

WEEKLY MARKETS ROUND-UP

Executive Summary

7th October 2024

Top news: US CPI and early Q3 Earnings Season – last Monday, the week started with a speech by Chair Powell explaining that the economy was still growing moderately, and that inflation was moving sustainably down to the 2% target. It was hence time to gradually bring FED Fund rates back to neutral, if indeed the economy continued to land softly. Otherwise, additional policy adjustments would depend on the incoming data. Tuesday, then saw lower than expected ISM Manufacturing PMIs, while EuroZone Inflation came in line and Job Openings were only slightly on the high side. US ISM Services PMI then surprised strongly on Thursday (54.9 vs 51.7 expected), along with Non-Farm Payrolls on Friday, which printed a blockbuster 254k new jobs when only 147k were expected. As a result, Yields and the US Dollar finished the week strongly, Bonds and Bond proxies dumped, and equities rose more than 1% with strong rotations into Value and Cyclical themes while Defensives lagged. This week, we will await the minutes from the FED's last meeting on Wednesday, US CPI on Thursday (which is expected down slightly MoM on both Core and Headline, with Headline reaching 2.3% YoY). Friday will then see US PPI, which similarly is also expected lower, followed by the Univ. of Michigan Consumer Confidence, which may still nudge up. Q3 Earnings Season is also starting with Pepsi on Tuesday, Delta Airlines on Thursday and finally the first banks on Friday pre-open (JPM, BNY Mellon and WFC).

Equities: US markets were flat last week (down and then up), Europe and Japan dropped 2 and 3% resp., while China was closed, yet its US ETFs rose another 10% into Friday. We remain constructive over the next 1-2 weeks.

Fixed Income: benchmark yields rose from Tuesday with rising Oil prices, following the Iranian missiles strike on Israel, and then again on Friday, after the positive NFPs. For now, yields remain slightly Oversold, yet still trending lower.

FOREX: USD rose last week with the Middle East tensions and rising US yields. We expect some retracement still, perhaps as Yields and the USD may still retest down into mid Q4, yet geopolitics remains a strong exogenous factor.

Commodities: Israel's military response to Iran will also be determinant for Gold and Oil prices next week. For now, both trends are still up/down while slightly Overbought/Oversold respectively. Reversals hence aren't confirmed yet.

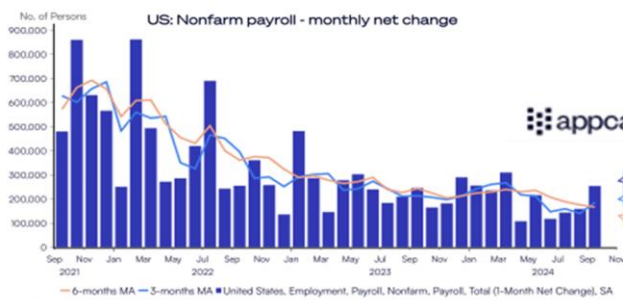
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance	Trend	Exaggeration
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	5 703	Oct-23	4 117	38,5%	Sep-24	5 714	-0,2%	19,6%	neutral	neutral
Nasdaq100 Index	USD	19 791	Oct-23	14 110	40,3%	Jul-24	20 675	-4,3%	17,6%	neutral	neutral
Dow Jones Industrials Index	USD	42 063	Oct-23	32 418	29,8%	Sep-24	42 063	0,0%	11,6%	up	neutral
EuroStoxx50	EUR	4 872	Oct-23	4 014	21,4%	May-24	5 101	-4,5%	7,7%	neutral	neutral
Swiss Market Index	CHF	11 934	Oct-23	10 324	15,6%	Sep-24	12 451	-4,2%	7,1%	neutral	neutral
Nikkei225	JPY	37 724	Oct-23	30 527	23,6%	Jul-24	42 224	-10,7%	12,7%	down	neutral
Shanghai Composite	CNY	2 737	Feb-24	2 702	1,3%	May-24	3 171	-13,7%	-8,0%	down	OS
US 10Y Treasury Yield	%	3,74%	Sep-24	3,62%	0,1%	Oct-23	4,99%	-1,3%	-0,1%	down	slightly OS
German 10Y Bund Yield	%	2,19%	Dec-23	1,97%	0,2%	Sep-23	2,97%	-0,8%	0,2%	down	slightly OS
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	99	Oct-23	83	19,1%	Sep-24	101	-2,4%	0,8%	up	slightly OB
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	113	Oct-23	97	17,3%	Sep-24	114	-0,2%	4,5%	up	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	80	Oct-23	69	16,8%	Sep-24	80	0,0%	7,3%	neutral	slightly OB
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	94	Oct-23	77	21,2%	Sep-24	94	-0,2%	8,3%	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		1,33	Oct-23	1,21	10,3%	Sep-24	1,33	0,0%	4,6%	neutral	slightly OB
USD/JPY		144	Sep-24	141	2,3%	Jul-24	162	-11,0%	2,0%	down	slightly OS
USD/CHF		0,85	Jan-24	0,84	1,1%	Oct-23	0,92	-7,7%	1,0%	down	slightly OS
AUD/USD		0,68	Oct-23	0,63	8,1%	Dec-23	0,68	-0,6%	-0,1%	neutral	slightly OB
Brent Oil (per Barrel)	USD	74	Sep-24	69	7,2%	Sep-23	97	-22,8%	-3,3%	down	slightly OS
Gold Spot (per Ounce)	USD	2 622	Oct-23	1 820	44,1%	Sep-24	2 622	0,0%	27,1%	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

Source: Primis Investment (Suisse) SA

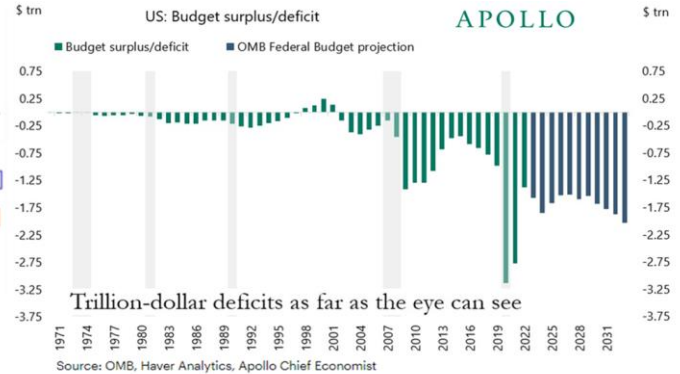
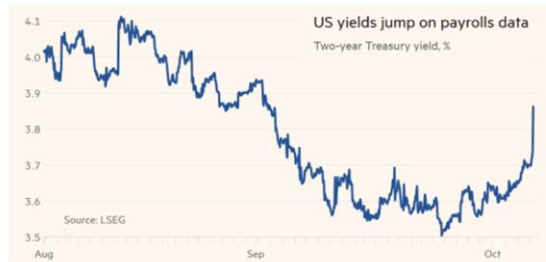
Non-Farm Payrolls Focus: blockbuster 254k release triggers a spike in yields

Last Friday, Sept. Non-Farm Payrolls came in much higher than exp. at 254k vs 147k, above their 3 and 6 months averages, while posting strong progression since last April (top-left graph). The instant market reaction was to discount any remaining chances for a FED 50bps cut (rather than 25bps) at its next Nov. 7th meeting, down from 32.1% chances on Oct 3rd (middle-left). The US2Y yield also surged to 3.9%, or 0.4% above its recent levels (bottom-left). This positive Payrolls surprise may stem from the dual effects of Fiscal stimulus (“Trillion-dollar deficits as far as the eye can see”, top-right), especially as most of the new jobs were Government hires, as well as Monetary easing, with most Central Banks now cutting rates, which with a 6 months lag usually starts to lift Manufacturing (bottom-right). Was this an odd print or the premises of Soft Landing?

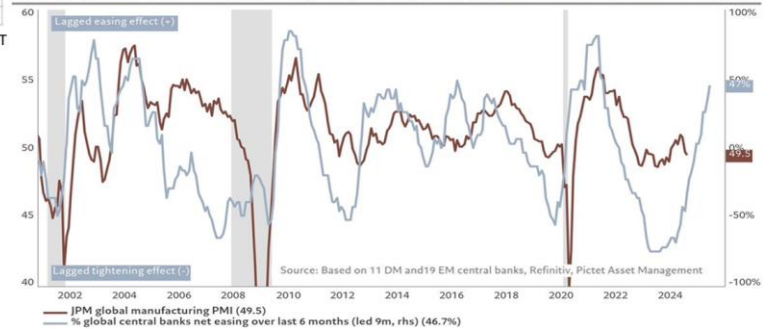


TARGET RATE (BPS)	NOW *	1 DAY 3 OCT. 2024
425-450	0.0%	32.1%
450-475	93.4%	67.9%
475-500 (Current)	6.6%	0.0%

Source: CME FedWatch Tool for 7th Nov FOMC, Data as of 4 Oct 2024 14:47 CT



Share of global central banks net easing policy rate over last 6 months vs. Global manufacturing PMI



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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