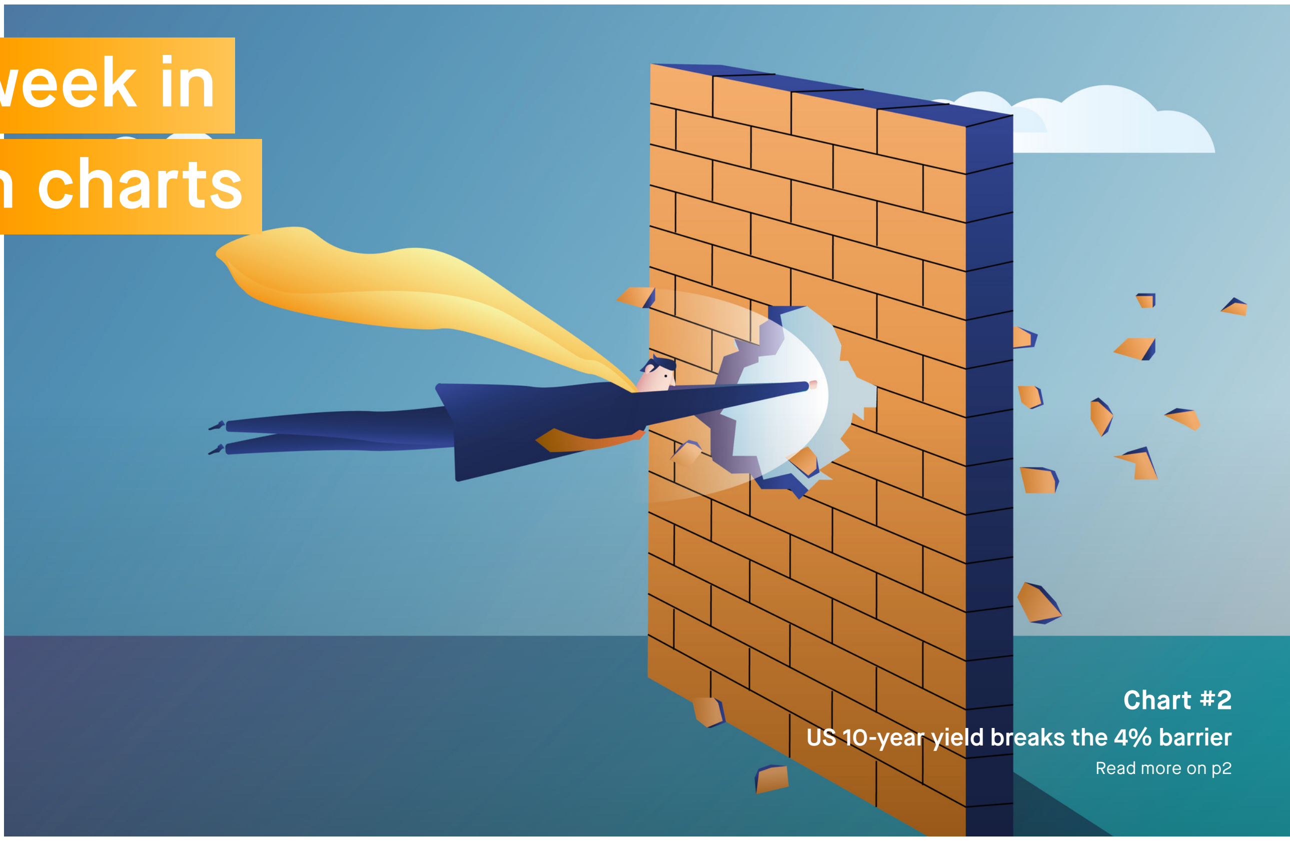
FEATURE

WEEKLY MARKET REVIEW

10 July 2023

The week in seven charts



US 10-year yield breaks the 4% barrier

Yield gap between S&P 500 dividends and 2-year Treasury bonds illustrates the high valuation of US equities. Meanwhile, the 10-year yield breaks the 4% barrier and Switzerland brings inflation below 2%. Each week, the Syz investment team takes you through the last seven days in seven charts.

Charles-Henry Monchau
Chief Investment Officer

PRIVATE BANKING

Chart #1 —

US job market overheats

This was the shock figure of the week! Payroll firm ADP announced on Thursday that private sector companies added 497,000 jobs in June, more than double the forecast. Although part of this upward surprise can be explained by the leisure and hospitality sectors, which are still picking up post-pandemic, this figure shows once again that the US job market is overheating, and this after 16 months of monetary policy tightening and 500 basis points of rate hikes. Equity markets reacted badly to this announcement. Indeed, two risks may have been underestimated in the first half of the year: 1) the risk of persistent inflation; 2) the risk of recession. The fact that the job market remains very buoyant is forcing the market to reassess these two risks. Indeed, spare capacity on the labor market is limited, profit margins are high and the economy is doing much better than expected. As a result, wage growth is likely to remain higher than expected, and for longer than initially anticipated. Under these conditions, the Fed may have no choice but to force the economy into a landing (i.e., a recession). Investors therefore reassessed these risks, causing equity markets to fall back slightly at the end of the week.

ADP Report - Monthly job creation in the private sector

Source: Bloomberg

Chart #2 —

US 10-year yield breaks the 4% barrier

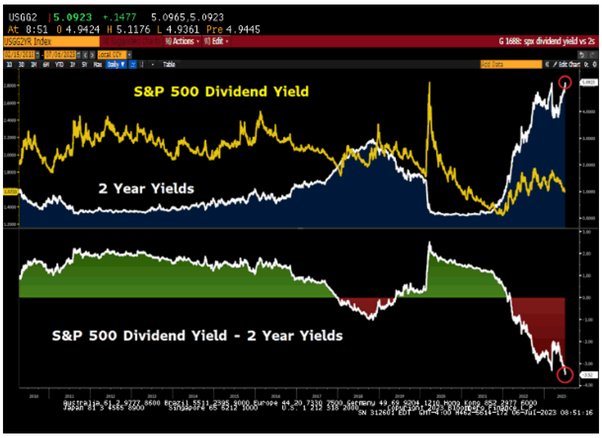
Following the release of the employment report, the US 10-year Treasury yield broke through the psychological 4% threshold. The release of the "hawkish" FOMC minutes, solid economic data reflecting the strength of the US economy and a technical break triggered by the breach of the 3.8% level on a weekly basis also contributed to the rise in the 10-year over the past week.

Source: Bloomberg

Chart #3 —

There is a massive gap between the S&P 500 dividend yield and the US 2-year yield

The spread between the S&P 500 dividend yield and the 2-year U.S. Treasury yield has not been this negative for over a decade, a sign of the high valuation of U.S. equities relative to bonds.



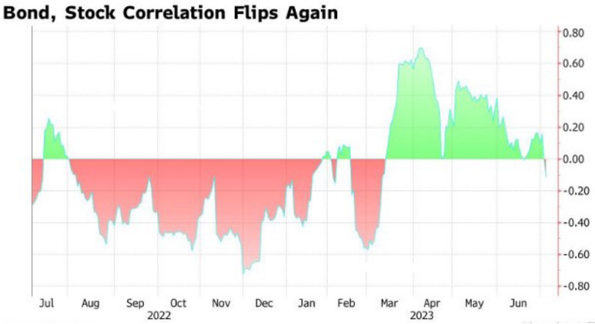
Source: Bloomberg, Bastien Chenivesse

Chart #4 —

The correlation between US bond yields and the S&P 500 is back into negative territory

The one-month correlation between US 10-year bond yields and the S&P 500 returned to negative territory for the first time in three months. More than a year after central bankers began their monetary tightening campaign, fund managers were caught off guard by the latest signs that the world's largest economy is still firing on all cylinders. At the end of the week, equities and bonds once again fell in tandem, as they did during the 2022 bear market.

Bond, Stock Correlation Flips Again



Source: Bloomberg, C.Barraud

Chart #5 —

Swiss inflation is back under 2%

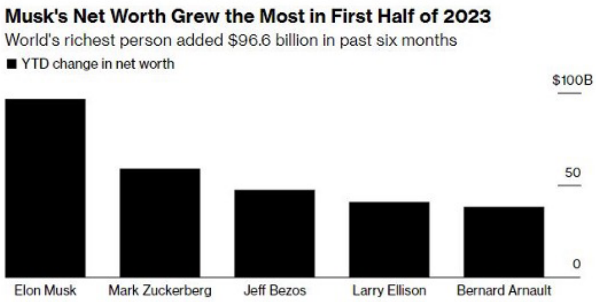
Swiss inflation has slowed to below the Swiss National Bank's 2% ceiling targeted . Consumer prices rose by 1.7% year-on-year in June, compared with 2.2% the previous month, due to lower energy costs. Core inflation, which excludes these volatile elements, also slowed to 1.8%, according to the Swiss statistical agency.

Source: Bloomberg

Chart #6 —

A good first half for Elon Musk

The 500 richest people in the world saw their wealth increase by $852 billion in the first half of 2023. Over the past 6 months, members of the "Bloomberg Billionaires" index have seen their wealth increase by $14 million a day, according to data compiled by Bloomberg. This is the best half-year for billionaires since the end of 2020. Elon Musk tops the ranking ahead of Mark Zuckerberg. The two billionaires are expected to meet in the ring soon.

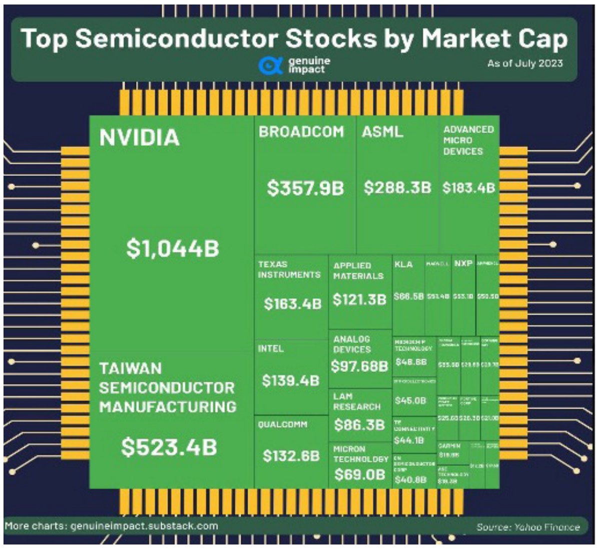


Source: Bloomberg

Chart #7 —

Nvidia's market capitalization put in perspective

NVIDIA's market capitalization is equivalent to the combined market capitalization of two TSMCs. And it's also seven times larger than Intel's.



Source: Genuine Impact, Yahoo Finance

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