FEATURE

WEEKLY MARKET REVIEW 8 January 2024

The week in seven charts

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Image source: iStock/fkdkondmi

Houthi attacks in the Red Sea result in surge of maritime freight prices

Houthi attacks in the Red Sea result in surge of maritime freight prices, the amount of US debt is now greater than the value of the economies of China, Germany, Japan, India and the UK combined and the BRICS welcome 5 new members! Each week, the Syz investment team takes you through the last seven days in seven charts.

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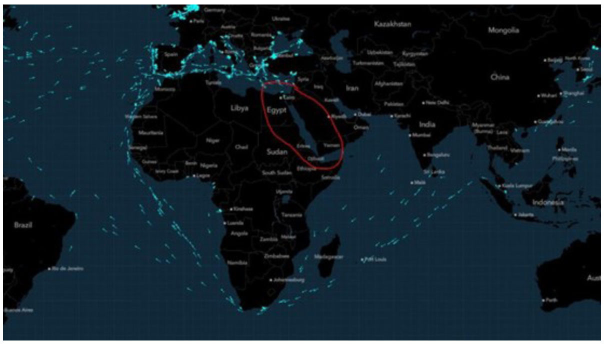
Chart #1

Houthi attacks in the Red Sea cause maritime freight prices to soar

More than two weeks after the launch of the US-led Operation Prosperity Guardian, the Houthis are still laying down the law in the Red Sea. And carriers no longer want to take any risks in this area. Container ships heading for Europe and/or North America almost all avoid the Red Sea (see in red on the map below) and make very long detours, which are inevitably much more expensive.

As a result, container shipping rates have rocketed, rising by an average of almost 90% in the space of 2 weeks, and even more for some destinations. For example, shipping a 40-foot container from Asia to Northern Europe now costs more than $4,000, an increase of 173%. To date, it is estimated that carriers have diverted some $200 billion worth of trade from the Red Sea due to threats from Houthi militants.

Supply chain issues are thus back on the agenda. Did we celebrate the end of inflation too soon?

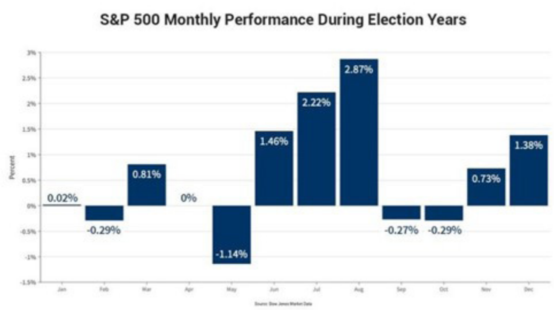


Source: Javier Blas

Chart #2

Historically, US equities struggle in the first quarter of the election year

After a fireworks finale to 2023, US equities are struggling at the start of the year. History shows that the first quarter is mediocre in terms of performance in a presidential election year. Indeed, investors tend to be nervous in the first few months of the year because of the uncertainty surrounding the name of the next occupant of the White House. Historically, optimism tends to return around June. This is followed by another period of volatility in the two months leading up to the election.



Source: Trendspider

Chart #3

US job market remains solid

In December, the US economy created 216,000 jobs, more than the 170,000 expected. This means that the US economy has created jobs for 36 consecutive months. The unemployment rate remained stable at 3.7% in December (the consensus estimate was for an increase to 3.8%). Wages rose by 4.1% year-on-year, compared with 4% in November.

The market's reaction was as expected: bond yields rose and the market revised downwards the number of rate cuts planned for 2024.

United States | Browse | 14:30:27 | 01/05/24 - 01/12/24

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	Date Time	Event	Period	Surv(M)	Actual	Prior	Revised
21)	01/05 14:30	Revisions: Household Survey Data					
22)	01/05 14:30	Two-Month Payroll Net Revision	Dec	--	-71k	--	--
23)	01/05 14:30	Change in Nonfarm Payrolls	Dec	175k	216k	199k	--
24)	01/05 14:30	Change in Private Payrolls	Dec	130k	164k	150k	--
25)	01/05 14:30	Change in Manufact. Payrolls	Dec	5k	6k	28k	--
26)	01/05 14:30	Unemployment Rate	Dec	3.8%	3.7%	3.7%	--
27)	01/05 14:30	Average Hourly Earnings MoM	Dec	0.3%	0.4%	0.4%	--
28)	01/05 14:30	Average Hourly Earnings YoY	Dec	3.9%	4.1%	4.0%	--
29)	01/05 14:30	Average Weekly Hours All Employees	Dec	34.4	34.3	34.4	--
30)	01/05 14:30	Labor Force Participation Rate	Dec	62.8%	62.5%	62.8%	--
31)	01/05 14:30	Underemployment Rate	Dec	--	7.1%	7.0%	--

Source: Bloomberg

Chart #4

US debt reaches the $34 trillion mark

Last week, total US debt reached $34 trillion for the first time in its history, representing a 100% increase in less than 10 years. Since the end of the debt ceiling 'crisis' in June 2023, total US debt has risen by almost $3 trillion. The amount of US debt is now greater than the value of the economies of China, Germany, Japan, India and the UK COMBINED. The US currently spends $2 billion PER DAY on interest costs alone. Debt per capita is a record $101,000.

Chart #5

China and Russia turn away from US Treasuries in favour of the yellow metal

At a time when US debt and the cost of debt are exploding, the graph below is not necessarily a source of joy for Uncle Sam. China and Russia are continuing to offload their US Treasuries and are accumulating gold. This arbitrage comes at the worst possible time for the United States.

Source: www.zerohedge.com, Bloomberg

Chart #6

The BRICS have just doubled in size

Last week, the United Arab Emirates, Saudi Arabia, Ethiopia, Egypt and Iran officially became members of the BRICS. Together with Brazil, Russia, India, China and South Africa, they form a formidable economic powerhouse, accounting for 29% of global GDP and 43% of global oil production. Although there are tensions between member states such as China and India, or Saudi Arabia and Iran, the BRICS represent a growing challenge for the G7. Statement by Chinese President Xi: "I would like to extend a warm welcome to the leaders of the new BRICS members".

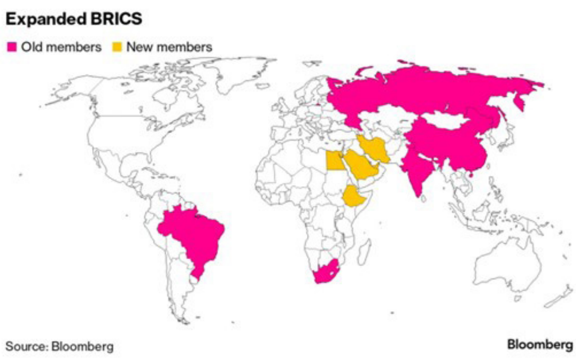

Chart #7

Watchmaking: Luxury watch prices have collapsed on the secondary market

The WatchCharts market index tracks price trends on the secondary watch market. It is made up of 60 watch models from the top 10 luxury brands, which are sorted and weighted according to transaction value (the index tracks the price of these watches in USD over time. It is rebalanced every year on 1 January).

After rising sharply between the Covid-19 pandemic and the beginning of 2022, this index has fallen by more than 35% in less than 2 years.

A case in point is this Rolex model: its price on the secondary market has fallen from almost $45,000 in the summer of 2022 to $18,400 today at the end of 2023, a drop of almost 60%...

For further information

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