PRIMIS® INVESTMENT

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WEEKLY MARKETS ROUND-UP

Executive Summary

24th February 2025

Top news: NVDA earnings on Wednesday, US PCE Core Inflation on Friday – Last week, US equities retreated 2-3% as hopes for an upside breakout were dashed from Thursday onwards due to rising US growth concerns. Notably, Walmart's more cautious forward guidance and new tariff threats on healthcare and semiconductors contributed to this sentiment. The decline accelerated on Friday when the US Flash Services PMI fell back into contraction at 49.7, well below its expected 53. The sell-off was exacerbated by a massive option expiry day. In contrast, European and Chinese equities performed better, mostly flat to slightly up. A potential forced solution in Ukraine was seen as a growth catalyst, and positive prospects for Chinese Tech, especially Alibaba (BABA), which reported strong earnings on Thursday, also contributed to this stability. The release of the Minutes from the last FED meeting on Wednesday evening highlighted renewed concerns about inflation risks, driven by trade tensions, immigration policies, and global supply chain concerns. This week, markets will focus on weighing the results of the German election and then shift attention to NVIDIA's earnings on Wednesday after the close. Expectations for NVIDIA have been lowered slightly since the DeepSeek release, but AI Capex plans at large US companies remain substantial, for now. The week will conclude with the US Q4 Preliminary GDP estimates on Thursday and the US Core PCE data on Friday, expected slightly higher.

Equities: US equities underperformed global ones last week. YTD, they are massively lagging Europe, in sharp contrast with 2024.The failure to break-up last week may weigh on prices another few weeks. Europe also appears Overbought.

Fixed Income: US/Bund10Y yields remain uptrending yet have recently failed to resume higher. For now, they are still above crucial support (circa 4.4% on US10Y). That said, any further growth slowdown may result in deeper retracement

FOREX: as rates were soft, especially for US Treasuries, the US to Bund rates differential has retraced slightly, putting pressure on USD. Yet, with most readings below still on neutral, we would continue to favor the previous Dollar uptrend.

Commodities: Oil dumped last week as peace talks in Ukraine seemed to accelerate. We are hence turning more prudent on it. Gold retested up once more with a new 2'955 $/oz all-time high but remains slightly Overbought for now.

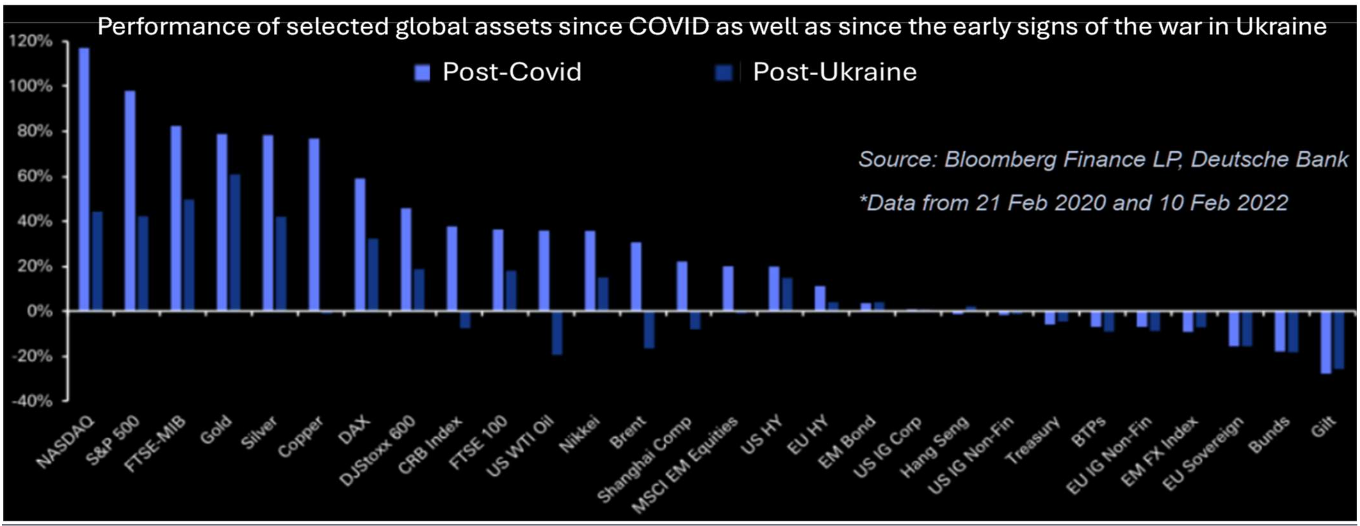
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance	Trend	Exaggeration
			Date Low	Low Price	Rise %	Date High	High price	Decline %	YTD in %	last 6m[1]	OB / OS [2]
S&P500 Index	USD	6 013	Apr-24	4 967	21,1%	Feb-25	6 144	-2,1%	2,2%	neutral	neutral
Nasdaq100 Index	USD	21 614	Apr-24	17 038	26,9%	Feb-25	22 176	-2,5%	2,9%	up	neutral
Dow Jones Industrials Index	USD	43 428	Apr-24	37 735	15,1%	Dec-24	45 014	-3,5%	2,1%	neutral	neutral
EuroStoxx50	EUR	5 475	Aug-24	4 572	19,8%	Feb-25	5 534	-1,1%	11,8%	up	OB
Swiss Market Index	CHF	12 949	Apr-24	11 197	15,6%	Feb-25	12 949	-0,0%	11,6%	up	OB
Nikkei225	JPY	38 767	Aug-24	31 458	23,2%	Jul-24	42 224	-8,2%	-2,8%	neutral	neutral
Shanghai Composite	CNY	3 379	Sep-24	2 704	25,0%	Oct-24	3 490	-3,2%	0,8%	neutral	neutral
US 10Y Treasury Yield	%	4,43%	Sep-24	3,62%	0,8%	Jan-25	4,79%	-0,4%	-0,2%	up	neutral
German 10Y Bund Yield	%	2,45%	Dec-24	2,03%	0,4%	May-24	2,68%	-0,2%	0,1%	up	slightly OB
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	90	Jan-25	86	4,1%	Sep-24	100	-10,7%	1,7%	down	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	Apr-24	103	5,1%	Sep-24	113	-4,2%	1,4%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	80	Apr-24	73	8,6%	Feb-25	80	-0,2%	2,0%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	91	Apr-24	83	9,2%	Sep-24	92	-1,5%	2,7%	neutral	neutral
EUR/USD		1,05	Jan-25	1,02	2,1%	Aug-24	1,12	-6,5%	1,0%	neutral	neutral
GBP/USD		1,26	Jan-25	1,22	3,8%	Sep-24	1,34	-5,8%	0,9%	neutral	neutral
USD/JPY		149	Sep-24	141	6,2%	Jul-24	162	-7,6%	-5,0%	neutral	neutral
USD/CHF		0,90	Sep-24	0,84	6,8%	Apr-24	0,92	-2,3%	-1,0%	neutral	neutral
AUD/USD		0,64	Jan-25	0,61	3,5%	Sep-24	0,69	-8,1%	2,7%	neutral	neutral
Brent Oil (per Barrel)	USD	74	Sep-24	69	6,9%	Apr-24	91	-18,6%	-0,7%	neutral	neutral
Gold Spot (per Ounce)	USD	2 936	Feb-24	2 030	44,6%	Feb-25	2 939	-0,1%	11,9%	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

Source: Primis Investment (Suisse) SA

Macro focus: since COVID, fiscal stimuli have boosted risk assets, yet at what cost

This week we highlight the performance of a broad range of assets since COVID and the start of the war in Ukraine. We first note the strong polarization between bonds and riskier assets, with the former widely underperforming the latter. Indeed, while these crises have wreaked havoc on populations, they have been a bonanza for financial markets as, since COVID and the war in Ukraine, most governments have engaged in widespread and sustained fiscal stimuli, leaving behind any previous deficit guidelines, in order to avoid an outright financial and debt deflation crisis. This largesse may have initially been justified, yet has since become standard practice, and over the last 5 years has resulted in a secular transfer of wealth from Governments to the private sector. Corporate and higher net worth individuals have been the main beneficiary, as stimuli led to growth, rising corporate profits, strong equity markets and a constant increase in the wealth effect. On the other side of the spectrum, working classes were left facing a sharp increase in inflation, which Central Banks had to fight with higher rates resulting in a rapid debasement of medium to long term Sovereign debt and a sharp rise in (re-)financing costs. Precious metals were early to sniff it out and have been rising sharply in anticipation. Today, as most governments face a steep and expensive refinancing wall, they aren't many solutions, either reduce government spending and deficits to restore public finance stability and confidence, yet risking to face an economic slowdown and deleveraging, or reopen the monetary spigots, buy the long end of the curve, hence monetizing debt, and potentially triggering a vicious feed-back loop of renewed inflation and monetary debasement. Various countries and regions are facing this dilemma with different levels of leeway, yet for many, urgency is quite high. Most will probably try to do a bit of both solutions, treading a fine line. Their success in doing so (and this probably more than any micro factor), will be determinant in which assets perform over the next 5 years.



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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