

WEEKLY MARKETS ROUND-UP

Executive Summary

11th November 2024

Top news: post Election rally to meet initial CPI test on Wednesday – last week, on Tuesday night, Mr Trump won the US Presidential election and the Republicans, the US Senate, while votes for the House are still being counted, yet are also led by the Republicans. Such a Republican sweep would allow President Trump to roll-out his program on tax cuts, deregulation, government reform, tariffs on foreign goods and in curtailing illegal immigration. Overall, most measures are seen as being pro-growth and accretive for US earnings and hence the strong rally that has materialized for US stocks since Wednesday. Last week, also saw a positive ISM Services PMI on Tuesday, while on Thursday both the BoE and the FED lowered interest rates by 0.25%. Finally on Friday, Univ. Of Michigan preliminary estimates showed higher Consumer Confidence with lower Inflation Expectations. This week, the focus will shift to inflation, with last month's US CPI expected flat on Wednesday followed by US PPI on Thursday. Friday will then see US Retail Sales, expected to slow a bit from last month's strong print. On the earnings front, we will look to Home Depot's release pre-open on Tuesday, to Cisco post close on Wednesday and to Disney and BABA resp. pre-open on Thursday and Friday.

Equities: from Tuesday night, US equities rose between 5 and 6% into late Friday. Japan and China were also up resp. 4 and 6%, while, in sharp contrast, European markets dropped circa 1.5%. Many equity indexes are approaching Overbought situations. Hence, while the seasonality into year-end is positive, levels are getting quite exaggerated.

Fixed Income: benchmark yields first rose strongly following the election results, but then dipped back and were lower by Friday following the FED 25bps cut and UoM Inflation expectations, which were lower than expected. They may continue to retrace some of their recent strength over the next few weeks (the US10Y is still slightly Overbought).

FOREX: USD also enjoyed the election results and rose between 1-2% vs other majors. It then retraced most of these gains vs GBP or JPY into late Friday, less so vs EUR, CHF or CNY. The next few weeks could see some stabilization.

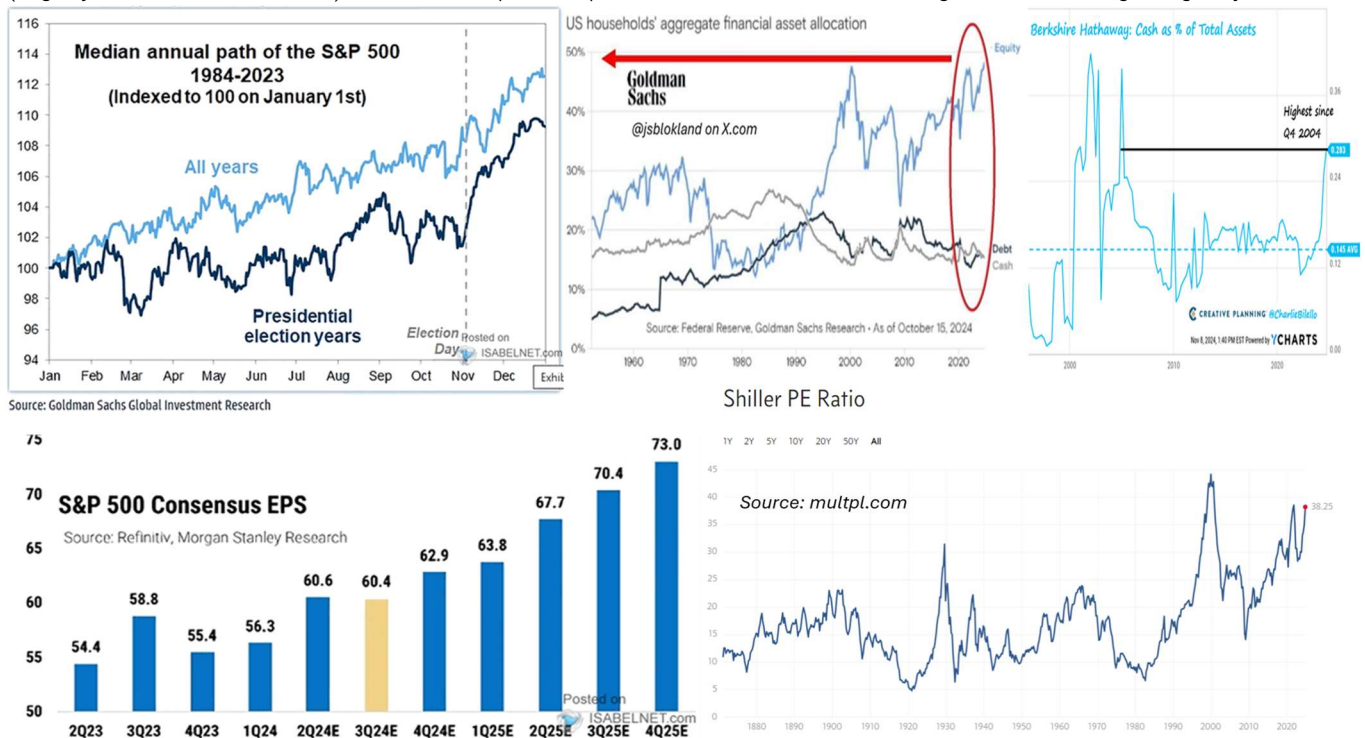
Commodities: Oil held up last week yet is probably still in a base building process with some downside risk. Gold had been quite exaggerated recently, and with the election result taking away some uncertainty, has started to correct.

	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	5 995	Nov-23	4 412	35,9%	Nov-24	5 995	0,0%	25,7%	up	neutral
Nasdaq100 Index	USD	21 117	Nov-23	15 483	36,4%	Nov-24	21 117	0,0%	25,5%	up	slightly OB
Dow Jones Industrials Index	USD	43 989	Nov-23	34 338	28,1%	Nov-24	43 989	0,0%	16,7%	up	slightly OB
EuroStoxx50	EUR	4 803	Nov-23	4 232	13,5%	May-24	5 101	-5,8%	6,2%	neutral	neutral
Swiss Market Index	CHF	11 798	Nov-23	10 590	11,4%	Sep-24	12 451	-5,3%	5,9%	neutral	neutral
Nikkei225	JPY	39 500	Aug-24	31 458	25,6%	Jul-24	42 224	-6,5%	18,0%	neutral	neutral
Shanghai Composite	CNY	3 452	Feb-24	2 702	27,8%	Oct-24	3 490	-1,1%	16,0%	up	OB
US 10Y Treasury Yield	%	4,31%	Sep-24	3,62%	0,7%	Apr-24	4,71%	-0,4%	0,4%	neutral	slightly OB
German 10Y Bund Yield	%	2,35%	Dec-23	1,97%	0,4%	Nov-23	2,72%	-0,4%	0,3%	neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	92	Nov-23	88	5,1%	Sep-24	102	-9,2%	-6,2%	neutral	slightly OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	110	Nov-23	100	9,4%	Sep-24	114	-3,4%	1,2%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	80	Nov-23	71	12,8%	Sep-24	80	-0,2%	7,2%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	92	Nov-23	80	15,0%	Sep-24	94	-1,9%	6,4%	neutral	neutral
EUR/USD		1,07	Apr-24	1,06	0,9%	Aug-24	1,12	-4,2%	-2,9%	neutral	slightly OS
GBP/USD		1,29	Nov-23	1,23	5,2%	Sep-24	1,34	-3,7%	1,5%	neutral	neutral
USD/JPY		153	Sep-24	141	8,5%	Jul-24	162	-5,5%	8,2%	neutral	neutral
USD/CHF		0,88	Sep-24	0,84	4,2%	Apr-24	0,92	-4,7%	4,1%	neutral	neutral
AUD/USD		0,66	Nov-23	0,64	3,2%	Sep-24	0,69	-4,8%	-3,3%	neutral	neutral
Brent Oil (per Barrel)	USD	74	Sep-24	69	6,5%	Apr-24	91	-18,8%	-4,0%	down	neutral
Gold Spot (per Ounce)	USD	2 684	Nov-23	1 947	37,9%	Oct-24	2 788	-3,7%	30,1%	up	neutral

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

Bullish Focus: possible yearend rally, yet positioning and valuations are extended

Trump's victory triggered a strong US equity rally as could have been anticipated considering his planned tax cuts and deregulation. Historic seasonality now suggests that during an election year, such strength may continue into yearend (top-left graph). EPS forecasts for the next year are also very positive, projecting circa 16% YoY growth (bot.-left). Bullish positioning is however extreme, with US households' equity holdings at all time highs, close to 50% (top-middle), while, on the other hand, iconic investor Warren Buffet has not held this much cash since 2004 (i.e. >28%, top-right). The Shiller PE (bot.-right), comparing the last 10 years average inflation adj. earnings to current prices is also back towards its 2011 highs (slightly below its 2000 record). Hence, while positive price momentum remains strong, risk/reward is getting very stretched.



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 -22.5% 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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