

# WEEKLY MARKETS ROUND-UP

## Executive Summary

14<sup>th</sup> October 2024

**Top news: ECB on Thursday along with US Retail sales and Netflix Earnings** – last week's first point of focus was the minutes of the last FED's meeting on Wednesday evening. We learned that the Committee was deeply divided on whether to make its first cut 50 or 25bps, and that Chair Powell eventually tilted the decision towards 50bps. The market is now expecting a 25bps cuts on the 7<sup>th</sup> Nov. and another 25bps on 18<sup>th</sup> Dec. Indeed, recent developments, of which the US CPI release last Thursday (Headline CPI came in at 2.4% YoY when 2.3% was expected, while Core is still holding up at 3.3%), have been rather on the Soft-Landing / sticky inflation side. Expectations for further 50bps cuts have hence been abandoned for now. PPI did however come in softer than expected though on Friday, along with Univ. of Michigan Consumer Confidence index, yet earnings from JP Morgan and Wells Fargo saved the day, with both banks rising resp. 4.4 and 5.6% on better than feared earnings. This week's macro releases will be concentrated on Thursday with the ECB rate decision (25bps cut exp.) and US Retail sales. In the meantime, on the earnings front, and following Monday, which is closed in the US, we will wait earnings from further US banks (Bank of America, Goldman Sachs, Citi) on Tuesday, AMSL pre-open in Europe on Wednesday, and finally Netflix on Thursday after the close.

**Equities:** US and European equity indexes rose between 1 to 2% last week, Japan was up 3% while China retraced 4% giving up circa a third of its stimulus rally. US markets are still uptrending and, for most, not Overbought yet.

**Fixed Income:** yields continued to rise last week with both the US10Y and 10Y Bund yields rising a further 0.15%. These have now bounced resp. 0.5 and 0.3% from their lows prior to the FED's 50bps rate cut (see next page). While we are concerned by this bearish steepening into yearend / 2025, we believe yields could still build a base during Q4.

**FOREX:** the US Dollar is following yields higher, although the scope of this rise was rather limited last week. While we are monitoring these hawkish developments, for now, we would probably also expect some base building for USD.

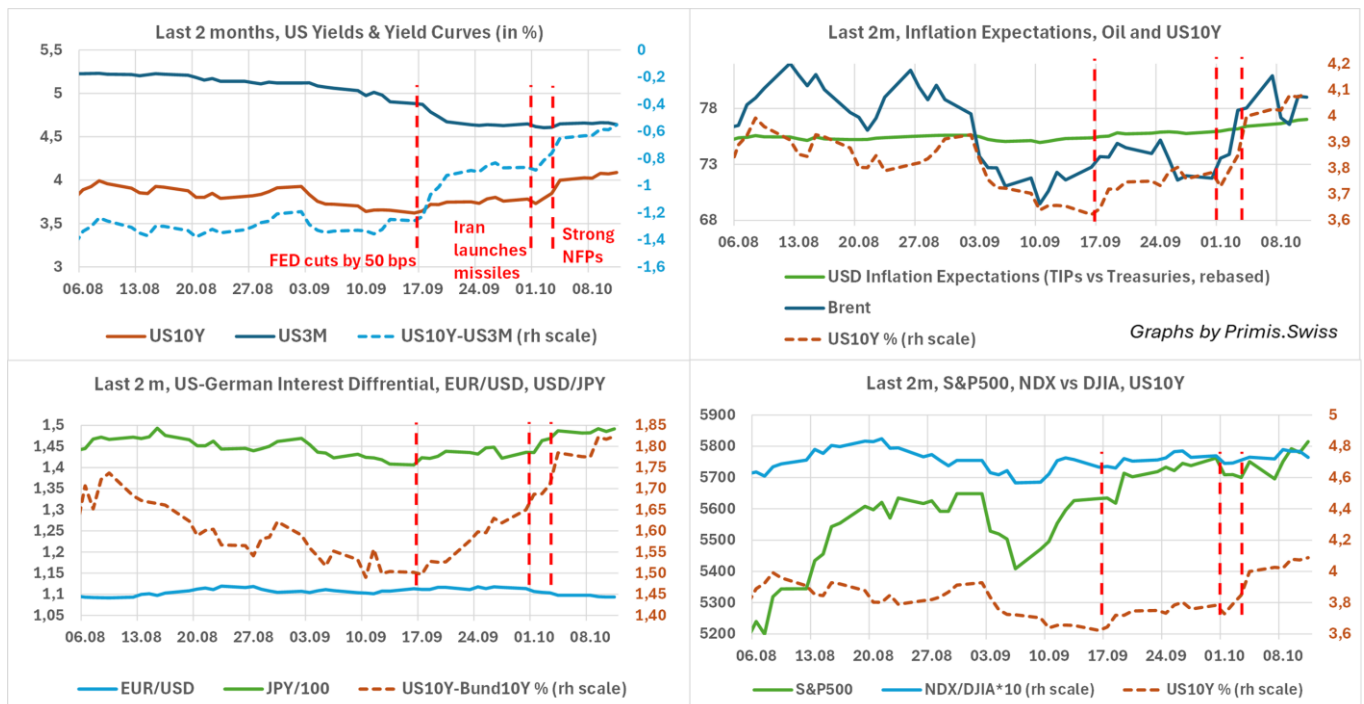
**Commodities:** Oil and Gold were pretty much flat last week as Israel delayed its military response to Iran. The nature and scope of this response will probably have strong consequences for both Commodities if and when it happens.

	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	5 815	Oct-23	4 117	41,2%	Oct-24	5 815	0,0%	21,9%	up	neutral
Nasdaq100 Index	USD	20 272	Oct-23	14 110	43,7%	Jul-24	20 675	-2,0%	20,5%	up	neutral
Dow Jones Industrials Index	USD	42 864	Oct-23	32 418	32,2%	Oct-24	42 864	0,0%	13,7%	up	slightly OB
EuroStoxx50	EUR	5 004	Oct-23	4 014	24,7%	May-24	5 101	-1,9%	10,7%	neutral	neutral
Swiss Market Index	CHF	12 154	Oct-23	10 324	17,7%	Sep-24	12 451	-2,4%	9,1%	neutral	neutral
Nikkei225	JPY	39 606	Oct-23	30 602	29,4%	Jul-24	42 224	-6,2%	18,4%	neutral	neutral
Shanghai Composite	CNY	3 218	Feb-24	2 702	19,1%	Oct-24	3 490	-7,8%	8,2%	neutral	OB
US 10Y Treasury Yield	%	4,10%	Sep-24	3,62%	0,5%	Oct-23	4,99%	-0,9%	0,2%	down	neutral
German 10Y Bund Yield	%	2,26%	Dec-23	1,97%	0,3%	Oct-23	2,93%	-0,7%	0,2%	down	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	94	Oct-23	84	12,1%	Sep-24	102	-8,2%	-5,1%	neutral	slightly OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	111	Oct-23	97	14,5%	Sep-24	114	-2,7%	2,0%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	80	Oct-23	68	16,2%	Sep-24	80	-0,6%	6,7%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	92	Oct-23	77	19,4%	Sep-24	94	-1,7%	6,6%	up	neutral
EUR/USD		1,09	Oct-23	1,05	3,8%	Aug-24	1,12	-2,3%	-0,9%	neutral	neutral
GBP/USD		1,31	Oct-23	1,21	7,9%	Sep-24	1,34	-2,6%	2,6%	neutral	neutral
USD/JPY		149	Sep-24	141	6,0%	Jul-24	162	-7,7%	5,7%	down	neutral
USD/CHF		0,86	Sep-24	0,84	2,0%	Apr-24	0,92	-6,7%	1,9%	down	neutral
AUD/USD		0,68	Oct-23	0,63	7,0%	Sep-24	0,69	-2,4%	-0,9%	neutral	neutral
Brent Oil (per Barrel)	USD	79	Sep-24	69	13,9%	Oct-23	92	-14,4%	2,7%	down	neutral
Gold Spot (per Ounce)	USD	2 657	Oct-23	1 919	38,5%	Sep-24	2 672	-0,6%	28,8%	up	neutral

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

## Bearish Steepening Focus: following -50bps, Iran's missiles attack & strong NFPs

Monetary policy is a balancing act. In Autumn 2018, Chair Powell sent markets tumbling with his “[long way from neutral](#)” remark (i.e. too hawkish). This Autumn, following the initial 50bps cut on 17<sup>th</sup> September, risk assets are thriving, yet long term yields are rapidly rising back (top-left graph) a.k.a. bear steepening (i.e. too dovish). These dynamics are partially driven by exogenous factors (fears of escalation in the Middle East, Government hiring boosting NFPs), yet consequences are noticeable on all asset classes: Oil and Inflation Expectations are rising again (top-right), the US-Euro Interest Differential is surging, sending EUR/USD lower and USD/JPY higher (bottom-left). As for equities (bottom-right), they continue to rise for now, yet the more momentum driven Nasdaq100 is starting to lag the more defensive/value DJIA. Perhaps, some economic bad news would even be welcome, to avoid overheating, especially considering last week's surprisingly sticky US CPI print.



### 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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