The week in seven charts

Brent crude reaches $90 a barrel for the first time since November 2022

Mexican imports surpass Chinese ones in the US, marking a significant trade shift. Oil prices continue to rise, markets anticipate that the Fed will take a break in September amid a long period of US equity outperformance. 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 —

Brent crude hit $90 a barrel

Oil prices continue to rise. On Tuesday, the Saudi Ministry of Energy announced the extension of the Kingdom's voluntary reduction in oil production by one million barrels a day for a further three months, from October to the end of December 2023. As a result, Brent crude reached $90 a barrel for the first time since November 2022.

According to a Bloomberg article, Trafigura believes that the oil market remains "fragile" and could be subject to price spikes due to rising interest rates (making storage more expensive) and under-investment in production capacity (squeezing supply). The general view is that prices should remain close to current levels, but the market is "more fragile than it looks", said Ben Luckock, co-head of oil trading at Trafigura.

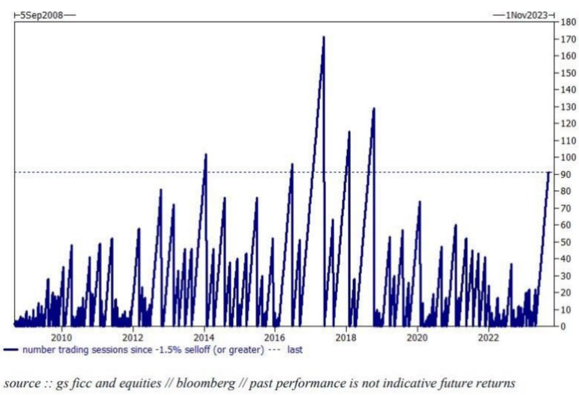
Source: Bloomberg

Chart #2 —

The S&P 500 index: the calm before the storm?

US equities retreated last week, as bond yields on the long end of the curve rose again. However, it should be noted that it is now 91 days since the S&P 500 index lost 1.5% or more in a single day.

This is an unusual phenomenon that has occurred only 5 times in the last 15 years. But beware: September and October are historically volatile months. Will this good run come to an end?



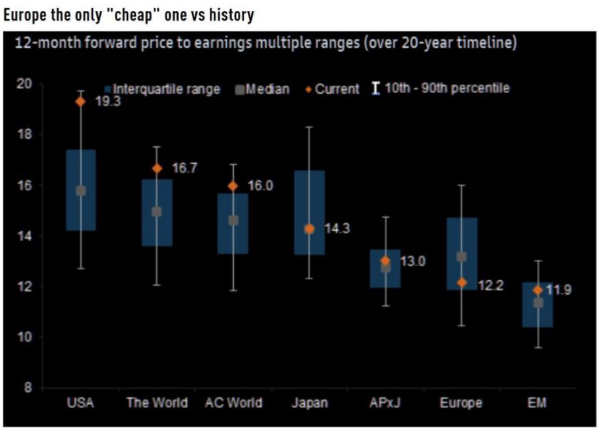
Source: Goldman Sachs

Chart #3 —

European equities remain attractively valued

European equities are going through a difficult period: the Stoxx Europe 600 index has fallen for seven consecutive days, the longest period of decline for the index in 4 and a half years. Friday's session was slightly positive, breaking the string of down days.

It is worth noting, however, that compared with other parts of the world, Europe is one of the few markets trading below its historic valuation. But there are obviously reasons for this: slowing manufacturing growth, high exposure to China and Asia, rising energy prices, and so on.

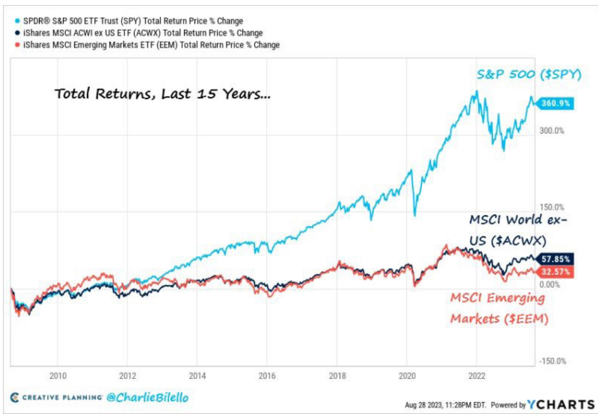


Source: Factset

Chart #4 —

A long period of outperformance by US equities

US stocks tend to trade at a valuation premium to the rest of the world. This has not stopped the S&P 500 from being the best performer. Over the past 15 years, the S&P 500 ($SPY) has gained more than 360%, compared with a 58% rise for the MSCI World ex-US ETF ($ACWX) and just 33% for the Emerging Markets ETF ($EEM). This is the longest outperformance cycle for US equities that we have ever seen.



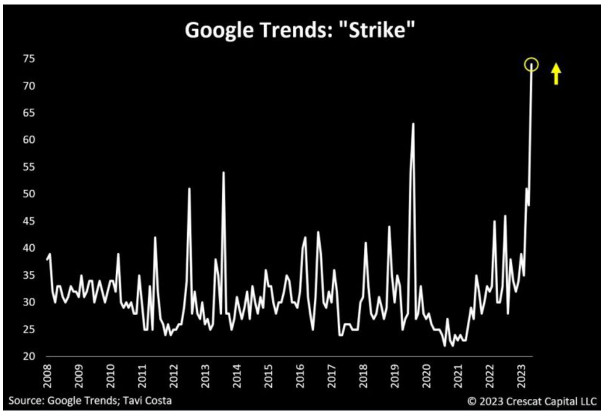
Source: Charlie Bilello

Chart #5 —

Worker strikes are fashionable in the United States

Is the pressure on wages in the US set to continue? As Tavi Costa, Partner and Macros Strategist at Crescat Capital, points out, the number of searches for the word "strike" recently reached a record level on Google trends. This rise implies growing pressure from workers to obtain better pay deals with their employers.

Workers' strikes are becoming a regular occurrence in society, reminiscent of their prevalence in the 1970s. The main reason? The rising cost of living is putting considerable pressure on real wages.

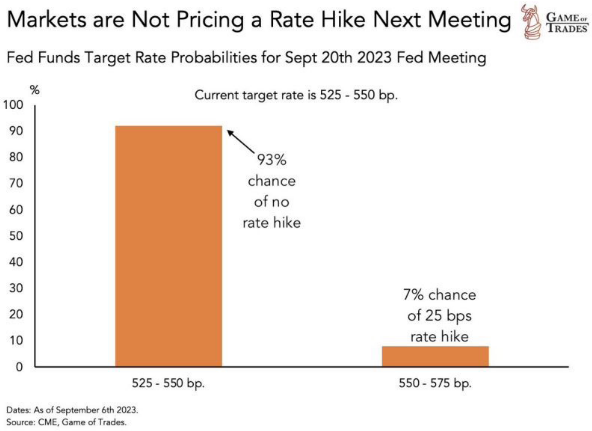


Source: Crescat Capital, Bloomberg

Chart #6 —

The market is expecting the Fed to take a break in September

According to the markets, the probability of a pause in the rate hike cycle at the September FOMC meeting is 93%. But this does not mean that the rate hike cycle is over any time soon. Last week, Lorie Logan, President of the Federal Reserve Bank of Dallas, said that a rate hike after the September pause is entirely possible.



Source: Game of Trades

Chart #7 —

In the United States, the share of Mexican imports now exceeds that of Chinese imports

We are currently witnessing a number of geopolitical upheavals. As evidence of the "reshoring" and "friendshoring" phenomenon (which consists of repatriating production chains closer to home), the United States now imports more from Mexico than from China.

Source: BofA, Bloomberg

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