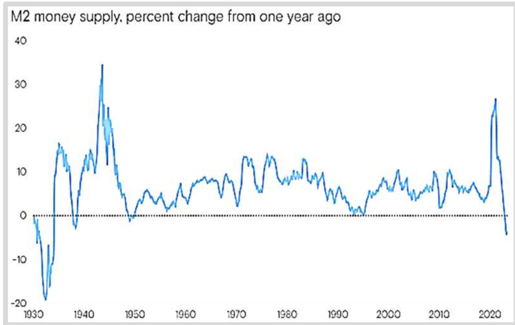
NEW DIMENSIONS CAPITAL

WEEKLY BULLETIN

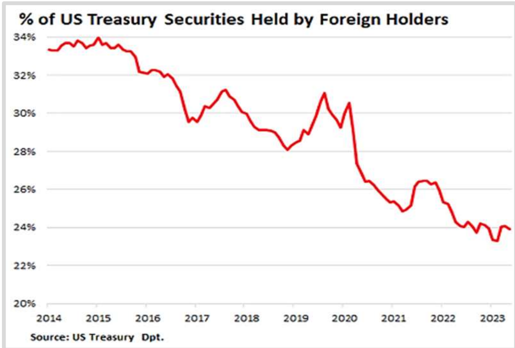
October 2023: Issue #1

Quote of the Week.

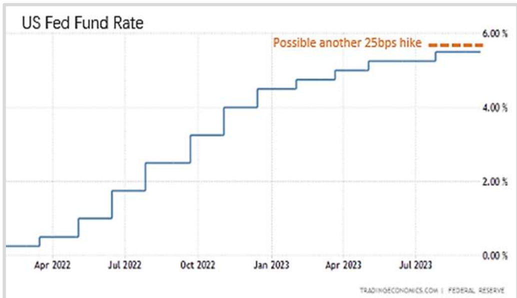
When they so-called "target the interest rate", what they are doing is controlling the money supply via the interest rate. The interest rate is only an intermediary instrument. – Milton Friedman



Amidst the escalating political chaos in Washington over recent weeks, it becomes increasingly challenging to maintain a clear perspective in investing. The deluge of concurrent events can easily sway our judgment influenced by media narratives and the multitude of explanations flooding in from Wall Street. Notably, the Federal Reserve's caution regarding higher and prolonged Fed fund rates triggered a significant sell-off in late September, initially in bonds and subsequently in equities. This development piqued my curiosity, prompting me to delve deeper into the situation.



I began to wonder why was market so bullish in July with similar hawkish pause in June. What's the difference with September? I identify 2 unique events in addition with the hawkish pause. First a report of Fed reducing USD M2 to negative territory, a rare occurrence since 1950, that truly caught my attention. Next US government shut-down risk may lead to more debts funding like in the previous few occurrences. Then Fed announced a hawkish pause. Connecting the dots, considering the Fed's reduction in USD circulation, coupled with the threat of prolonged high rates, the likelihood of the US government resorting to printing more debts for funding, I began to form a strong assumption.



My assumption revolves around the question of who the buyers would be if the Fed were to issue more debt, example another trillion dollars. A closer look at US Treasuries data reveals that the largest holders are domestic, After the collapse of three US banks linked to high Treasuries holdings in Q1, the news were reporting banks were holding an excessive number of Treasuries at low yields. If the banks need to accommodate more US debts, they will have to sell the low-yield ones to make room to take in higher-yield ones to avoid further losses. To back my assumptions, after the rough September month-end, Treasury yields eased, USD strength eased, and Equities showed signs of rebound.

In light of these insights, I conjecture that significant selling of Treasuries has been unfolding behind the scenes, masked by the clamour of the equities sell-off and the visible surge in USD purchases. After the unwinding was done with no side effect, we saw Treasury yields easing back from the high in early October. If my deduction is correct, we will probably see further action to attract global flows to USD and hopefully to US Treasuries. As for equities, strong employment and positive GDP should be positive for S&P500's soft landing expectation. Next key events will be US Q3 corporate earnings reporting.

Last Week 's Notable Events.

US Economy/Politics

- Fed Chair hears inflation, interest rates pain from small businesses – 3rd Oct.
- US job openings post largest increase in 2 years – 4th Oct.
- Rising long term interest rate are posing threat to US economic soft landing – 6th Oct.
- September jobs report shatters forecasts as Nonfarm Payrolls soar by 336,000 – 7th Oct.

Europe Economy/Equity

- Cost of UK national debt hits 20-year high – 4th Oct.
- Increase in bond yields may be excessive but is helping to tighten, says ECB Villeroy – 6th Oct.

Asia Pacific Economy/Equity

- World bank projects 5.1% growth for China in 2023 – 2nd Oct.
- Flight demand soars in Singapore due to Coldplay and Taylor Swift concerts – 3rd Oct.
- Thai economy recovery intact but inflation could impact growth – 4th Oct.

Weekly Data Monitor.

Performance

- High US rates and bond selling weighed on sentiment.
- Global HY ETF and Real Estate lead losses.
- USD strengthens.

INDEX	Weekly %	MTD %	YTD %	1YR %	3Y %	5Y %
Global Equity	-1.41	-1.39	8.53	14.33	19.46	37.34
Global Real Estate	-2.11	-2.06	-8.67	-2.96	-4.14	8.31
US Real Estate	-2.02	-1.98	-6.75	-1.55	1.01	14.69
APAC Real Estate	-1.99	-1.95	-10.87	-5.26	-21.16	-18.64
Investment Grade	-1.24	-1.22	4.57	6.85	3.14	14.79
High Yield Bonds	-0.80	-0.79	-2.98	1.23	-20.11	-7.62
Global HY ETF	-2.30	-3.86	1.56	12.79	15.89	25.65
ASIA Real Estate ETF	-2.96	-4.45	-15.52	-16.88	-22.94	-12.73
USD Index	0.20	0.19	2.76	-5.24	13.55	11.25

Weekly chart:

- Brent crude retreating.
- Gold on sell-off after stop loss triggered.

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

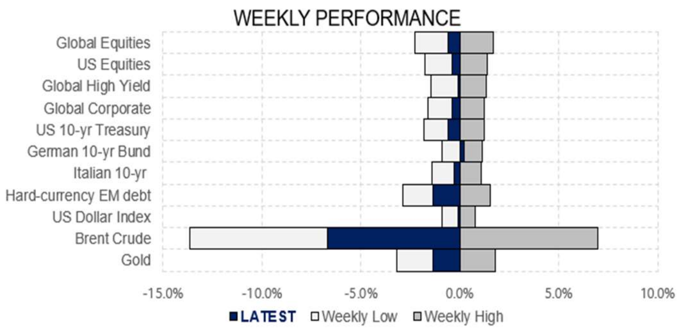


Chart of the Week.

S&P 500 chart demonstrated remarkable resilience in its Friday recovery, defying the conventional 'sell on good data' trend, especially in the wake of robust US Nonfarm Payroll data, as indicated by the chart on the right. The technical upswing was notably strong and appears poised to challenge the next resistance level in the upcoming session. However, for those anticipating further bullish movement, it's imperative to seek confirmation through price levels surpassing 4335. Additionally, a meaningful easing of Treasury yields will be crucial to fortify the rally.

Furthermore, a truly robust rally should witness the ascent of various sectors beyond Technology, such as Banking and Transportation, to ensure a broad-based market surge. It's worth noting that on October 13th, we anticipate the first batch of Q3 corporate earnings reports, particularly from major banks, which could significantly influence market sentiment and direction.