	neutral
Nasdaq100 Index	USD	18 421	Oct-23	14 110	30,6%	Jul-24	20 675	-10,9%	9,5%	neutral	neutral
Dow Jones Industrials Index	USD	40 345	Oct-23	32 418	24,5%	Sep-24	41 563	-2,9%	7,0%	neutral	neutral
EuroStoxx50	EUR	4 738	Oct-23	4 014	18,0%	May-24	5 101	-7,1%	4,8%	neutral	neutral
Swiss Market Index	CHF	11 908	Oct-23	10 324	15,3%	Sep-24	12 451	-4,4%	6,9%	neutral	neutral
Nikkei225	JPY	36 391	Oct-23	30 527	19,2%	Jul-24	42 224	-13,8%	8,7%	down	neutral
Shanghai Composite	CNY	2 766	Feb-24	2 702	2,4%	May-24	3 171	-12,8%	-7,0%	down	OS
US 10Y Treasury Yield	%	3,72%	Sep-24	3,72%	0,0%	Oct-23	4,99%	-1,3%	-0,2%	down	slightly OS
German 10Y Bund Yield	%	2,20%	Dec-23	1,97%	0,2%	Sep-23	2,97%	-0,8%	0,2%	down	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	100	Oct-23	83	19,9%	Aug-24	100	-0,3%	1,5%	up	slightly OB
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	112	Oct-23	97	16,2%	Sep-24	112	-0,0%	3,5%	neutral	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	79	Oct-23	69	15,1%	Sep-24	79	-0,1%	5,8%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	92	Oct-23	77	18,7%	Aug-24	92	-0,3%	5,9%	neutral	neutral
EUR/USD		1,11	Oct-23	1,05	5,9%	Aug-24	1,12	-1,0%	0,4%	neutral	slightly OB
GBP/USD		1,31	Oct-23	1,21	8,7%	Aug-24	1,33	-1,0%	3,1%	neutral	slightly OB
USD/JPY		142	Jan-24	141	1,0%	Jul-24	162	-11,9%	0,9%	down	OS
USD/CHF		0,84	Jan-24	0,84	0,2%	Oct-23	0,92	-8,4%	0,2%	down	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	71	Sep-24	71	0,0%	Sep-23	97	-26,4%	-7,8%	down	OS
Gold Spot (per Ounce)	USD	2 496	Oct-23	1 820	37,1%	Aug-24	2 525	-1,1%	21,0%	up	neutral

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Defensive Focus: amid sell-off, remain invested with quality/defensive stocks

Ai stocks and the Tech sector may be catching up to the downside with the S&P500 (top-left graph). The current sell-off is however typical of late Summer, and September is often the worst month of the year (top-right). Q4 then usually sees a recovery and hence, selling out too rapidly may prove ill-fated. Rather, we would probably focus on more defensive profiles. In Europe for example, Staples relative PEs are very much Oversold historically (bottom-left), while the relative performance of US stocks with higher credit ratings (i.e. quality stocks) is very much correlated to VIX (i.e. when volatility rises, they outperform, bottom-right). Hence, rather than rushing to exit, perhaps increase exposure to more quality/defensive profiles.



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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