

# WEEKLY MARKETS ROUND-UP

## Executive Summary

18<sup>th</sup> November 2024

**Top news: NVIDIA's earnings late Wednesday** – following Trump's victory and the previous week's strong US markets rally, investors focused back on fundamentals last week. On Wednesday and Thursday respectively, US CPI and PPI inflation came in in-line with MoM expectations with Core at +0.3% and Headline at +0.2% for both. However, Year-on-Year, these are proving rather sticky (i.e. not dropping anymore, even rising back slightly). From 2.44% in Sept. for CPI to 2.6% in October, from 3.26% to 3.30% for Core CPI, from 1.9% to 2.4% for PPI and from 2.9% to 3.1% for Core PPI. Hence, on Thursday, Chair Powell not surprisingly expressed no hurry in cutting rates more as the economy seemed rather resilient. As a result, December rate cut probabilities dropped from circa 80% to 60% and equities started to correct. Last week saw earnings from Home Depot and Cisco. Both did beat, yet market reactions were slightly negative. Disney surged 12% on strong earnings and BABA dropped 5% missing on revenues. Next week, could see some interesting political and monetary speeches considering the first G20 meeting post Trump 2.0 as well as many planned Central Bankers' speeches. Macro releases will wait until Friday's Global Flash PMIs (advanced economic indicators for the US and Europe). Earnings will first focus on Walmart early Tuesday, but the main event will be NVIDIA's late Wednesday. These are expected to rise a whopping 85 and 82% YoY resp. on earnings and revenue.

**Equities:** US equity markets are slightly Overbought. From Wednesday, they started to correct, while Europe, which had dropped earlier, stabilized. We expect some downside follow-through next week unless NVIDIA really beats again.

**Fixed Income:** the US10Y Treas. yield retested up to recent highs last week, while the 10Y Bund was flat. US yields have risen strongly recently and may retrace slightly. We then expect further highs in December. Bunds remain weaker.

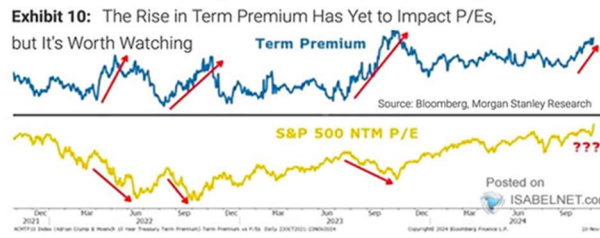
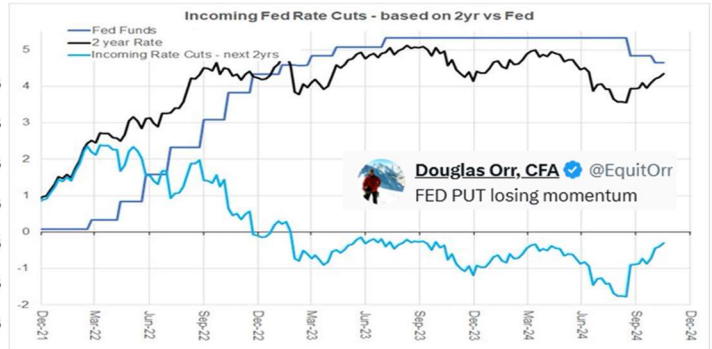
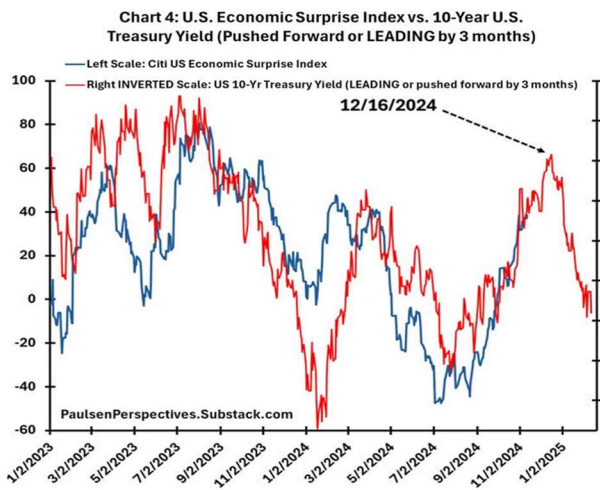
**FOREX:** USD rallied strongly last week vs most currencies, gaining between 1.3% and 2.4% vs the other majors. As with yields, the next 1-2 weeks could see some USD retracement, yet we then expect higher highs in December.

**Commodities:** Oil weakened another 3% last week and could be on the verge of breaking down, although slightly Oversold. Gold has dropped circa 8% from its highs late October, yet is not Oversold yet (i.e. too early to consider Dips).

	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	5 871	Nov-23	4 538	29,4%	Nov-24	6 001	-2,2%	23,1%	up	slightly OB
Nasdaq100 Index	USD	20 394	Dec-23	15 788	29,2%	Nov-24	21 117	-3,4%	21,2%	up	slightly OB
Dow Jones Industrials Index	USD	43 445	Nov-23	35 088	23,8%	Nov-24	44 293	-1,9%	15,3%	up	slightly OB
EuroStoxx50	EUR	4 795	Nov-23	4 332	10,7%	May-24	5 101	-6,0%	6,0%	neutral	neutral
Swiss Market Index	CHF	11 627	Nov-23	10 740	8,3%	Sep-24	12 451	-6,6%	4,4%	neutral	slightly OS
Nikkei225	JPY	38 643	Aug-24	31 458	22,8%	Jul-24	42 224	-8,5%	15,5%	neutral	neutral
Shanghai Composite	CNY	3 331	Feb-24	2 702	23,3%	Oct-24	3 490	-4,6%	12,0%	up	OB
US 10Y Treasury Yield	%	4,45%	Sep-24	3,62%	0,8%	Apr-24	4,71%	-0,3%	0,6%	up	slightly OB
German 10Y Bund Yield	%	2,36%	Dec-23	1,97%	0,4%	May-24	2,68%	-0,3%	0,3%	neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	90	Apr-24	89	1,5%	Sep-24	102	-11,6%	-8,6%	down	slightly OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	Nov-23	103	5,2%	Sep-24	114	-4,8%	-0,3%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	79	Nov-23	72	10,7%	Sep-24	80	-0,9%	6,4%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	90	Nov-23	82	10,1%	Sep-24	94	-3,4%	4,8%	neutral	neutral
EUR/USD		1,05	Nov-24	1,05	0,0%	Aug-24	1,12	-5,9%	-4,6%	neutral	OS
GBP/USD		1,26	Apr-24	1,24	2,1%	Sep-24	1,34	-5,9%	-0,9%	neutral	slightly OS
USD/JPY		154	Sep-24	141	9,8%	Jul-24	162	-4,4%	9,5%	neutral	slightly OB
USD/CHF		0,89	Sep-24	0,84	5,7%	Apr-24	0,92	-3,3%	5,6%	neutral	slightly OB
AUD/USD		0,65	Apr-24	0,64	1,0%	Sep-24	0,69	-6,6%	-5,1%	neutral	OS
Brent Oil (per Barrel)	USD	71	Sep-24	69	2,3%	Apr-24	91	-22,1%	-7,8%	down	slightly OS
Gold Spot (per Ounce)	USD	2 562	Nov-23	1 978	29,5%	Oct-24	2 788	-8,1%	24,2%	up	neutral

## Hawkish Focus: pricing out further rate cuts could prove negative for valuations

Since Trump got re-elected, economic sentiment is turning more upbeat (thanks to the tax cuts, the Dep. Of Government Efficiency or further deregulation), yet this isn't necessarily positive for equities as real and nominal rates are also rising. In fact, higher rates, typically lead negative Economic surprises by circa 3 months. Hence, as shown, from mid December, these could start falling again (top-left graph). The lower graph (bot.-left) suggests that rising real rates (as currently is the case) typically also have a negative impact on valuations (i.e. on the next 12 months PE ratio). Put differently, with rate cuts being revised out, the FED's PUT, i.e. the prospective rate cutting market support, is disappearing (light-blue-line, top-right). Finally, as long term Treasuries drop, they could also drag longer duration equities, e.g. the Nasdaq100, lower with them (bot.-right).



**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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