PRIMIS® INVESTMENT

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WEEKLY MARKETS ROUND-UP

Executive Summary

2nd December 2024

Top news: US Manufacturing and Services PMIs Monday and Wednesday, Non-Farm Payrolls on Friday – a shortened week last week yet with new all-time highs on US markets and strong participation again. Consumer Sentiment came in in-line on Tuesday. Then, on Wednesday, Preliminary US Q3 GDP was confirmed at + 2.8%, Durable Goods sales dropped slightly, yet Core PCE Inflation (the FED's favorite inflation gauge) rose 2.8% YoY, up from 2.7% in September, and registering its highest level since April. Inflation is hence definitely proving sticky. This week, markets will first focus on the US Purchasing Managers Index (the PMIs, which are advanced economic indicators). The Manufacturing one is expected today (still in contraction yet improving), while the Services one, on Wednesday, should remain rather flat and in expansion. Markets will then look to the Non-Farm Payrolls on Friday (expected back above 200k). In the meantime, on Wednesday, the JOLTs job opening data may give initial labor market indications, while investors will also scrutinize a speech by Chair Powell that day considering the FED's next meeting in 2 weeks.

Equities: US equity markets rose another 1-1.5% last week, while Europe and Japan were flat, and China rose 2%. Earnings season is coming to an end, and the buyback window is opening up again. Breadth remains strong and the seasonality is also good (see next page). We would hence expect further highs into yearend, perhaps into January.

Fixed Income: benchmark yields slipped circa 20bps last week in both the US and Germany. In the US, the move started with the rejection of crucial resistance around 4.4% on the US10Y, and also followed the nomination of Scott Bessent, who is considered as a fiscal conservative, as the new Treasury Secretary. The sell-off in German yields was probably caused by the German Preliminary CPI which actually dropped -0.2% MoM in November.

FOREX: USD was very Overbought and hence followed yields lower last week, losing 1-2% vs EUR, CHF and GBP, yet almost 5 figures vs JPY as the BoJ is expected to raise rates. This countertrend may extend further next week.

Commodities: Oil and Gold dropped back last week, both reacting to the ceasefire accord between Lebanon and Israel, while Gold also weakened on the nomination of Mr. Bessent. We expect both to hold in a range into yearend.

	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 %	YTD in %	last 6m[1]	OB / OS[2]
S&P500 Index	USD	6 032	Dec-23	4 549	32,6%	Nov-24	6 032	0,0%	26,5%	up	neutral
Nasdaq100 Index	USD	20 930	Dec-23	15 788	32,6%	Nov-24	21 117	-0,9%	24,4%	up	neutral
Dow Jones Industrials Index	USD	44 911	Dec-23	36 054	24,6%	Nov-24	44 911	0,0%	19,2%	up	slightly OB
EuroStoxx50	EUR	4 804	Jan-24	4 403	9,1%	May-24	5 101	-5,8%	6,3%	neutral	neutral
Swiss Market Index	CHF	11 764	Dec-23	10 952	7,4%	Sep-24	12 451	-5,5%	5,6%	neutral	neutral
Nikkei225	JPY	38 208	Aug-24	31 458	21,5%	Jul-24	42 224	-9,5%	14,2%	neutral	neutral
Shanghai Composite	CNY	3 326	Feb-24	2 702	23,1%	Oct-24	3 490	-4,7%	11,8%	up	slightly OB
US 10Y Treasury Yield	%	4,18%	Sep-24	3,62%	0,6%	Apr-24	4,71%	-0,5%	0,3%	up	neutral
German 10Y Bund Yield	%	2,08%	Dec-23	1,97%	0,1%	May-24	2,68%	-0,6%	0,1%	neutral	slightly OS
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	94	Apr-24	89	5,9%	Sep-24	102	-7,7%	-4,7%	down	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	111	Apr-24	104	6,6%	Sep-24	114	-2,8%	1,8%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	80	Dec-23	73	9,8%	Nov-24	80	0,0%	7,5%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	92	Feb-24	84	10,2%	Sep-24	94	-1,5%	6,8%	neutral	neutral
EUR/USD		1,06	Nov-24	1,04	1,5%	Aug-24	1,12	-5,5%	-4,2%	neutral	OS
GBP/USD		1,27	Apr-24	1,24	3,1%	Sep-24	1,34	-5,0%	0,0%	neutral	slightly OS
USD/JPY		150	Sep-24	141	6,5%	Jul-24	162	-7,3%	6,2%	neutral	neutral
USD/CHF		0,88	Sep-24	0,84	4,8%	Apr-24	0,92	-4,1%	4,7%	neutral	neutral
AUD/USD		0,65	Apr-24	0,64	1,8%	Sep-24	0,69	-5,8%	-4,3%	neutral	slightly OS
Brent Oil (per Barrel)	USD	73	Sep-24	69	5,1%	Apr-24	91	-19,9%	-5,3%	down	neutral
Gold Spot (per Ounce)	USD	2 650	Dec-23	1 979	33,9%	Oct-24	2 788	-4,9%	28,5%	up	neutral

* 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

Equity Focus: breadth is supportive, yet 2025 Growth expectations are aggressive

This week saw another all-time high on Friday in the S&P500 (6'032, top-left graph). This was the 53rd all-time high closing this year, an impressive run. Even so, this rally, for now, still appears healthy as breath (i.e. market participation) remains remarkably strong. Indeed, the cumulative Advance-Decline Line, which plots the difference between Advancing vs Declining stocks over time is also making new highs again (bottom-left). The AAII (American Association of Individual Investors) Sentiment survey is showing some initial signs of concerns (i.e. the spread between the number of Bulls vs the number of Bears is falling), yet previous such instances this year were in fact great contrarian signals, with each one of them resulting in a further rally (top-right). We can also note that the S&P500 has entered one of its best periods of the year on average, the so-called year-end rally, and which usually extends into January. So yes, markets have climbed many "walls of worry" this year, yet remain in a strong uptrend for now. Our main medium term caveat, probably for H1 2025 and Mr. Trump's return in the White House is the aggressive US economic Growth expectations for 2025. While they were only 1.3% at the beginning of 2024, they are now above 2% for 2025 (bottom-right), thereby suggesting some downside risk to growth in the new year.

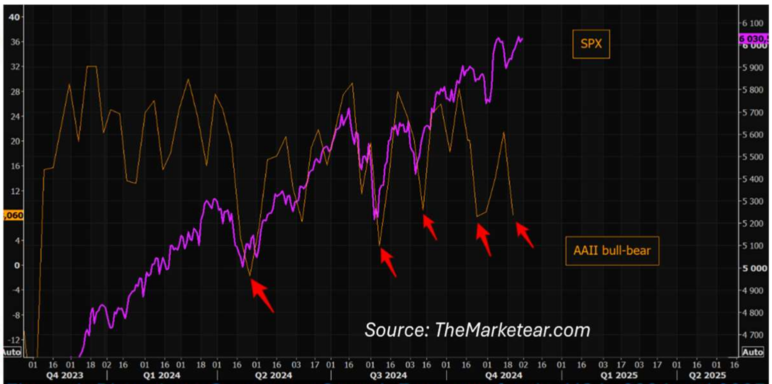
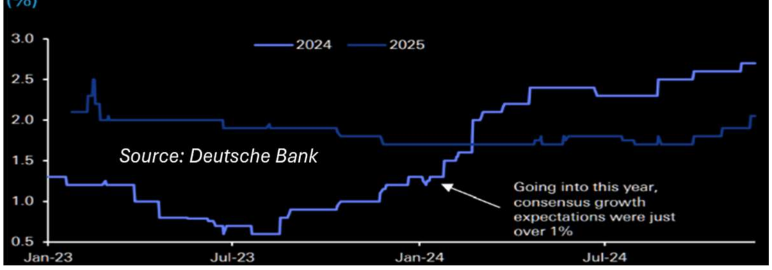


Figure 1: Bloomberg Consensus Growth Forecasts for the US in 2024 and 2025 (%)



Notes:

1. **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".
2. **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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