PRIMIS® INVESTMENT

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WEEKLY MARKETS ROUND-UP

Executive Summary

19th May 2025

Top news: Retail earnings (Home Depot and Target, Tuesday and Wednesday), Flash PMIs on Thursday – last week, US inflation data surprised to the downside, with both CPI and PPI coming in lower than expected. CPI rose 0.2% MoM for both Core and Headline, with Headline YoY at 2.3%, nearing the Fed's 2% target. PPI was notably weaker, declining -0.4% on Core and -0.5% on Headline, against forecasts of a +0.3% MoM increase. However, Friday's University of Michigan data painted a contrasting picture, as 12-month US inflation expectations surged to a record 7.3%, while Consumer Sentiment unexpectedly fell to 50.8, a multi-year low, missing the anticipated 53.1. Despite this stagflationary signal, markets remained resilient, buoyed by major investment deals signed by Trump in the Gulf and optimistic US-China talks in Geneva. This week, the economic calendar is quieter. Key earnings from major US retailers—Home Depot on Tuesday pre-market, and Lowe's and Target on Wednesday pre-market—will draw attention. On the macro front, Global PMIs on Thursday are expected to show a slight uptick in Europe (49.3 on Manufacturing and 50.6 on Services) but a modest slowdown in the US (a contraction to 49.9 on Manufacturing and 50.7 on Services).

Equities: last week, global markets continued to push higher. The Nasdaq100 is now up 25% since its April lows while slightly Overbought on our table below (along with the EuroStoxx50). That said, buyback season is now well underway, while equities are statistically still under-owned. The rally could hence still extend further over the next few weeks.

Fixed Income: benchmark yields rose a further 5 bps last week. Indeed, while they did drop slightly on the lower CPI on Tuesday and then on the PPI data on Thursday, the higher inflation expectations and Moody's US debt downgrade from Aaa to Aa1 late Friday saw them regain these losses and even a bit more.

Forex: USD continued to stabilize last week vs most currencies yet still remains slightly Oversold on our table below. We would hence expect the rebound to hold a bit longer but would then await more weakness into early Summer.

Commodities: Brent bounced further last week yet remains slightly Oversold, while Gold dropped 120 USD towards 3'200 USD/oz as a reaction to the accelerating risk-on dynamics. The correction may still extend slightly longer.

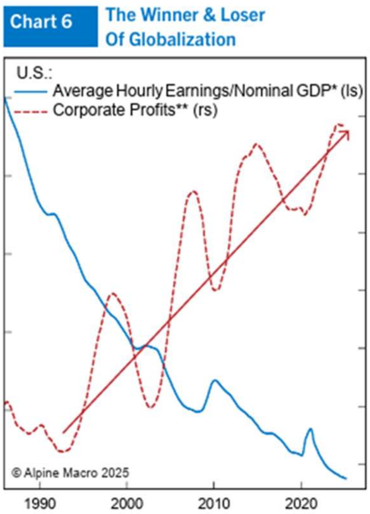
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance	Trend	Exaggeration
			Date Low	Low Price	Rise %	Date High	High price	Decline %	YTD in %	last 6m[1]	OB / OS[2]
S&P500 Index	USD	5 951	Apr-25	4 983	19,4%	Feb-25	6 144	-3,1%	1,2%	down	neutral
Nasdaq100 Index	USD	21 423	Apr-25	17 090	25,4%	Feb-25	22 176	-3,4%	2,0%	down	slightly OB
Dow Jones Industrials Index	USD	42 632	Apr-25	37 646	13,2%	Dec-24	45 014	-5,3%	0,2%	down	neutral
EuroStoxx50	EUR	5 422	Aug-24	4 572	18,6%	Mar-25	5 541	-2,1%	10,7%	neutral	slightly OB
Swiss Market Index	CHF	12 308	Apr-25	10 888	13,0%	Mar-25	13 167	-6,5%	6,1%	neutral	neutral
Nikkei225	JPY	37 731	Apr-25	31 137	21,2%	Jul-24	42 224	-10,6%	-5,4%	down	neutral
Shanghai Composite	CNY	3 366	Sep-24	2 704	24,5%	Oct-24	3 490	-3,5%	0,4%	neutral	neutral
US 10Y Treasury Yield	%	4,44%	Sep-24	3,62%	0,8%	Jan-25	4,79%	-0,3%	-0,1%	neutral	neutral
German 10Y Bund Yield	%	2,59%	Dec-24	2,03%	0,6%	Mar-25	2,89%	-0,3%	0,2%	neutral	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	86	May-25	85	1,1%	Sep-24	100	-14,0%	-2,1%	neutral	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	107	May-24	104	2,7%	Sep-24	113	-5,2%	0,3%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	79	May-24	75	6,6%	Nov-24	80	-0,3%	1,7%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	90	May-24	85	6,6%	Sep-24	92	-1,9%	2,3%	neutral	neutral
EUR/USD		1,12	Jan-25	1,02	9,0%	Apr-25	1,15	-3,0%	7,8%	up	slightly OB
GBP/USD		1,33	Jan-25	1,22	9,2%	Apr-25	1,34	-1,2%	6,2%	up	slightly OB
USD/JPY		146	Sep-24	141	3,6%	Jul-24	162	-9,9%	-7,4%	down	neutral
USD/CHF		0,84	Apr-25	0,81	3,5%	Jan-25	0,92	-8,7%	-7,7%	down	slightly OS
AUD/USD		0,64	Apr-25	0,60	7,6%	Sep-24	0,69	-7,3%	3,5%	neutral	neutral
Brent Oil (per Barrel)	USD	65	May-25	60	8,6%	Jul-24	87	-25,2%	-12,5%	down	neutral
Gold Spot (per Ounce)	USD	3 202	Jun-24	2 293	39,6%	May-25	3 432	-6,7%	22,0%	up	neutral

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

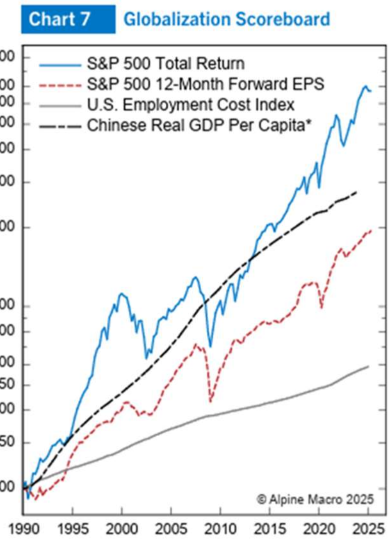
Source: Primis Investment (Suisse) SA

Deglobalization focus: will corporate profits and shareholder returns reverse?

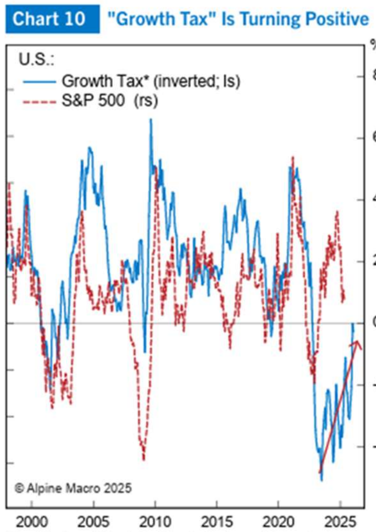
A couple of weeks back, we received a complimentary report titled “When Globalization Reverses …” from Alpinemacro.com. We are featuring some of its insightful extracts this week in this short editorial. Globalization began to accelerate in the early 1990s, following the collapse of the Soviet Union and then extended with the accession of China to the WTO in 2001. Since 2016, and Trump’s first victory, the US has since started to roll it back. Over the years, globalization had however widely benefited the US and its Corporates (Chart 6 below). These have experienced an unprecedented period of margins expansion (from 8 to 13%) while wages, on the other hand, as a share of GDP, have dropped steadily (by 50% since 1986). Indeed, real wages from US workers have lagged far behind productivity growth since 1985, suggesting that most productivity gains have accrued to capital, not labor. In fact, as shown on Chart 7, while the S&P500 has returned 34-fold since 1990 (fueled by a ten-fold increase in EPS, foreign capital inflows, lower interest rates and hence higher multiples), and while nominal US GDP has quintupled and China’s per Capita GDP was multiplied by 14, US employee compensation only tripled. Today, de-globalization threatens to reverse these long term trends, bringing higher input costs, weaker margins, and with them lower stock market valuation, i.e. the secular outlook for the US stock markets is probably no longer as bullish. Shorter term however, as shown in Chart10, some of the negative effects of globalization and its related growth implications may be reversing (falling “Growth Tax”, inverted in Chart10), as lower oil prices, a lower USD and potentially lower rates, probably some deregulation, tax cuts and also some more lenient trade deals, may still support risk assets for the next 6 to 10 months.



*Shown as 12-month moving average; rebased to Jan 1986=100
**U.S. National Income and Product Accounts before taxes; shown as 3-year moving average



*In constant 2015 US$; source: World Bank
Note: All series are rebased to Q1 1990=100



*Combination of the dollar, Brent oil price and interest rates; standardized and advanced by 9 months

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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