PRIMIS® INVESTMENT

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WEEKLY MARKETS ROUND-UP

Executive Summary

20th October 2025

Top news: the US Government shutdown probably extends, while US CPI is still expected on Friday – last week, US data releases were scarce once again as the US Government shutdown extended. Indeed, both the Sept. US PPI and Retail Sales due last Thursday were indefinitely postponed as these aren't considered crucial. This is also the case for the Sept. Non-Farm Payrolls which have been outstanding since Oct. 3rd. This Friday, the CPI release is still planed as it is considered an expected activity event even during shutdown. Consensus is calling for a further +0.3% and +0.4% MoM progression resp. for Core and Headline. As for the shutdown, the gridlock continues for now along bi-partisan lines, especially regarding the extension of ACA HealthCare subsidies, which are due to expire at yearend, possibly affecting 15 mio poorer Americans. Generally, the shutdown could cost 0.5-1% GDP growth this quarter and the blame game has started. The most likely outcome is hence a messy compromise within the next few weeks. Other non-Government data will keep being released this week. We hence expect the Global Flash PMIs from S&P Global on Friday. These should remain stable, barely in contraction in Europe, while they could slow slightly in the US yet remain in expansion. On the earnings front, most large US banks reported strong earnings last week, with share price reactions up 1.5-2.5% on average. This week, the market awaits TSLA and NFLX resp. Tuesday and Thursday after the close.

Equities: most equity markets had a choppy week, yet finishing positively on Friday (+2% for the week in the US, +1.5% in Europe). Asia is now bouncing this morning. We would however expect further consolidation into November.

Fixed Income: Treasuries and Bunds continued to rally slightly on flight to safety flows. US10Y dipped below 4% on Thursday but settled just above on Friday. Benchmark yields may still drop a further 10-20bps over the next few weeks.

Forex: USD gave up much of its gains from the previous week vs the majors as US/China trade uncertainties persisted, while the US Gov. is still in shutdown and while credit issues at Regional Banks flared-up, pointing to further rate cuts.

Commodities: Brent dropped another 1$/bbl last week on economic concerns and could slide further into November. Gold surged again last week to 4'377 $/oz. It then dipped by -2% on Friday, yet probably remains uptrending for now.

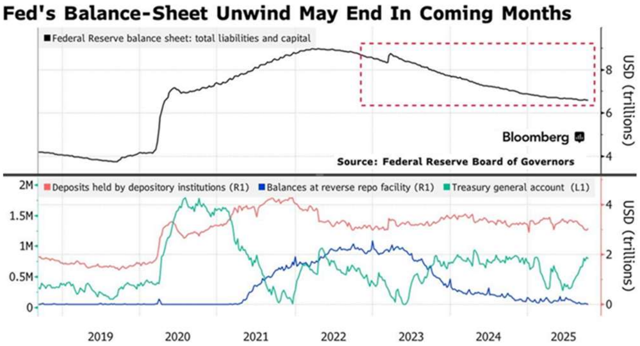
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance	Trend	Exaggeration
			Date Low	Low Price	Rise %	Date High	High price	Decline %	YTD in %	last 6m[1]	OB / OS [2]
S&P500 Index	USD	6 664	Apr-25	4 983	33,7%	Oct-25	6 754	-1,3%	13,3%	up	neutral
Nasdaq100 Index	USD	24 818	Apr-25	17 090	45,2%	Oct-25	25 137	-1,3%	18,1%	up	neutral
Dow Jones Industrials Index	USD	46 191	Apr-25	37 646	22,7%	Oct-25	46 758	-1,2%	8,6%	up	neutral
EuroStoxx50	EUR	5 607	Apr-25	4 622	21,3%	Oct-25	5 652	-0,8%	14,5%	neutral	neutral
Swiss Market Index	CHF	12 644	Apr-25	10 888	16,1%	Mar-25	13 167	-4,0%	9,0%	neutral	slightly OB
Nikkei225	JPY	47 582	Apr-25	31 137	52,8%	Oct-25	48 580	-2,1%	19,3%	up	slightly OB
Shanghai Composite	CNY	3 840	Apr-25	3 097	24,0%	Oct-25	3 934	-2,4%	14,6%	up	slightly OB
US 10Y Treasury Yield	%	4,01%	Apr-25	3,89%	0,1%	Jan-25	4,79%	-0,8%	-0,6%	down	slightly OS
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	91	May-25	83	10,3%	Dec-24	92	-0,9%	6,3%	neutral	slightly OB
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	112	Jan-25	102	9,7%	Oct-25	112	-0,2%	8,0%	neutral	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	81	Apr-25	74	9,8%	Oct-25	81	-0,3%	7,4%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	96	Apr-25	85	13,3%	Oct-25	96	0,0%	12,2%	up	slightly OB
EUR/USD		1,17	Jan-25	1,02	13,8%	Sep-25	1,19	-1,8%	12,5%	neutral	neutral
GBP/USD		1,34	Jan-25	1,22	10,3%	Jul-25	1,37	-2,3%	7,3%	neutral	neutral
USD/JPY		151	Apr-25	141	7,0%	Jan-25	158	-4,9%	-4,2%	neutral	slightly OB
USD/CHF		0,79	Sep-25	0,79	0,9%	Jan-25	0,92	-13,5%	-12,6%	neutral	neutral
AUD/USD		0,65	Apr-25	0,60	9,1%	Sep-25	0,67	-2,8%	4,9%	neutral	neutral
Brent Oil (per Barrel)	USD	61	May-25	60	1,9%	Jan-25	82	-25,5%	-17,9%	neutral	slightly OS
Gold Spot (per Ounce)	USD	4 248	Nov-24	2 562	65,9%	Oct-25	4 328	-1,8%	61,9%	up	slightly OB

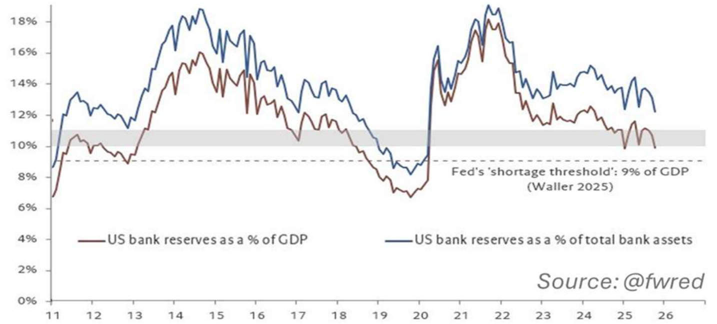
* These large fixed income ETFs are used as proxies to assess the state of duration trades as well as of credit markets

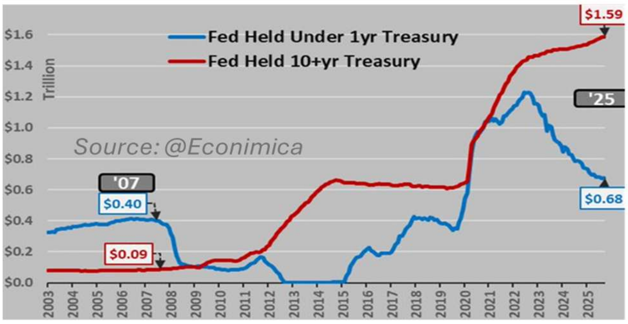
Source: Primis Investment (Suisse) SA

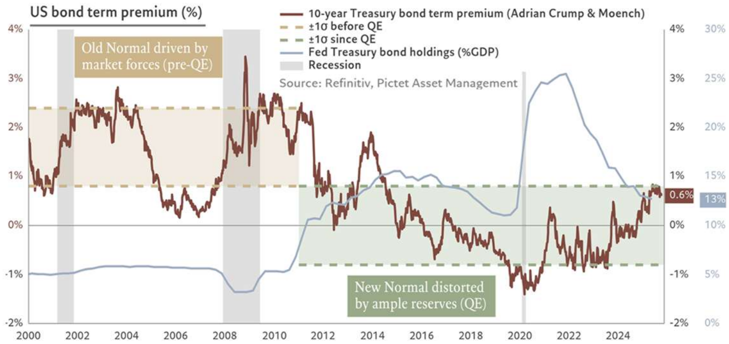
Monetary focus: as excess liquidity dries up, QT should be halted, QE may return

The pandemic fiscal and monetary stimuli created much liquidity (top-left graph). It found its way to the Treasury's General Account (TGA) as it issued huge amounts of debt. It also led to a rapid increase of bank reserves held at the FED as the FED bought back Treasuries and many more securities from them, crediting their account (QE). Then, from 2001, as the US kept spending on massive emergency programs, some of this liquidity found its way back to the FED's Reverse Repo facility (RRP, the recipient for excess liquidity). It grew to 2.6$ trillion by late 2022. Back then, the FED had started to reduce its balance sheet to curb money supply and fight inflation. This QT would let debentures run off from its balance sheet while the Treasury ramped up its issuance of short term debt at slightly more attractive rates than the RRP to replenish the TGA and maintain spending. The RRP has now fallen to zero and the FED's balance sheet has shrunk by 2.2$ trillion. The drawback is that excess liquidity has now dried up (bank reserves have fallen close to their shortage threshold at circa 9% of GDP – top-right) while ongoing fiscal deficits still need to be financed, and while the US Treasury is desperately trying to lengthen the maturity of its debt at a decent cost (QT only happened on the short end of the curve, bot-left). Yet, despite it having been preserved by QT, the long end is still strained (rising term premium, bot-right). Eventually, QE may have to return in order to support it.









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 +0.08% the trend is then "up", below -0.08% 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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