WEEKLY BULLETIN

October 2023: Issue #2

Quote of the Week.

War does not determine who is right – only who is left. – Bertrand Russell

Before one war ends, another begins, underscoring a perpetual concern. While the Israel/Hamas conflict's financial impact on the global market is limited to oil and gold, **astute investors** must remain wary of the hidden risks, akin to the Russia/Ukraine war. The potential escalation of hostilities involving Israel, Palestine, and potentially Lebanon and Iran in the Middle East raises critical concerns about the global economy. If tensions rise, the consequences could be far-reaching, encompassing the following area of concern:

Risk of Third Inflation wave

Just as the current inflation starting to ease globally, the conflict can potentially disrupt oil supplies and impact oil prices, as demonstrated by the initial 4% jump following the Hamas attack. Any further escalation or involvement of major oil-producing countries like Qatar or Iran could lead to more significant price spikes. Additionally, the ongoing conflict in Ukraine has already disrupted grain and energy supplies, contributing to rising global commodity prices.

Geopolitical Instability:

Geopolitical status quo has become increasingly unbalanced in the past few years, so the concurrent conflicts exacerbate geopolitical tensions, leading to further market uncertainty and affecting investor confidence if things get escalated out of hand like in Ukraine war. Geopolitical instability tends to create market volatility, potentially impacting equities, currencies, and commodities.

Trade Disruptions:

Both the Middle East and Eastern Europe are vital trade routes, and conflicts in these regions could disrupt maritime and land-based trade, impacting the global supply chain, production, and distribution of goods.

Potential for Recession in the US

The financial burden of funding multiple wars, coupled with the strain on resources and attention due to conflicts in the Middle East and Ukraine, raises concerns about a potential recession in the US. This could have a cascading effect on the global economy.

In conclusion, while pursuing a peace treaty remains the optimal choice for global stability and prosperity, it is crucial to acknowledge and prepare for the inherent complexities of such endeavors. Geopolitical conflicts involve multifaceted interests, historical grievances, and diverse stakeholders, making negotiations intricate. As investors, this complexity underscores the need to adopt a defensive stance in portfolio allocation if escalation rises. Diversification, a focus on stable sectors, and a keen awareness of geopolitical dynamics will fortify our investments, ensuring resilience amidst uncertainties. Embracing a cautious approach in this volatile landscape is a prudent step to safeguard our financial interests in an ever-changing world.

Last Week 's Notable Events.

US Economy/Politics

- Fed Vice Chair Jefferson says Fed can proceed carefully, mindful of yield rise – 10th Oct.
- Fed minutes flag high rates for 'some time' while risks shift – 11th Oct.
- Israel-Hamas war impact could tip global economy into recession – 13th Oct.

Europe Economy/Equity

- ECB Lagarde says ECB will act again if needed as rate impact gauged – 14th Oct.

Asia Pacific Economy/Equity

- Singapore, Thailand look to enhance economic cooperation on first official visit by PM Srettha – 13th Oct.
- China weighs new stabilization fund to prop up stock market – 13th Oct.
- China says Israel acting beyond scope of self-defence – 15th Oct.

Weekly Data Monitor.

Performance

- Short term recovery in Real Estate
- USD strengthens.

INDEX	Weekly %	MTD %	YTD %	1YR %	3Y %	5Y %
Global Equity	0.70	0.30	10.39	21.40	18.67	43.47
Global Real Estate	1.99	0.18	-6.58	4.18	-0.80	11.38
US Real Estate	1.75	0.01	-4.86	5.05	4.21	17.55
APAC Real Estate	0.23	-1.35	-10.32	1.27	-19.40	-15.36
Investment Grade	0.53	-0.68	5.14	9.20	3.19	15.66
High Yield Bonds	0.69	-0.34	-2.54	3.77	-20.03	-7.87
Global HY ETF	0.41	-1.00	3.11	17.53	15.09	25.56
ASIA Real Estate ETF	1.02	-3.46	-14.64	-11.05	-22.66	-10.67
USD Index	0.57	0.36	2.93	-5.96	13.74	12.11

Weekly chart:

- Brent crude strengthening.
- Gold spike higher on war effect.

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

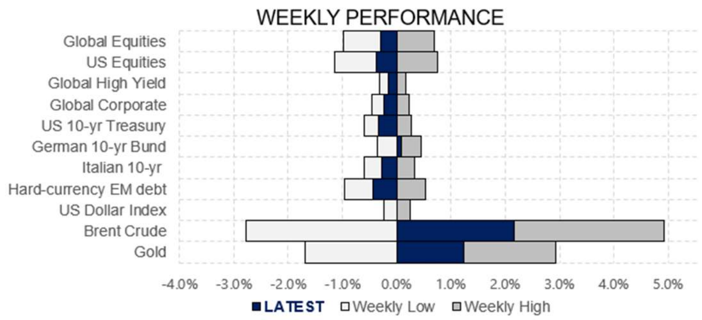
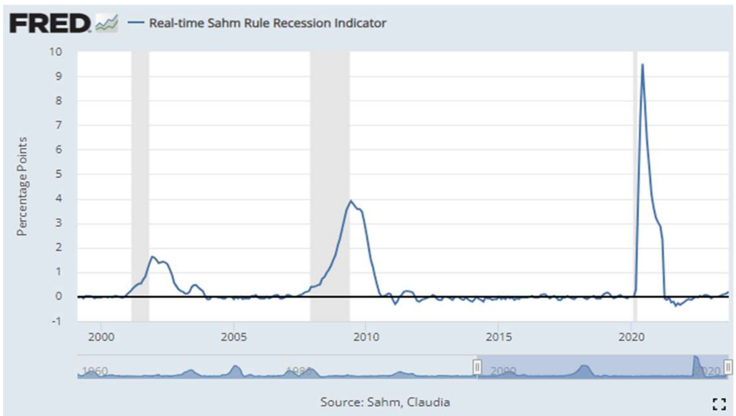


Chart of the Week.

While the risk of a recession in the US remains relatively low at current moment, standing above a positive 2% GDP growth and robust employment rates, it's essential to maintain vigilance and closely monitor any potential shifts, especially in light of the heightened geopolitical tensions and the possibility of the US becoming involved in more conflicts. Maintaining a watchful eye on recession indicators is a prudent approach.



One such valuable tool is the Sahm Recession Indicator, which tracks the three-month moving average of the national unemployment rate (U3). This indicator signals the onset of a recession when there is a 0.50 percentage point or more rise in the unemployment rate relative to its low over the past 12 months. Historical data has shown that readings above 0.4 have often been followed by economic downturns.

As of September 2023 (above chart, the Sahm Recession Indicator stands at 0.20, suggesting that the risk of an immediate recession is relatively moderate. However, given the potential impact of geopolitical events on the economic landscape, closely following and analyzing this indicator is prudent. It provides a valuable early warning system and allows for timely adjustments in investment strategies, helping investors to proactively navigate potential economic headwinds and ensure the resilience of their portfolios.