NEW DIMENSIONS CAPITAL

WEEKLY REPORT

Week of 16th January, 2023

Thought of the Week.

Whether Solar or Lunar, we wish everyone a Happy, Healthy and Wealthy New Year!

It is inevitable though, to not sense the change in mood once glancing over the MACROBOND table,

Wealth destruction was the dominant theme in 2022, a year characterised by high inflation, slow growth, and monetary tightening. Wine, one of the best performers is positive due to assets measured in GBP, otherwise wine in USD denomination would have joined the losers group. Central bank rate hikes in response to inflation pressures and high interest rates explain the change in the stock-to-bond positive relationship.

Asset Classes Annual Performance Ranking

Rank	2016	2017	2018	2019	2020	2021	2022	2023
1	Bitcoin 124 %	Bitcoin 1369 %	Wine 0.62 %	Bitcoin 92 %	Bitcoin 303 %	Bitcoin 60 %	Oil 8.7 %	Wine n/a %
2	Oil 51 %	EM Equities 37 %	S&P 500 Growth -0.0094 %	S&P 500 Value 32 %	S&P 500 Growth 33 %	Oil 53 %	Wine 6.2 %	Bitcoin 8.4 %
3	Wine 23 %	S&P 500 Growth 27 %	US Treasury -0.13 %	S&P 500 31 %	Gold 25 %	S&P 500 Growth 32 %	Gold 0.44 %	EM Equities 6.5 %
4	S&P 500 Value 17 %	S&P 500 22 %	Gold -0.93 %	S&P 500 Growth 31 %	S&P 500 18 %	S&P 500 29 %	S&P 500 Value -5.2 %	S&P 500 Value 5.4 %
5	S&P 500 12 %	Oil 17 %	S&P 500 -4.4 %	Oil 22 %	EM Equities 18 %	S&P 500 Value 25 %	S&P 500 -18 %	US Treasury 4.8 %
6	EM Equities 11 %	S&P 500 Value 15 %	S&P 500 Value -9 %	Gold 18 %	US Treasury 13 %	Wine 10 %	EM Equities -20 %	S&P 500 3.8 %
7	Gold 8.1 %	Gold 13 %	EM Equities -15 %	EM Equities 18 %	Wine 3.9 %	EM Equities -2.5 %	US Treasury -20 %	Gold 3.8 %
8	S&P 500 Growth 6.9 %	Wine 7.8 %	Oil -19 %	US Treasury 11 %	S&P 500 Value 1.4 %	US Treasury -3.3 %	S&P 500 Growth -29 %	S&P 500 Growth 2.4 %
9	US Treasury 1.3 %	US Treasury 4.9 %	Bitcoin -74 %	Wine -3 %	Oil -22 %	Gold -4.3 %	Bitcoin -64 %	Oil -3.5 %

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As the last column shows, 2023 started in a positive note, with many market participants expecting the global growth to surprise on the upside and inflation pressure to subside. We assume that a lot of bad news have already been priced in the equities market, but we keep a cautious stance and expect market moves to surprise the 'soft landing' proponents.

Market reaction to China re-opening, the US$ performance for the next one or two quarters, the set of inflation-unemployment-housing market figures and not the least, US-China trade war will be powerful indicators of the quality of the year we have just started.

Central banks are determined to limit annual price increases to around 2%, a level considered low enough to not be noticed by most people. These days price increases are at levels not experienced since 1980s, hinting that monetary authorities may start shifting the inflationary goalposts. We should expect further action in this respect, otherwise prolonged periods of missing the target erodes credibility in monetary authorities' activity.

Events Summary for Previous Week.

US Economy/Politics

- Classiffied documents found in Biden 's home since November 2022 – Jan 12th
- State of emergency declared due to California storms – Jan 15th
- Main US banks posted results that topped forecasts, but investors are disappointed.

Europe and UK Economy/Equity

- Croatia becomes the 20th Euro group after adopting Euro as currency
- Sweden discovers biggest rare earths deposit in EU, may help reduce Europe's dependence on China imports.
- Asking prices for UK homes rise after "mini-budget" shock.

Asia Pacific Economy/Equity

- China's exports fell 9.9% in December from a year ago, in US$ terms – less than expected.
- The Bank of Korea raised interest rates by 25 basis points to 3.5%, marking the highest since December 2008.
- Shares of Uniqlo-owner Fast Retailing dropped 6.68% a day after announcing it will raise wages by 40%.

The Week Ahead.

- Eu and UK to start final negotiations on post-Brexit trading relationship
- Davos Economic Forum starts on 16th January, 2023

Weekly Data Monitor.

Performance

- Strength across the board
- Global outperforms Asia
- Global HF RE trailing the rest

INDEX	Weekly %	MTD %	YTD %	1YR %	3Y %	5Y %
Global Equity	**2.64**	4.77	4.77	-13.56	16.17	30.01
Global Real Estate	**4.71**	7.23	7.23	-16.15	1.64	28.08
US Real Estate	**4.75**	7.51	7.51	-15.42	5.05	37.75
APAC Real Estate	**1.33**	3.64	3.64	-12.58	-25.27	-22.92
Investment Grade	**1.46**	3.74	3.74	-7.25	3.34	15.50
High Yield Bonds	**1.65**	3.09	3.09	-13.35	-9.95	-5.38
Global HF Real Estate	**0.22**	0.90	0.90	-3.01	6.21	6.41
Global HY ETF	**2.45**	4.54	6.09	-10.06	10.78	-5.14
ASIA Real Estate ETF	**1.31**	-0.11	-0.11	-14.26	-33.08	-20.31
USD Index	**-1.66**	-1.32	-1.32	7.77	4.94	12.29

Weekly chart:

- USD trading at lowest levels for the week
- Gold close to highs of the week

Note: The chart shows normalised weekly highs and lows for the Indicator, emphasizing (BLUE) the LATEST

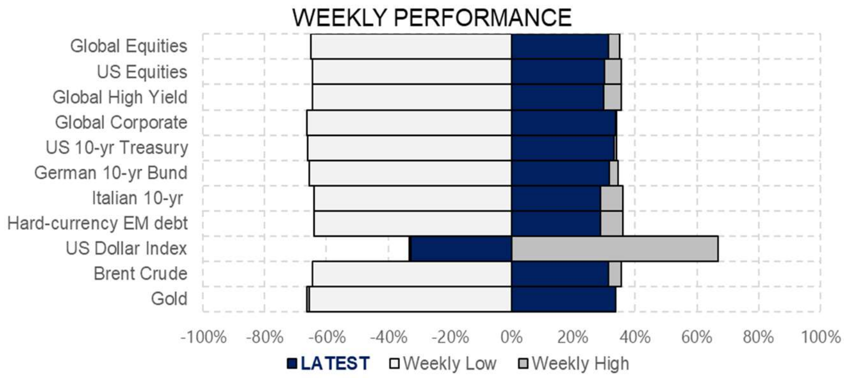
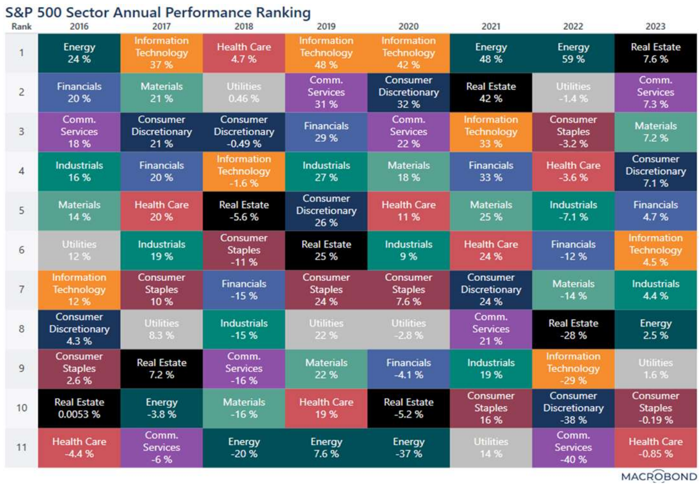


Chart of the Week.

Choosing insightful at the risk of monotony – a similar chart on S&P500 annual sector performance, by MACROBOND.



S&P 500 Sector Annual Performance Ranking

Rank	2016	2017	2018	2019	2020	2021	2022	2023
1	Energy 24 %	Information Technology 37 %	Health Care 4.7 %	Information Technology 48 %	Information Technology 42 %	Energy 48 %	Energy 59 %	Real Estate 7.6 %
2	Financials 20 %	Materials 21 %	Utilities 0.46 %	Comm. Services 31 %	Consumer Discretionary 32 %	Real Estate 42 %	Utilities -1.4 %	Comm. Services 7.3 %
3	Comm. Services 18 %	Consumer Discretionary 21 %	Consumer Discretionary -0.49 %	Financials 29 %	Comm. Services 22 %	Information Technology 33 %	Consumer Staples -3.2 %	Materials 7.2 %
4	Industrials 16 %	Financials 20 %	Information Technology -1.6 %	Industrials 27 %	Materials 18 %	Financials 33 %	Health Care -3.6 %	Consumer Discretionary 7.1 %
5	Materials 14 %	Health Care 20 %	Real Estate -5.6 %	Consumer Discretionary 26 %	Health Care 11 %	Materials 25 %	Industrials -7.1 %	Financials 4.7 %
6	Utilities 12 %	Industrials 19 %	Consumer Staples -11 %	Real Estate 25 %	Industrials 9 %	Health Care 24 %	Financials -12 %	Information Technology 4.5 %
7	Information Technology 12 %	Consumer Staples 10 %	Financials -15 %	Consumer Staples 24 %	Consumer Staples 7.6 %	Consumer Discretionary 24 %	Materials -14 %	Industrials 4.4 %
8	Consumer Discretionary 4.3 %	Utilities 8.3 %	Industrials -15 %	Utilities 22 %	Utilities -2.8 %	Comm. Services 21 %	Real Estate -28 %	Energy 2.5 %
9	Consumer Staples 2.6 %	Real Estate 7.2 %	Comm. Services -16 %	Materials 22 %	Financials -4.1 %	Industrials 19 %	Information Technology -29 %	Utilities 1.6 %
10	Real Estate 0.0053 %	Energy -3.8 %	Materials -16 %	Health Care 19 %	Real Estate -5.2 %	Consumer Staples 16 %	Consumer Discretionary -38 %	Consumer Staples -0.19 %
11	Health Care -4.4 %	Comm. Services -6 %	Energy -20 %	Energy 7.6 %	Energy -37 %	Utilities 14 %	Comm. Services -40 %	Health Care -0.85 %

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Fourth quarter earnings season is underway, and analysts are not very optimistic. Main US banks have just announced earnings last week, and although they beat expectations, investor reaction was on the cold side.

According to FACTSET, earnings for S&P 500 companies are expected to be around 4% lower than they were in the fourth quarter of 2021. Other data aggregation services have estimates ranging from 0 and -7%.

Based on the same FACTSET data, 4th quarter analysts' EPS estimates for S&P500 companies have seen largest cuts for Materials sector, followed by Consumer Discretionary and Communication Services. Not surprisingly, this coincides with the worst performers over the last year. The same relationship we see for Energy and Utilities sectors that have seen their estimates rising slightly.

Near-term expectations are driven by Utilities and Consumer Staples with many constituents fully valued relative to expected growth rates. On the other side of the spectrum, expectations for the growth sectors are low and valuations are low relative to the expected growth rates over the long term. We may witness a reversal in risk views, with defensive sectors under pressure while the surprise on the upside to come from tech and consumer sectors.

Low inflation and declining interest rates have been the major factor contributing to strong equity returns over the last one or two decades. We seem to step in a regime with higher rates on average and no immediate reasons for it to decline, creating a challenging environment for investors. The "buy-the-dip" investor mentality will change and could be replaced by a risk-aware methodology, with risk premia and asset allocation strategies providing a needed and valuable framework for long-term investors.