

# WEEKLY MARKETS ROUND-UP

## Executive Summary

16<sup>th</sup> September 2024

**Top news: FOMC on Wednesday evening, but also BoE on Thursday and BOJ on Friday** – last week started off strongly with most equity markets rising between 1.5-2% on Monday. Wednesday then almost saw a retest of the previous week's lows for both the S&P500 and the EuroStoxx50, as US Core CPI came in slightly higher than expected at +0.3% MoM vs +0.2% exp. (Headline CPI was in-line with expectations at +0.2% MoM or +2.5% YoY). Interestingly, equity markets then roared back later that evening, with the S&P500 closing up circa 1%, and then continuing to accelerate higher on Thursday and Friday, coming up just short of all-time highs. This reversal upwards was particularly violent on US markets, probably as many shorts were forced to cover. Last Thursday did also provide further confidence that the global easing trend is underway with the ECB cutting -0.25% as expected. This week will first see US retail sales on Tuesday. These are expected to cool from last month's strong upside surprise. Wednesday will then focus on the FOMC rate decision meeting, when the FED is expected to start cutting after more than a year of keeping the Fed Funds rate at 5.5%. A -0.25% cut is probable although Futures pricing is suggesting that a -0.50% cut is still almost as likely. The week will end with the BoE's rate decision on Thursday and then the BoJ on Friday.

**Equities:** the Nasdaq100 led last week (+6.5%), the S&P500 rose circa 4.5%, while the Dow Jones and the EuroStoxx50 were up circa 2-3%. All-time highs are getting close again for the former two, while these are not Overbought yet.

**Fixed Income:** as the rate cutting campaign goes global (with the FED most probably cutting 0.25% or perhaps even 0.5% this week), benchmark 10Y yields continued to drop slightly last week (by 5-6bps). The US10Y is now on 12 months low, the 10Y Bund still a bit above. Both are slightly Oversold yet probably continue to slide into early Q4.

**FOREX:** as rates continued lower, the US Dollar started to resume lower again following its slight bounce since late August. Although Oversold vs European currencies, or especially so vs the Yen, we expect it to also slide a bit more.

**Commodities:** Brent dropped to lower lows mid last week, briefly pricing below 70\$/bbl and then recovered. We remain prudent for now, probably into October. Gold made new all-time highs last week and remains in a strong uptrend.

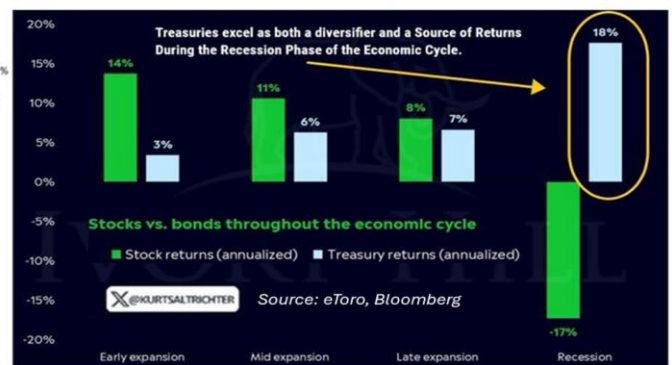
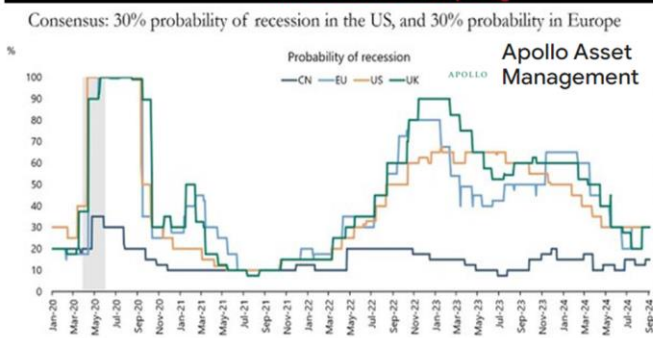
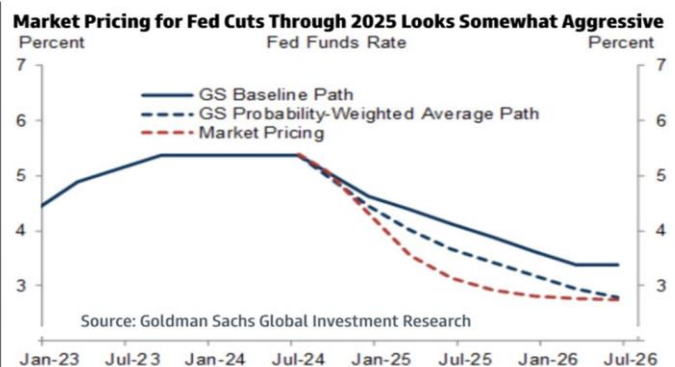
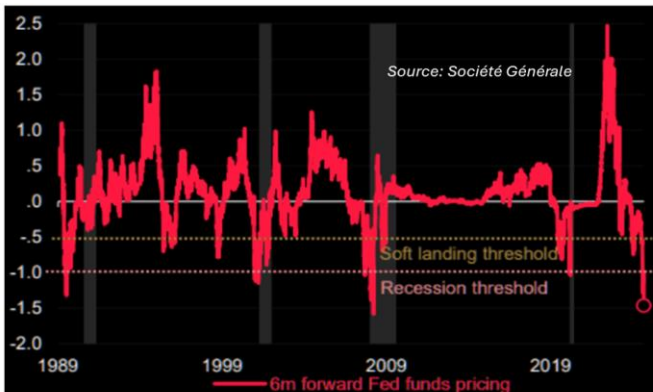
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance YTD in %	Trend last 6m <sup>1</sup>	Exaggeration OB / OS <sup>2</sup>
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	5 626	Oct-23	4 117	36,6%	Jul-24	5 667	-0,7%	18,0%	neutral	neutral
Nasdaq100 Index	USD	19 515	Oct-23	14 110	38,3%	Jul-24	20 675	-5,6%	16,0%	neutral	neutral
Dow Jones Industrials Index	USD	41 394	Oct-23	32 418	27,7%	Sep-24	41 563	-0,4%	9,8%	neutral	neutral
EuroStoxx50	EUR	4 844	Oct-23	4 014	20,7%	May-24	5 101	-5,0%	7,1%	neutral	neutral
Swiss Market Index	CHF	12 037	Oct-23	10 324	16,6%	Sep-24	12 451	-3,3%	8,1%	neutral	neutral
Nikkei225	JPY	36 582	Oct-23	30 527	19,8%	Jul-24	42 224	-13,4%	9,3%	down	neutral
Shanghai Composite	CNY	2 704	Feb-24	2 702	0,1%	May-24	3 171	-14,7%	-9,1%	down	OS
US 10Y Treasury Yield	%	3,66%	Sep-24	3,64%	0,0%	Oct-23	4,99%	-1,3%	-0,2%	down	slightly OS
German 10Y Bund Yield	%	2,15%	Dec-23	1,97%	0,2%	Sep-23	2,97%	-0,8%	0,1%	down	slightly OS
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	100	Oct-23	83	21,0%	Sep-24	101	-0,3%	2,4%	up	slightly OB
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	113	Oct-23	97	17,1%	Sep-24	113	0,0%	4,3%	up	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	80	Oct-23	69	15,8%	Sep-24	80	0,0%	6,4%	neutral	slightly OB
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	93	Oct-23	77	20,6%	Sep-24	93	0,0%	7,7%	up	slightly OB
EUR/USD		1,11	Oct-23	1,05	5,8%	Aug-24	1,12	-1,1%	0,3%	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		141	Sep-24	141	0,0%	Jul-24	162	-12,8%	-0,2%	down	OS
USD/CHF		0,85	Jan-24	0,84	1,0%	Oct-23	0,92	-7,8%	0,9%	down	slightly OS
AUD/USD		0,67	Oct-23	0,63	6,5%	Dec-23	0,68	-2,1%	-1,6%	neutral	neutral
Brent Oil (per Barrel)	USD	72	Sep-24	69	3,8%	Sep-23	97	-25,3%	-6,4%	down	OS
Gold Spot (per Ounce)	USD	2 579	Oct-23	1 820	41,7%	Sep-24	2 579	0,0%	25,0%	up	neutral

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## Easing Focus: rate cuts anticipations are clearly recessionary, perhaps too much

6 months rate cuts anticipations suggest a 1.25-1.5% drop in the Fed Funds rate (top-left graph). This is aggressive (as low as 2008) and clearly points to a recessionary mood. Such pricing is also above many banks forecasts, e.g. Goldman Sachs (top-right), which believes the drop will be less steep and with a higher terminal rate than the market currently anticipates (GS Baseline path). On the other hand, proponents of more rapid rate cuts would argue that the FED needs to frontload them, as its policy is already behind the curve. Yet, this assessment is in contradiction with consensus recession probabilities, which are currently pricing only a 30% chance of it happening (bottom-left). The debate is crucial as the performance of stocks or bonds widely differ from each other during a recession and from what they are during expansion (bottom-right).



### 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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