

WEEKLY MARKETS ROUND-UP

Executive Summary

17th February 2025

Top news: FOMC Minutes on Wednesday, Global Flash PMIs on Friday – last week was busy in terms of data releases and delivered some surprises, the week ahead should be calmer. Indeed, last Wednesday, the US CPI came in higher than expected on both Core and Headline, resp. +0.4% MoM (vs 0.3% exp.) and +0.5% MoM (vs 0.3% exp.). YoY Core is back at +3.3% and Headline at +3%. On Thursday, the PPI confirmed this trend with Headline also coming in higher than expected (Core was in-line) yet with both readings from last month being revised up. Finally on Friday, US Retail Sales came in much lower than expected, dropping respectively -0.4% MoM on Core and -0.9% MoM on Headline, when positive readings had been expected on both. This slowdown combined with the hotter CPI and PPI prints contributed to a slight stagflationary feeling. This week will be closed in the US on Monday for Presidential day. Tuesday will then see Housing Starts and Building Permits, expected slightly down, and then Wednesday the market will await the Minutes from the last FED meeting, trying to gauge the timing of potential rate cuts this year (for now, Fed Fund Futures are pricing in one cut in June and another in December). Thursday will then see Walmart's earnings, and finally Friday, we will expect the Global Flash PMIs. Both Europe and the US are expected to improve slightly.

Equities: Equities continued to progress last week, and Europe remained in the lead with the EuroStoxx50 rising a further 3.4% (+1.5% for the S&P500 and +2.9% for the Nasdaq100). Europe is getting Overbought on the table below, yet longer term probably has more catch up to do. Generally, we are short term neutral, yet still positive for the year.

Fixed Income: the US10Y rose on the CPI/PPI data, yet retraced these gains Friday on the negative US Retail sales. For now, the trend remains up in the table below, while recent lows probably serve as crucial support (4.4% on US10Y).

FOREX: the US Dollar dropped vs the EUR and GBP, as yields pumped and dumped and the possibility of peace talks in Ukraine became more concrete. For now, trends are neutral and we believe that USD should continue to follow rates.

Commodities: Oil rose early in the week, then dropped on the prospects of potential peace talks. Its direction remains very uncertain for now. Gold rose to new highs reaching 2'940 \$/oz on Friday, and then sold off 60\$ on profit taking.

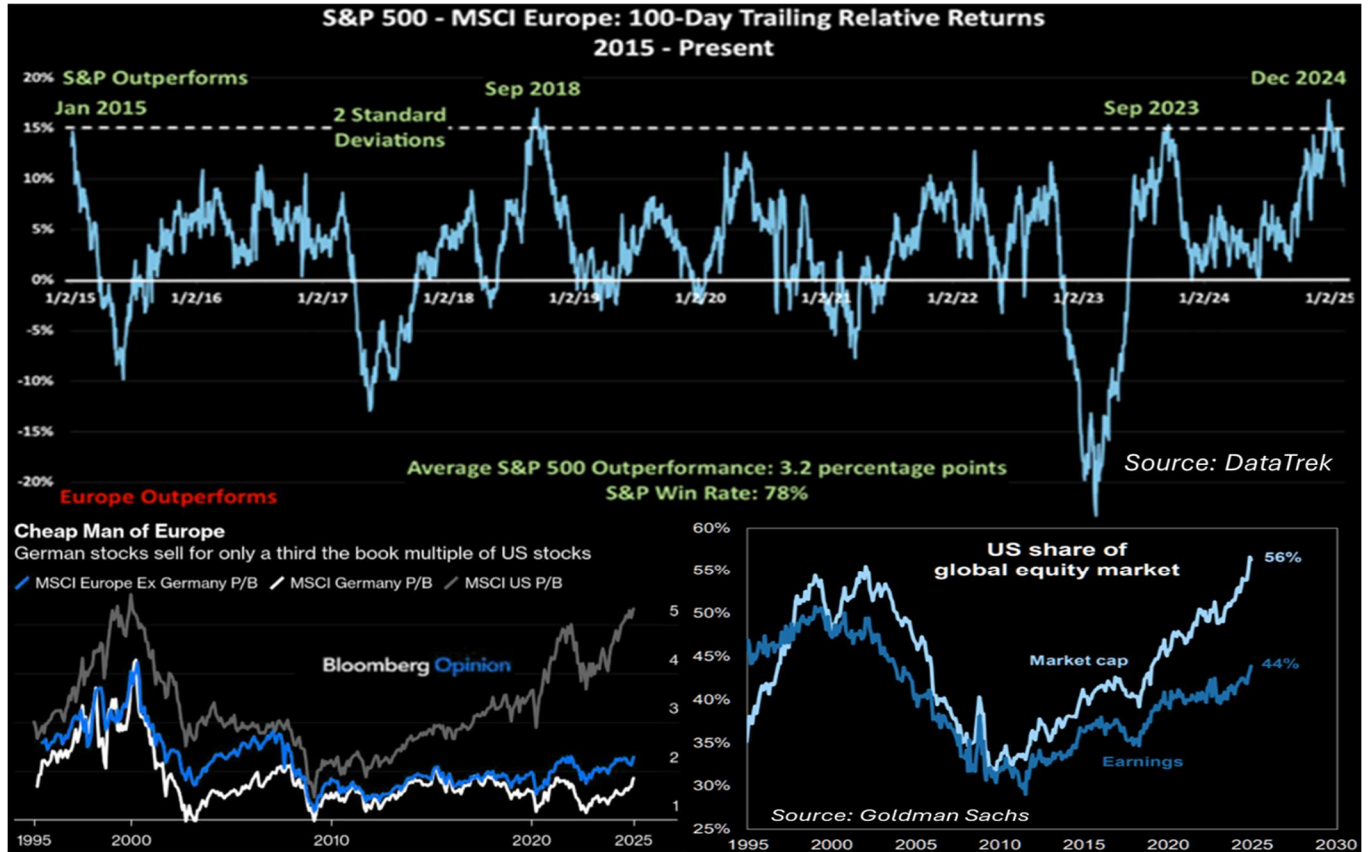
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance YTD in %	Trend last 6m ¹	Exaggeration OB / OS ²
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	6 115	Apr-24	4 967	23,1%	Jan-25	6 119	-0,1%	4,0%	neutral	neutral
Nasdaq100 Index	USD	22 115	Apr-24	17 038	29,8%	Feb-25	22 115	0,0%	5,2%	up	neutral
Dow Jones Industrials Index	USD	44 546	Apr-24	37 735	18,0%	Dec-24	45 014	-1,0%	4,7%	neutral	neutral
EuroStoxx50	EUR	5 493	Aug-24	4 572	20,2%	Feb-25	5 501	-0,1%	12,2%	up	OB
Swiss Market Index	CHF	12 840	Apr-24	11 197	14,7%	Feb-25	12 949	-0,8%	10,7%	neutral	OB
Nikkei225	JPY	39 149	Aug-24	31 458	24,4%	Jul-24	42 224	-7,3%	-1,9%	neutral	neutral
Shanghai Composite	CNY	3 347	Sep-24	2 704	23,8%	Oct-24	3 490	-4,1%	-0,2%	neutral	neutral
US 10Y Treasury Yield	%	4,48%	Sep-24	3,62%	0,9%	Jan-25	4,79%	-0,3%	-0,1%	up	neutral
German 10Y Bund Yield	%	2,44%	Dec-24	2,03%	0,4%	May-24	2,68%	-0,2%	0,1%	up	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	89	Jan-25	86	3,6%	Sep-24	100	-11,1%	1,1%	down	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	Apr-24	103	4,8%	Sep-24	113	-4,4%	1,2%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	80	Apr-24	73	8,8%	Feb-25	80	0,0%	2,1%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	91	Feb-24	83	9,6%	Sep-24	92	-1,3%	2,9%	neutral	neutral
EUR/USD		1,05	Jan-25	1,02	2,4%	Aug-24	1,12	-6,3%	1,3%	neutral	neutral
GBP/USD		1,26	Jan-25	1,22	3,4%	Sep-24	1,34	-6,2%	0,6%	neutral	neutral
USD/JPY		152	Sep-24	141	8,3%	Jul-24	162	-5,7%	-3,1%	neutral	neutral
USD/CHF		0,90	Sep-24	0,84	7,0%	Apr-24	0,92	-2,1%	-0,9%	neutral	neutral
AUD/USD		0,64	Jan-25	0,61	3,4%	Sep-24	0,69	-8,1%	2,7%	down	neutral
Brent Oil (per Barrel)	USD	75	Sep-24	69	7,4%	Apr-24	91	-18,2%	-0,2%	neutral	neutral
Gold Spot (per Ounce)	USD	2 883	Feb-24	2 018	42,9%	Feb-25	2 928	-1,5%	9,9%	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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European Equities Focus: cheaper valuation and strong reversal up YTD vs the US

European Equities are almost up 9% YTD vs +2.5% for the US. This outperformance is in sharp contrast with last years' relative performance, which widely favored the US and the Magnificent 7. As shown (top graph), such exaggerations in the ratio of US vs European markets have always led to mean reversion back to a 100-Day neutral position. This implies that the current counter-reaction may have more to run, and indeed, longer term, Europe seems very cheap vs the US in terms of Price-to-Book (bot.-left). While US dynamism may justify a premium, its market currently accounts for 56% of global equity valuations while generating only 44% of earnings (bot.-right). This could indeed leave some room for further adjustment.



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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