

WEEKLY MARKETS ROUND-UP

Executive Summary

30th September 2024

Top news: EuroZone Inflation on Tuesday and US Non-Farm Payrolls on Friday – last week followed on from the FED's 50 bps rate cut the previous week, with equities rising a bit further, along with precious metals and as the Dollar dropped slightly. The week was also influenced by a series of stimulus announcement out of China (see next page) fueling a huge short covering rally on Chinese equities. In terms of data, Monday started with very weak Manufacturing and Services Flash PMI data in Europe, while in the US, that afternoon, the Manufacturing Flash PMI data was also weak but Services were better. The rest of the week was rather contrasted with US GDP being confirmed at 3% QtoQ annualized for Q2, weekly unemployment claims dropping slightly, durable goods coming in a bit above expectations, while on Friday, PCE Core inflation dipped to +0.1% MoM (vs +0.2% exp.), yet Consumer Sentiment then beat expectations. Hence, for now, the landing seems subtle and contained. This week, the market will first focus on Chair Powell's speech on Monday to gauge further FED propensity to cut 0.25% or 0.5% at their next meeting. We will then await EuroZone Flash Inflation Estimates on Tuesday along with US ISM Manufacturing PMIs (expected quite weak) and US Job openings data. The US ISM Services PMI is then expected to remain stable on Thursday, along with the very much awaited Non Farm Payrolls US employment data for September on Friday (exp. at 144k vs 142k in August).

Equities: US markets rose 0.5-1% last week, while other markets surged. The Eurostoxx50 rallied 4%, the SMI 3%, the Nikkei 6% and the Shanghai Comp 12%. We believe the current momentum upwards may continue another 2-3 weeks.

Fixed Income: 10Y benchmark yields in Europe and the US were stable last week, probably as a result of the balanced data. This week, investors will await the Powell speech and the Non-Farm Payrolls to assess future monetary steps.

FOREX: USD dropped slightly last week following the previous week's 50bps rate cut. For now, we still expect it to slide a bit longer, perhaps into mid October. Downside risk seems rather limited though as most pairs are slightly Oversold.

Commodities: Brent resumed its downtrend and could still retest 70 USD/bbl for another week or so. We would then expect a recovery. Gold's uptrend continues and may reach up towards 2'700 USD/oz over the next couple of weeks.

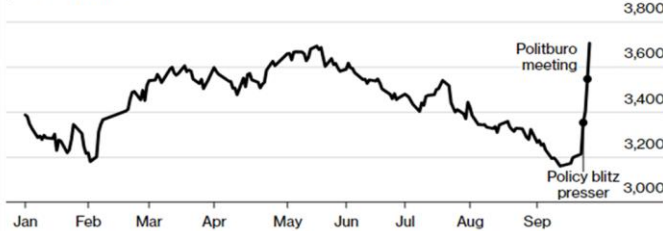
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance YTD in %	Trend last 6m ¹	Exaggeration OB / OS ²
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	5 738	Oct-23	4 117	39,4%	Sep-24	5 745	-0,1%	20,3%	up	neutral
Nasdaq100 Index	USD	20 009	Oct-23	14 110	41,8%	Jul-24	20 675	-3,2%	18,9%	neutral	neutral
Dow Jones Industrials Index	USD	42 313	Oct-23	32 418	30,5%	Sep-24	42 313	0,0%	12,3%	up	slightly OB
EuroStoxx50	EUR	5 067	Oct-23	4 014	26,2%	May-24	5 101	-0,7%	12,1%	neutral	neutral
Swiss Market Index	CHF	12 235	Oct-23	10 324	18,5%	Sep-24	12 451	-1,7%	9,9%	neutral	neutral
Nikkei225	JPY	39 830	Oct-23	30 527	30,5%	Jul-24	42 224	-5,7%	19,0%	down	neutral
Shanghai Composite	CNY	3 088	Feb-24	2 702	14,3%	May-24	3 171	-2,6%	3,8%	down	slightly OB
US 10Y Treasury Yield	%	3,75%	Sep-24	3,62%	0,1%	Oct-23	4,99%	-1,2%	-0,1%	down	neutral
German 10Y Bund Yield	%	2,13%	Dec-23	1,97%	0,2%	Oct-23	2,96%	-0,8%	0,1%	down	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	99	Oct-23	83	18,7%	Sep-24	101	-2,7%	0,5%	up	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	113	Oct-23	97	17,1%	Sep-24	114	-0,4%	4,3%	up	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	80	Oct-23	69	16,9%	Sep-24	80	0,0%	7,4%	neutral	slightly OB
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	93	Oct-23	77	21,1%	Sep-24	94	-0,3%	8,1%	up	slightly OB
EUR/USD		1,12	Oct-23	1,05	6,6%	Aug-24	1,12	-0,3%	1,1%	neutral	slightly OB
GBP/USD		1,34	Oct-23	1,21	10,7%	Sep-24	1,34	-0,3%	5,0%	neutral	slightly OB
USD/JPY		142	Sep-24	141	1,1%	Jul-24	162	-12,0%	0,8%	down	slightly OS
USD/CHF		0,84	Sep-24	0,84	0,0%	Oct-23	0,92	-8,7%	-0,1%	down	slightly OS
AUD/USD		0,69	Oct-23	0,63	9,6%	Sep-24	0,69	0,0%	1,3%	neutral	slightly OB
Brent Oil (per Barrel)	USD	72	Sep-24	69	3,6%	Oct-23	92	-22,1%	-6,6%	down	slightly OS
Gold Spot (per Ounce)	USD	2 655	Oct-23	1 820	45,9%	Sep-24	2 672	-0,6%	28,7%	up	slightly OB

China Focus: huge short squeeze as broad stimulus package unveiled

As China struggles to maintain its 5% GDP growth target, exceptional stimulus measures were announced last week to boost economic activity and reduce debt burdens. As a result, Chinese equities exploded higher and reached new Year-to-date highs in what appears to be a massive short squeeze (top-left graph). The measures included a 0.5% reduction of the Reserve Requirement Ratio for banks (thereby freeing 1 trillion Yuan or circa 150bn USD for further lending), a 0.2% reduction in the short term reverse repurchase rate (top-right) and the launch of several government spending and debt relief programs. Medium term however, reversing the current slowdown may prove challenging considering the usual lags between monetary stimulus and its positive effects on the economy (the drag from the shrinking M1 Monetary base could still be felt for several quarters, bottom-left), while labor costs and hence inflation are collapsing (bottom right), thereby propping up savings and reducing risk taking. Hence, the current rally may in fact provide an opportunistic take profit window over the next few weeks.

Stocks Soar After Chinese Stimulus

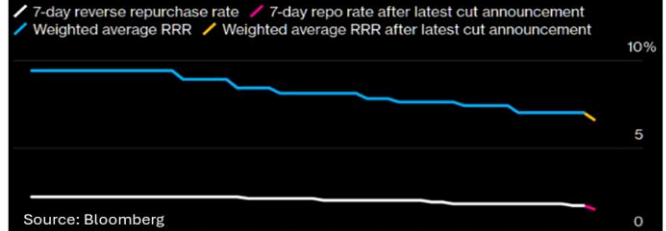
Turnover on Friday at highest since late 2021 despite problems trading
 ✓ CSI 300 Index



Source: Data compiled by Bloomberg

China Unveils Stimulus Blitz

PBOC Governor Pan Gongsheng announces reductions in RRR, key policy rate



Source: Bloomberg

Brace for a China recession



Source: GlobalData TS Lombard, Datastream, CEIC

Chinese domestic inflationary pressure is collapsing



Sources: CEIC, Cheung Kona Graduate School of Business, GlobalData TS Lombard

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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