

WEEKLY MARKETS ROUND-UP

Executive Summary

21st October 2024

Top news: Flash PMIs, BRICs Summit and TSLA Earnings – last week brought further positive news in the US with Retail Sales coming in higher than expected on Thursday. Headline was up 0.4% MoM when 0.3% was expected and vs 0.1% last month, Core was 0.5% (vs 0.1% exp. and 0.2% prev.). This release was concomitant with the ECB lowering Euro rates by a further -0.25%, considering that inflation has dropped below the 2% target with Headline CPI at +1.8% YoY early this month (Core is still at 2.7%). As a result, EUR/USD initially dropped further, but then recuperated these losses into Friday. On the earnings front, the week was marked by a mishap in Europe, with AMSL accidentally releasing its earnings a day early. These were pretty much in line, yet the guidance for 2025 was revised down. The stock dropped 20% into Wednesday. Also on Tuesday, US banks BoFA, Goldman and Citi all beat on earnings thanks to increases in investment banking revenues, while then, on Thursday after the close, Netflix' subscribers' growth topped expectations, sending the stock 11% higher on Friday. This week, we await TSLA earnings on Wednesday after the close, and then on Thursday, the Flash Global PMIs (i.e. advanced economic indicators for the various regions). The BRICs summit held on Tuesday and Wednesday in Kazan, Russia, may also stage some interesting declarations.

Equities: equity indexes rose slightly further last week, between 0.5% and 1%. Japan was the outlier dropping 2% on profit taking. Some indices are getting slightly Overbought, yet on average most are still neutral and/or uptrending.

Fixed Income: yields stabilized last week. Their trend is still down on the table below, yet the bounce since mid September has been very dynamic, especially in the US (+0.5% for US10Y vs +0.15% for the 10Y Bund). As highlighted on the next page, growth expectations could indeed continue to diverge in favor of the US in coming months.

FOREX: the US Dollar continued to rise into Thursday last week and then retraced some. Over the course of the week, it is still slightly up. For now, we would remain bullish on USD considering the widening growth differential.

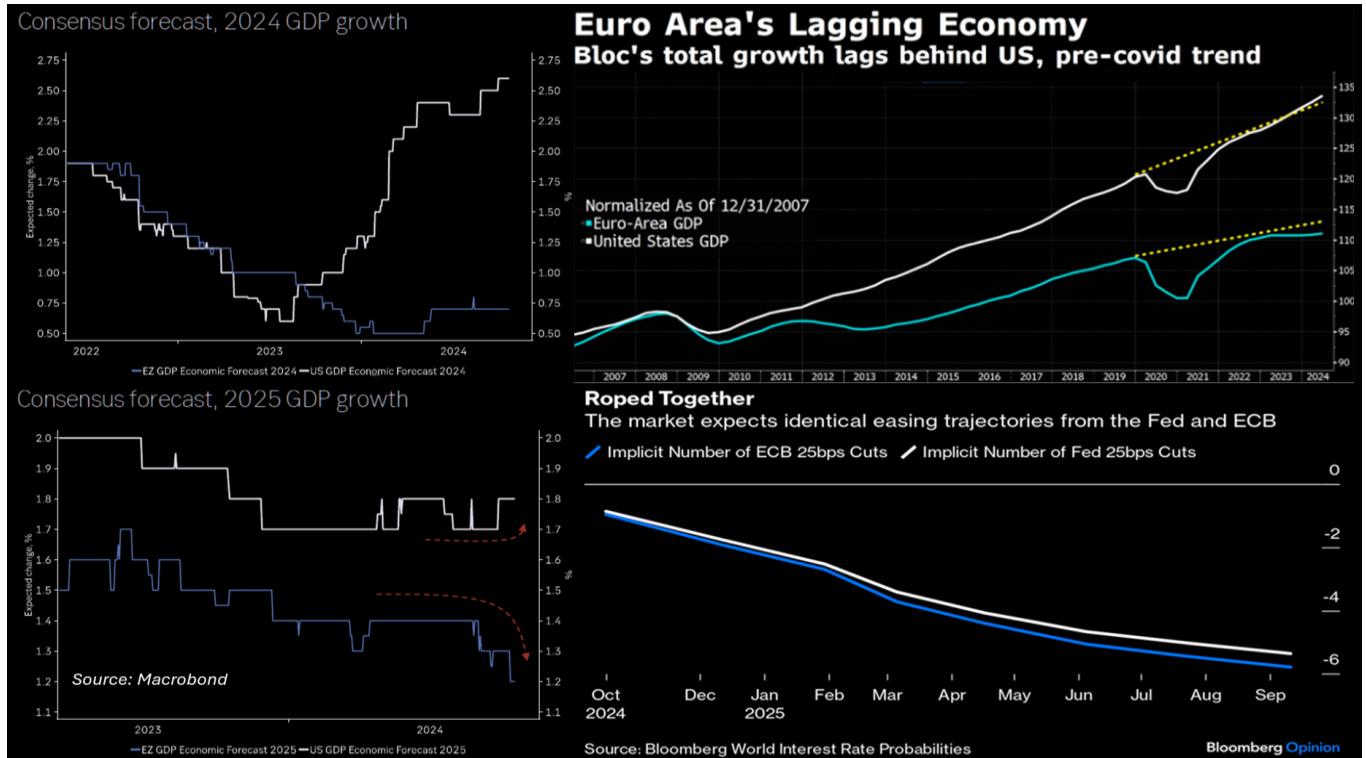
Commodities: Oil continued to slide last week as Israel seems to confirm that no Oil installations will be hit in its retaliation against Iran. Overall, however, geopolitical risks persist, and Gold made all-time highs again, up 32% YTD.

	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	5 865	Oct-23	4 117	42,4%	Oct-24	5 865	0,0%	23,0%	up	neutral
Nasdaq100 Index	USD	20 324	Oct-23	14 110	44,0%	Jul-24	20 675	-1,7%	20,8%	up	neutral
Dow Jones Industrials Index	USD	43 276	Oct-23	32 418	33,5%	Oct-24	43 276	0,0%	14,8%	up	slightly OB
EuroStoxx50	EUR	4 986	Oct-23	4 014	24,2%	May-24	5 101	-2,2%	10,3%	neutral	neutral
Swiss Market Index	CHF	12 327	Oct-23	10 324	19,4%	Sep-24	12 451	-1,0%	10,7%	neutral	neutral
Nikkei225	JPY	38 982	Oct-23	30 602	27,4%	Jul-24	42 224	-7,7%	16,5%	neutral	neutral
Shanghai Composite	CNY	3 262	Feb-24	2 702	20,7%	Oct-24	3 490	-6,5%	9,6%	neutral	slightly OB
US 10Y Treasury Yield	%	4,08%	Sep-24	3,62%	0,5%	Oct-23	4,95%	-0,9%	0,2%	down	neutral
German 10Y Bund Yield	%	2,19%	Dec-23	1,97%	0,2%	Oct-23	2,89%	-0,7%	0,2%	down	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	94	Oct-23	84	11,4%	Sep-24	102	-8,0%	-5,0%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	111	Oct-23	98	13,5%	Sep-24	114	-2,7%	1,9%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	80	Oct-23	69	15,9%	Sep-24	80	-0,3%	7,1%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	92	Oct-23	78	18,5%	Sep-24	94	-1,4%	7,0%	up	neutral
EUR/USD		1,09	Oct-23	1,06	2,9%	Aug-24	1,12	-2,9%	-1,6%	neutral	slightly OS
GBP/USD		1,31	Oct-23	1,21	7,8%	Sep-24	1,34	-2,7%	2,5%	neutral	neutral
USD/JPY		150	Sep-24	141	6,3%	Jul-24	162	-7,5%	6,0%	down	neutral
USD/CHF		0,86	Sep-24	0,84	2,9%	Apr-24	0,92	-5,9%	2,8%	neutral	neutral
AUD/USD		0,67	Oct-23	0,63	6,3%	Sep-24	0,69	-3,0%	-1,5%	neutral	neutral
Brent Oil (per Barrel)	USD	73	Sep-24	69	5,4%	Apr-24	91	-19,7%	-5,0%	down	slightly OS
Gold Spot (per Ounce)	USD	2 722	Nov-23	1 937	40,5%	Oct-24	2 722	0,0%	32,0%	up	slightly OB

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

USD Focus: while EuroZone Growth is revised lower, the US is trending higher

The Dollar has made a sharp comeback recently, supported by strong resilient US data. Indeed, as pointed out on both left-hand graphs the 2024 US GDP forecast was massively revised up while the EuroZone's one was gradually revised down. For 2025, this trend seems to continue for now. Longer term, US GDP growth is now back above pre-Covid levels, while the EuroZone is still lagging, perhaps even deteriorating again (top-right). Considering these dynamics, it is hard to caution current rate cut expectations, as these are identical for the US and the EuroZone (bot.-right). This probably implies further negative surprises for the EuroZone, and hence further USD strength. Geopolitics are also helping (i.e. flight to USD safety).



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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