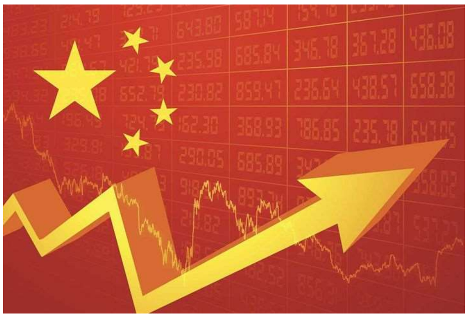
NEW DIMENSIONS CAPITAL

WEEKLY BULLETIN

August 2023: Issue #3

Thought of the Week.

China's "bite-sized" stimulus faces strong external challenges.



China's economy has long been characterized by its ability to adapt and recover swiftly. However, recent developments on the global stage, including actions by multinational corporations and governments, suggest that China's bite-sized stimulus policy might face hurdles in achieving a rapid recovery. The interconnectedness of the global economy means that external factors can significantly impact China's economic trajectory. This investment note discusses the various challenges posed by external forces that could impede China's recovery under its current economic policy.

Multinational Corporations' Strategic Pivot:

Global corporations are actively reassessing their engagement with China, as seen through Tyson Foods' divestment from its China poultry business. This trend might erode China's appeal to foreign investors, potentially undermining its stimulus plan. Moreover, the departure of significant foreign players prompts valid concerns about China's market competitiveness and investment attractiveness.

Regulatory Landscape and Investor Sentiment:

The emergence of regulatory measures like the DITCH Act in the U.S. casts a shadow on the future of Chinese investments. Such measures could deter institutional investors from considering Chinese ventures, which in turn could disrupt the capital flow necessary for China's recovery efforts. These regulations not only impact investment strategies but also

Foreign Government Actions and Market Confidence:

Ottawa's directive for Chinese companies to divest from Canadian assets reverberates beyond immediate business consequences. It could plant seeds of doubt in investors' minds about China's stability and commitment to open markets. Similar actions by other foreign governments could contribute to an atmosphere of caution among potential investors.

Global Trade Dynamics and Technological Aspirations:

The worldwide imposition of export controls, particularly targeting advanced chip technology, underscores a concerted effort to limit China's access to crucial expertise. These controls have the potential to disrupt China's technology supply chain, hindering its pursuit of self-sufficiency in key industries. The gap in accessing cutting-edge technologies could stall China's economic recovery and ambitious growth plans.

While China's stimulus strategy is designed to rejuvenate its economy, external challenges stand as formidable obstacles to a swift recovery. Geopolitical tensions, catalyzed in part by U.S. interference, and media narratives are pivotal forces in shaping external viewpoints on China's policies and recovery trajectory. As investors and analysts scrutinize China's recovery endeavors, a comprehensive perspective is essential—one that takes into account the intricate interplay between these external factors and domestic economic dynamics. Despite the challenges posed, China's historical resilience and adaptability could serve as key assets in determining the ultimate efficacy of its recovery initiatives.

Last Week 's Notable Events.

US Economy/Politics

- US economy will escape recession, but uncertainty persists until 2024, says Economists – 14th Aug.
- Yellen flags US economy risk from China's slowdown – 15th Aug.
- Investor sentiment declines after July's Producer Price index increase 0.3% m/m – 14th Aug.

Europe Economy/Equity

- Britain's annual inflation rate fell as expected in July to 6.8% vs last of 7.9% in June – 15th Aug.
- Lower energy prices boost EU trade balance – 15th Aug.
- Mild recession ends Dutch economy's strong post-COVID boom – 17th Aug.

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Asia Pacific Economy/Equity

- Singapore cuts 2023 economic growth forecast to 0.5-1.5% on weak export outlook – 13 Aug.
- Chinese Kuaizhou-1A rocket launches five new satellites – 14 Aug.
- Japan GDP grew 6%, easily beating expectations on robust exports – 15 Aug.
- Singapore and Zhejiang to deepen collaboration in digital economy – 16 Aug.

Weekly Data Monitor.

Performance

- Weakness across the board.
- IG and HY bonds losses.
- USD reversed in tight range.

INDEX	Weekly %	MTD %	YTD %	1YR %	3Y %	5Y %
Global Equity	-2.40	-5.38	11.75	3.82	22.51	42.22
Global Real Estate	-3.38	-5.67	-2.16	-17.34	3.66	9.46
US Real Estate	-3.84	-5.85	-0.30	-15.58	9.64	15.92
APAC Real Estate	-2.88	-6.88	-7.94	-11.50	-17.86	-19.74
Investment Grade	-0.71	-0.96	5.81	2.46	5.11	16.80
High Yield Bonds	-1.03	-2.50	-0.42	-3.85	-18.30	-6.46
Global HY ETF	-2.81	-4.03	4.10	2.87	25.72	21.74
ASIA Real Estate ETF	-1.92	-4.14	-8.85	-20.72	-15.40	-2.57
USD Index	0.51	1.49	-0.14	-3.82	12.03	7.57

Weekly chart:

- Brent crude reversed.
- German 10yrs bonds lost, but stable.
- US 10-year Treasury lowest losses.

Note: The chart shows normalised weekly highs and lows for the Indicator, BLUE being the LATEST.

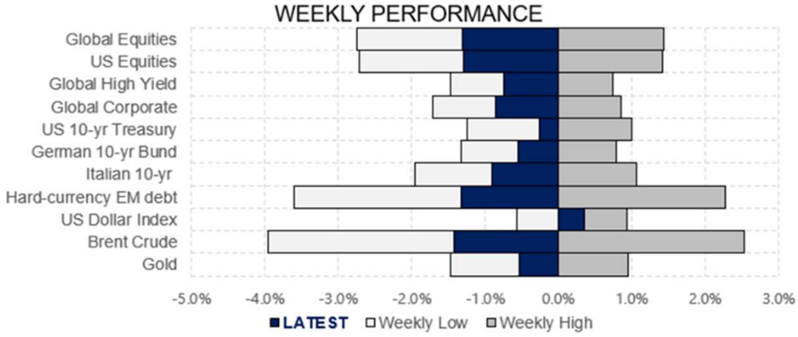
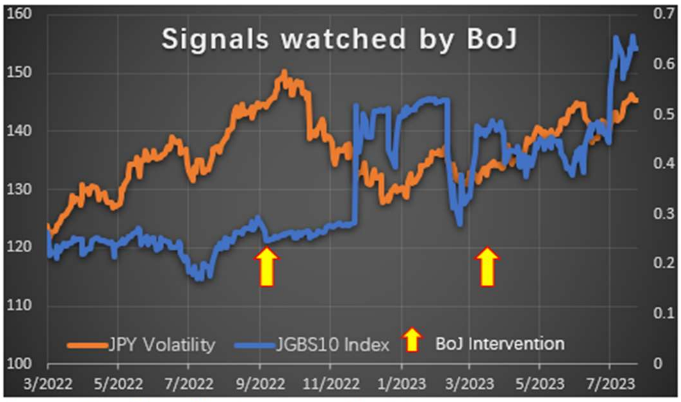


Chart of the Week.

"Currencies, the swift responders to economic news and risks" -- Unknown,



Source: Bloomberg, New Dimensions Capital.

When traders want to know which way stocks are headed, they look to the Japanese yen (JPY). For years, there is a close relationship between JPY and US stock market especially in the high yielding pair of AUDJPY cross.

Concomitantly, JPY moves have been and will remain a very important factor shaping Japan's monetary policy, with BOJ making it clear through its recent actions.

Through last month's policy decision, BoJ signalled that will allow 10-year JGBs to move closes to 1% before it intervenes, since it prioritizes currency volatility-management.

The shift in thinking gained momentum at the BOJ's June policy meeting and continued after that.

The government kept applying pressure on the BOJ to pay more attention to currency market consequences of its policy. The July move was a test case or a preparing exercise, towards future policy normalization and BoJ will intervene swiftly when needed.

For now, they chip away from Kuroda Is legacy stimulus and look like not decisive, but we expect action when JPY turns volatile and 10-years JGB move towards 1% levels.