



**The week in
seven charts**

Chart #7

The buzz around AI-related stocks

Read more on p3

The buzz around AI-related stocks

Eurozone bounces back and ChatGPT burries its first editorial team, while the road to recovery remains bumpy for US equities. Each week, the Syz investment team takes you through the last seven days in seven charts.

Charles-Henry Monchau

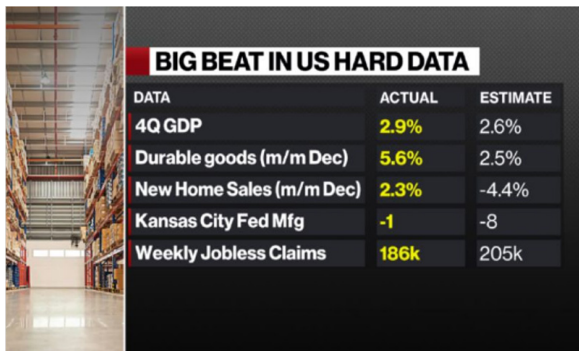
Chief Investment Officer

Chart #1 —

The U.S. economy's resilience

Macroeconomic figures released last week illustrate the resilience of the U.S. economy despite several quarters of rate hikes by the Fed. U.S. (real) GDP grew by 2.9% in Q4, a slight slowdown from the 3.2% annual growth rate in Q3. There were also gains in leading indicators, a further decline in unemployment insurance claims, and relatively encouraging new home sales figures.

U.S. data better than expected



Source: CNBC

Chart #2 —

New evidence of falling inflation rate in the U.S.

For the first time since February 2020, Fed funds rates are positive in real terms, with the Core PCE (Personal Consumption Expenditures) index coming in at 4.4% (versus the Fed funds rate of 4.5%). This bodes well for an upcoming pause in the Fed's rate hike, unless the U.S. economy surprises on the upside in the coming weeks.

PCE core index (yellow) versus Fed policy rates (red)



Source: Bloomberg

Chart #3 —

Eurozone business activity is back to expansionary territory

At the beginning of the year, the leading indicators of business activity in the eurozone (PMI indices) made a timid return into expansion territory after six successive months of decline. This slight improvement can be explained in particular by a much simpler than expected energy situation.

In Germany, gas prices have collapsed to \$54 per MWh, the lowest level since September 2021. Electricity is also cheaper than it has been in months. According to Jim Reid of Deutsche Bank, EU gas storage is now at its highest level for this time of year.

Gas prices in the eurozone (white) and one-year electricity prices in Germany (yellow)



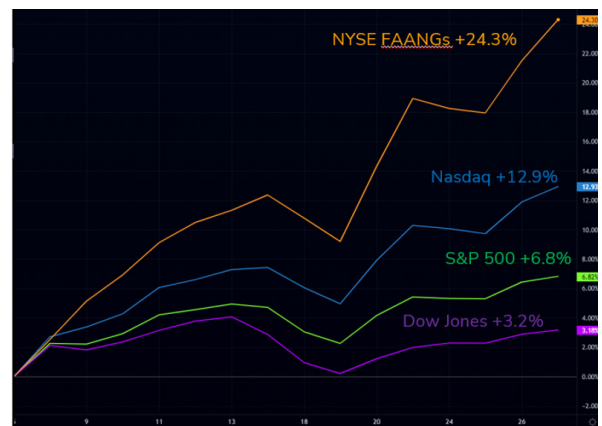
Source: Bloomberg, HolgerZ

Chart #4 —

The come-back of the FAANGs

U.S. equities rallied last week as investor sentiment was boosted by the aforementioned macroeconomic (growth and inflation) figures. Year-to-date, the GAFA segment has been the best performer, with the Nasdaq outperforming both the S&P 500 and the Dow Jones. GAFAs had experienced sharp declines in Q4 2022 and now offer more attractive valuation levels.

Year-to-date performance of selected US equity indices



Source: The Market Ear

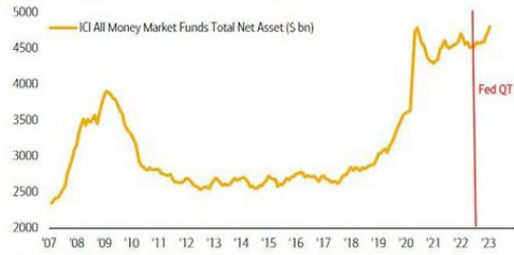
Chart #5 —

Cash levels remain very high

A massive build up of liquidity in U.S. money market funds could one day return to risky assets. Indeed, cash levels in money market assets have reached a record high of \$4.8 billion.

These high levels of investment in this type of investment are a result of the attractiveness of current interest rates but also reflect the level of caution of investors.

Assets in U.S. money market funds reach all-time high



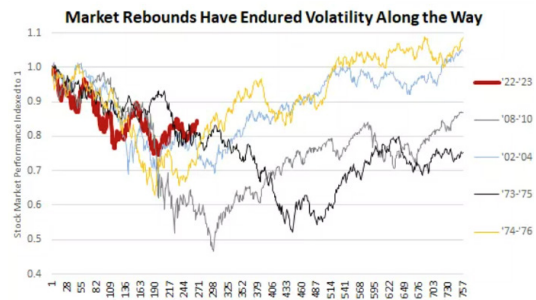
Source: Bank of America

Chart #6 – Equity markets recovery can be hectic

S&P 500 was down 19.4% in 2022 (excluding dividends). The good news is that years of negative returns are usually followed by good ones.

However, the market recovery that follows is rarely a straight line. As we can see in the chart below, we can expect a rather volatile way back up.

Stock market performance of the S&P 500 in the years following a sharp decline (number of days since the beginning of the downward movement on the x-axis)



Source: Edward Jones

Chart #7 – The buzz around AI-related stocks

BuzzFeed's stock jumped +290% in 2 days after announcing it would use ChatGPT to create content instead of the media company's editors. CEO Jonah Peretti said the publisher would use the technology to create more comprehensive quizzes and interactive content.

Enterprise AI app platform C3.ai (AI) jumped 15% Friday after the White House and European Commission agreed to improve the use of AI in multiple areas.

BuzzFeed and C3.ai recorded strong advances last week



Source: Bloomberg, HolgerZ

For further information

Banque Syz SA
 Quai des Bergues 1
 CH-1201 Geneva
 Tel +41 58 799 10 00
 syzgroup.com

Charles-Henry Monchau, Chief Investment Officer
 charles-henry.monchau@syzgroup.com

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