

# WEEKLY MARKETS ROUND-UP

## Executive Summary

10<sup>th</sup> February 2025

**Top news: US CPI awaited on Wednesday, PPI on Thursday** – last week started with the US ISM Manufacturing PMIs rising back into expansion at 50.9 (vs 49.3 exp.). This reassured markets, following the tariffs announcements the previous weekend. Further encouragement came from Treasury Sec. Bessent from Wednesday onwards, stating that the administration was targeting lower 10Y yields through lower inflation and lower deficits, rather than cutting short term rates. 10Y Yields hence dropped dovishly into Thursday. On a more negative note, earnings from Alphabet had disappointed on Tuesday (missing on top line due to lower cloud revenue). The stock fell 10.5% into Friday. Amazon's were in-line on Thursday, yet the company had to lower revenue guidance for Q1. The stock also dropped 3%. Generally, the mood soured on Friday with the Non-Farm Payrolls. These came in soft (143k vs 169k exp.) yet last month's data was revised up to 307k (vs 256k), unemployment dropped back to 4% from 4,1% (its highest since Jun-24) and average hourly earnings rose to +0.5% MoM vs 0.3% exp. (highest since Feb-24). Finally, late Friday, 12m UoM Inflation Expectations also came surprisingly high, rising 1% from last month, to 4.3% (highest since Nov-23). This week may confirm this trend with US CPI and PPI expected on the high side on Wednesday and Thursday. Tuesday and Wednesday will see Powell testify in front of Congress, and Friday, slightly lower US Retail Sales are then expected.

**Equities:** US and European equities initially dropped last Monday, yet recovered fully into Thursday. Friday then saw them retrace back, slightly in Europe, more strongly in the US. We probably expect further retracement this week.

**Fixed Income:** higher tariffs announcement saw 10Y yields bounce slightly early in the week, yet Bessent's comments then triggered some retracement. Yields then recovered again on Friday's hawkish prints. Trends remain up for now.

**FOREX:** USD saw similar back and forths, rising Monday morning, then dropping into Wednesday, before recouping some of these losses into Friday. USD probably remains in an uptrend vs most currencies. USD/JPY is lagging though.

**Commodities:** Oil continued to correct last week as the US administration may target lower prices to dampen inflation. For now, it remains above its Q4 base. Amid trade tensions, Gold is acting as a safe haven for both CBs and investors.

	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance YTD in %	Trend last 6m <sup>1</sup>	Exaggeration OB / OS <sup>2</sup>
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	6 026	Feb-24	4 953	21,7%	Jan-25	6 119	-1,5%	2,5%	neutral	neutral
Nasdaq100 Index	USD	21 491	Apr-24	17 038	26,1%	Dec-24	22 097	-2,7%	2,3%	up	neutral
Dow Jones Industrials Index	USD	44 303	Apr-24	37 735	17,4%	Dec-24	45 014	-1,6%	4,1%	neutral	neutral
EuroStoxx50	EUR	5 325	Aug-24	4 572	16,5%	Feb-25	5 357	-0,6%	8,8%	up	OB
Swiss Market Index	CHF	12 593	Feb-24	11 143	13,0%	Feb-25	12 624	-0,2%	8,6%	neutral	OB
Nikkei225	JPY	38 787	Aug-24	31 458	23,3%	Jul-24	42 224	-8,1%	-2,8%	neutral	neutral
Shanghai Composite	CNY	3 304	Sep-24	2 704	22,2%	Oct-24	3 490	-5,3%	-1,4%	neutral	neutral
US 10Y Treasury Yield	%	4,50%	Sep-24	3,62%	0,9%	Jan-25	4,79%	-0,3%	-0,1%	up	neutral
German 10Y Bund Yield	%	2,36%	Dec-24	2,03%	0,3%	May-24	2,68%	-0,3%	0,0%	up	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	89	Jan-25	86	3,7%	Sep-24	100	-11,0%	1,3%	down	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	Apr-24	103	4,4%	Sep-24	113	-4,8%	0,7%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	79	Apr-24	73	8,2%	Feb-25	80	-0,5%	1,6%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	91	Feb-24	82	10,0%	Sep-24	92	-1,6%	2,5%	neutral	neutral
EUR/USD		1,03	Jan-25	1,02	0,8%	Aug-24	1,12	-7,7%	-0,3%	neutral	slightly OS
GBP/USD		1,24	Jan-25	1,22	1,9%	Sep-24	1,34	-7,6%	-0,9%	neutral	slightly OS
USD/JPY		151	Sep-24	141	7,7%	Jul-24	162	-6,3%	-3,7%	neutral	neutral
USD/CHF		0,91	Sep-24	0,84	8,3%	Apr-24	0,92	-1,0%	0,3%	neutral	slightly OB
AUD/USD		0,63	Jan-25	0,61	2,1%	Sep-24	0,69	-9,3%	1,3%	down	slightly OS
Brent Oil (per Barrel)	USD	75	Sep-24	69	7,6%	Apr-24	91	-18,0%	-0,0%	neutral	neutral
Gold Spot (per Ounce)	USD	2 861	Feb-24	1 992	43,6%	Feb-25	2 867	-0,2%	9,0%	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

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## Long Bond Focus: imbroglio of arguments, various perceptions & market realities

Following Friday's not so disappointing Payrolls, lower unemployment and higher hourly wages, the Univ. of Michigan release also surprised on the hawkish side with 12m Inflation Expectations rising +1% to 4.3%, their highest level since Nov23. This sentiment data is widely split along partisan lines (top-left graph) with Democrats expecting a sharp 5% rise in inflation (i.e. tariffs implications), while Republicans expect a drop to 0% thanks to efficiency gains and lower energy prices. Adding to this uncertainty is the huge \$9.2tr US debt refinancing wall this year, most of it in H1 (bot-left). This may explain why the FED was adamant to cut rates this Fall, even as the economy was still strong. As a result, the US10Y rose 115bps into January (top-right) as inflation expectations held, but also, the term premium rose, with markets starting to sniff out the refinancing needs. In this context, there aren't many outcomes to push rates lower, an unwelcome recession and further cuts, or a return to some sort of QE, probably fueling further inflation down the line. Thankfully, market positioning is already extreme with short interest at record highs (bot-right). As the refinancing wall eases, a correction down in yields will then be more likely.



### 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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