PRIMIS® INVESTMENT

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WEEKLY MARKETS ROUND-UP

Executive Summary

10th March 2025

Top news: US CPI and PPI on Wednesday and Thursday – last week started slowly, with the US ISM Manufacturing PMI just below expectations on Monday (50.3 vs 50.6 exp.). Geopolitically, however, matters were already heating up following the fall-out between Trump and Zelenskyy the previous Friday. Indeed, on Tuesday, the US announced halting all aid to Ukraine, and on the back of it, that evening, Friedrich Merz, the likely next German Chancelor, announced circa EUR 1 trillion in fiscal stimulus aimed at infrastructure and defense. As a result, German yields, EUR/USD and the Dax40 surged into Thursday (see next page). The remaining data last week then had little impact considering the fiscal euphoria in Europe. US ISM Services PMI data came in slightly above expectations on Wednesday, ECB cut another 0.25% on Thursday yet failed to signal further cuts (viewed as less dovish than expected). Finally on Friday, the Non-Farm Payrolls were in-line at 151k vs 159k exp. while the unemployment rose slightly to 4.1% from 4.0% last month. Market reaction to them was muted, yet equity markets then rallied late Friday as Powell promoted a cautious / balanced approach towards FED policy amid wide political uncertainty. Next week will focus on US CPI and PPI data on Wednesday and Thursday. These are expected to drop back to +0.3% MoM on all measures following strong data last month. The week will conclude with the UoM Consumer Sentiment and Inflation Expectations data late on Friday.

Equities: US dropped 3% last week, Europe rose slightly. The Nikkei was slightly down and the Shanghai Composite up 1.5%. These disparities may level over the next few weeks as Europe seems Overbought and the Nasdaq Oversold.

Fixed Income: US10Y bounced a bit last week, while 10Y Bund yields soared by 0.46%. These now seem Overbought (table below), yet the momentum may take a couple of weeks to halt. Q2 may then see some retracement on both.

Forex: EUR/USD followed EuroZone yields higher and rallied 4 figures. Other currencies rose circa 2% vs USD. The US Dollar is now slightly Oversold, and could bounce over the next couple of weeks, yet Q2 may then see more weakness.

Commodities: Brent slid a further 4% last week to 70 $/bbl, yet held this crucial support and is now slightly Oversold. Gold bounced back as USD dropped, yet failed to make new highs. We believe it probably consolidates further for now.

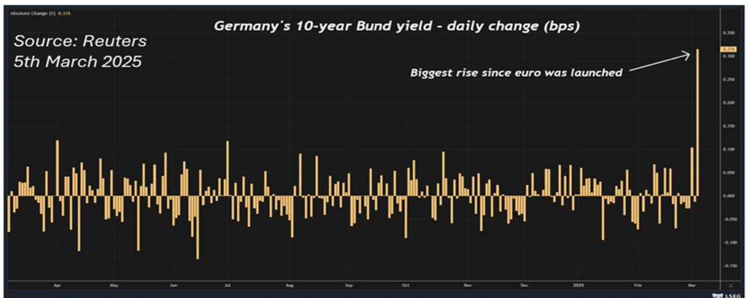
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance	Trend	Exaggeration
			Date Low	Low Price	Rise %	Date High	High price	Decline %	YTD in %	last 6m[1]	OB / OS [2]
S&P500 Index	USD	5 770	Apr-24	4 967	16,2%	Feb-25	6 144	-6,1%	-1,9%	neutral	neutral
Nasdaq100 Index	USD	20 201	Apr-24	17 038	18,6%	Feb-25	22 176	-8,9%	-3,9%	neutral	slightly OS
Dow Jones Industrials Index	USD	42 802	Apr-24	37 735	13,4%	Dec-24	45 014	-4,9%	0,6%	neutral	neutral
EuroStoxx50	EUR	5 468	Aug-24	4 572	19,6%	Mar-25	5 541	-1,3%	11,7%	up	OB
Swiss Market Index	CHF	13 077	Apr-24	11 197	16,8%	Mar-25	13 167	-0,7%	12,7%	up	OB
Nikkei225	JPY	36 887	Aug-24	31 458	17,3%	Jul-24	42 224	-12,6%	-7,5%	neutral	slightly OS
Shanghai Composite	CNY	3 373	Sep-24	2 704	24,7%	Oct-24	3 490	-3,4%	0,6%	neutral	neutral
US 10Y Treasury Yield	%	4,31%	Sep-24	3,62%	0,7%	Jan-25	4,79%	-0,5%	-0,3%	neutral	neutral
German 10Y Bund Yield	%	2,85%	Dec-24	2,03%	0,8%	Mar-25	2,88%	-0,0%	0,5%	up	OB
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	90	Jan-25	86	4,7%	Sep-24	100	-10,2%	2,2%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	Apr-24	103	5,2%	Sep-24	113	-4,1%	1,5%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	79	Apr-24	73	8,3%	Feb-25	80	-0,3%	1,7%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	91	Apr-24	83	9,4%	Sep-24	92	-1,3%	2,9%	neutral	neutral
EUR/USD		1,08	Jan-25	1,02	5,8%	Aug-24	1,12	-3,2%	4,6%	neutral	slightly OB
GBP/USD		1,29	Jan-25	1,22	6,2%	Sep-24	1,34	-3,7%	3,3%	neutral	slightly OB
USD/JPY		148	Sep-24	141	5,3%	Jul-24	162	-8,4%	-5,9%	neutral	slightly OS
USD/CHF		0,88	Sep-24	0,84	4,7%	Apr-24	0,92	-4,3%	-3,1%	neutral	neutral
AUD/USD		0,63	Jan-25	0,61	2,7%	Sep-24	0,69	-8,8%	1,9%	neutral	neutral
Brent Oil (per Barrel)	USD	70	Mar-25	69	1,4%	Apr-24	91	-22,8%	-5,9%	neutral	slightly OS
Gold Spot (per Ounce)	USD	2 912	Mar-24	2 156	35,1%	Feb-25	2 951	-1,3%	11,0%	up	neutral

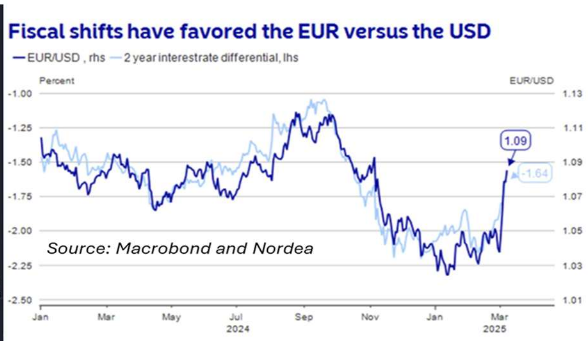
* These large fixed income ETFs are used as proxies to assess the state of duration trades as well as of credit markets

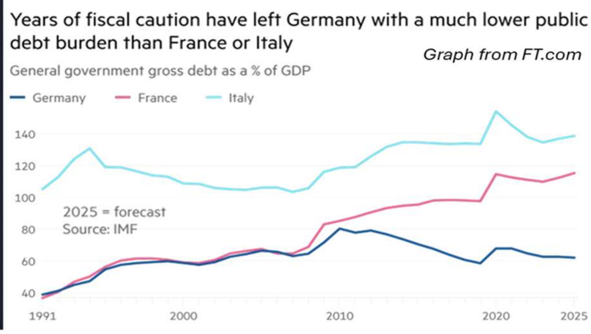
Source: Primis Investment (Suisse) SA

European Focus: record moves on yields, Euro and Dax40 last week, what's next?

Following Trump's fall-out with Zelenskyy 10 days ago, events accelerated in Europe last week as the U.S. halted Ukraine aid and openly questioned its NATO involvement and funding. This prompted Germany's probable next Chancellor Merz to unveil a €1 trillion fiscal stimulus plan aimed at investing in defense and infrastructure, all but dismantling Germany's "debt brake" and resulting in a sharp rise in the 10Y Bund yield (biggest since Euro launch, top-left graph) and in a +3.4% DAX 40 jump on Wednesday —its largest since November 2022 (bot-left). Throughout the week, EUR/USD also rallied a whopping 4%, driven by a rising EuroZone-US yield differential (top-right) on the back of the German stimulus package, some austerity/tariffs/deceleration concerns in the US, as well as an ECB cut on Thursday, which appeared less dovish than initially expected. Despite the strong Euro, European markets still outperformed US ones even in local terms as significant flows rushed to Europe. Going forward, the sustainability of these sudden reactions is questionable. Indeed, EuroStoxx50's new highs (above its 2000 ones) show long term overbought conditions (monthly RSIs >70). Further, rising yields could also hit financing costs (bot-right). Indeed, while Germany's debt-to-GDP ratio (circa 60%) is manageable, this may not be the case for France or Italy (>100%). At some point, the current euphoria in Europe may hence meet its fiscal limit and start to stall.







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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