

# WEEKLY BULLETIN

November 2023: Issue #2

## Quote of the Week.

Bull markets are born on pessimism, grow on scepticism, mature on optimism and die on euphoria – John Templeton

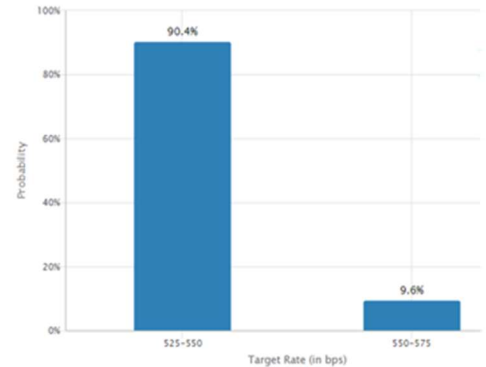
Greetings and welcome to another edition of our Weekly Investment Update! This week, we delve into the dynamic realm of market dynamics, shining a spotlight on the captivating performance of the FedWatch tool by CME Group's venerable oracle. As November unfolds, we witness a phoenix-like revival in US stocks, with FedWatch emerging as the unsung hero that skillfully guided investors through the tumultuous seas of September and October. I believe its predictive prowess has played a pivotal role in supporting the resurgence of both stocks and bonds in our most recent sessions.

In the financial theatrics of the second quarter, FedWatch has taken center stage, garnering a standing ovation with a remarkable 308% surge in media mentions compared to the previous year. This tool is the talk of the town, and rightfully so. Against the backdrop of this performance, Fed Funds futures volumes have surged, averaging 550,000 contracts daily through May—a significant leap from the 333,000 contracts in 2022. The drama reached its zenith with the Silicon Valley Bank bankruptcy, witnessing a daily futures volume spike to an unprecedented 2.6 million contracts, setting a new record.

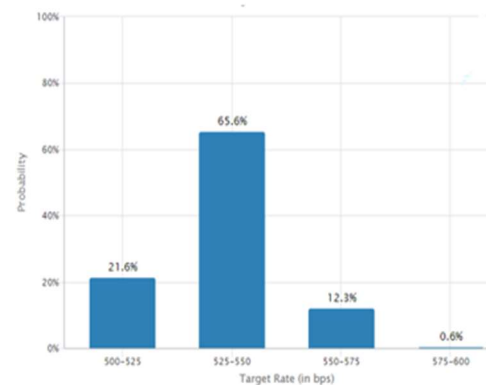
Envision this scene: Fed Chair Jerome Powell graces the stage on March 7, delivering Congressional testimony. True to form, FedWatch predicts a 0.5% rate hike, setting the stage for high anticipation. Then, an unexpected twist unfolds—the Silicon Valley Bank failure. The script flips, and expectations swiftly revert to a 25-basis points scenario, showcasing FedWatch's real-time responsiveness to market events.

I am inclined to believe that the bulls in the S&P 500 will continue to leverage FedWatch results to influence market activities. Examining the chart on the right reveals that a probability exceeding 65% of a Fed cut starting in March 2024 could be propelling short-term US stocks higher, as long as the Fed stays unchanged from December to early 2024.

TARGET RATE PROBABILITIES FOR 13 DEC 2023  
Current target rate is 5.25% - 5.50%



TARGET RATE PROBABILITIES FOR 20 MAR 2024  
Current target rate is 5.25% - 5.50%



## Last Week 's Notable Events.

### US Economy/Politics

- US lawmakers want Biden to hike tariffs on Chinese-made vehicles – 8<sup>th</sup> Nov.
- US economy scores low on new index measuring nation's well-being – 9<sup>th</sup> Nov.
- Nearly half of Democrats disapprove of Biden response to the Israel-Hamas war, polls show – 10<sup>th</sup> Nov.
- Moody's lowers outlook on US debt to negative – 11<sup>th</sup> Nov.

### Europe Economy/Politics

- UK asset management sees cautious growth after 2022 slump – 6<sup>th</sup> Nov.
- EU executive proposes to start membership talks to Ukraine once conditions met – 8<sup>th</sup> Nov.
- Mario Draghi delivers downbeat outlook for EU economic growth – 8<sup>th</sup> Nov.
- BOE Bailey warns of risks to world economy posed by fragmentation – 9<sup>th</sup> Nov.

## Asia Pacific Economy/Equity

- Huawei and Tencent spearhead China's hold on cybersecurity patents – 5<sup>th</sup> Nov.
- Japan retail, restaurant labour union to seek 6% wage hike in 2024 – 7<sup>th</sup> Nov.
- IMF upgrades China GDP growth forecasts for 2023 and 2034 – 7<sup>th</sup> Nov
- Singapore and Malaysia border SEZ in Johor state – 8<sup>th</sup> Nov
- Thailand October consumer confidence at more than 3 years high on government policies – 9<sup>th</sup> Nov

## Weekly Data Monitor.

### Performance

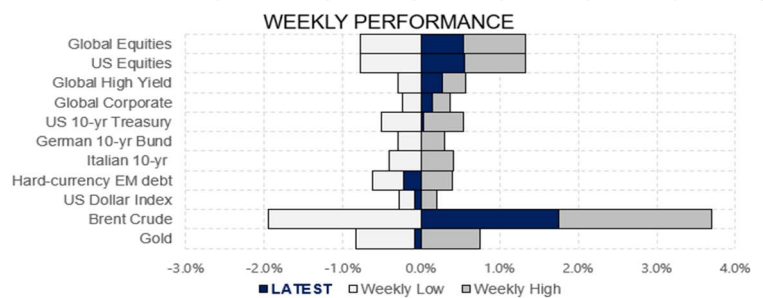
- Global Equities rally slowdown.
- Real Estates slide.
- USD weaken.

INDEX	Weekly %	MTD %	YTD %	1YR %	3Y %	5Y %
Global Equity	1.13	4.87	11.95	10.46	15.72	50.50
Global Real Estate	-0.70	3.06	-6.86	-7.51	-5.67	6.41
US Real Estate	-1.08	2.93	-5.58	-6.62	-1.53	12.75
APAC Real Estate	0.89	2.53	-11.75	-8.73	-25.56	-18.94
Investment Grade	0.52	2.18	6.91	7.58	3.18	19.31
High Yield Bonds	0.79	1.81	-1.63	0.18	-19.65	-6.19
Global HY ETF	-0.82	1.14	3.81	4.99	12.88	21.70
ASIA Real Estate ETF	1.03	3.07	-15.52	-15.70	-23.49	-16.08
USD Index	-0.20	-0.89	2.11	-0.89	13.97	9.20

### Weekly chart:

- Brent crude remains volatile.
- Gold prices easing.

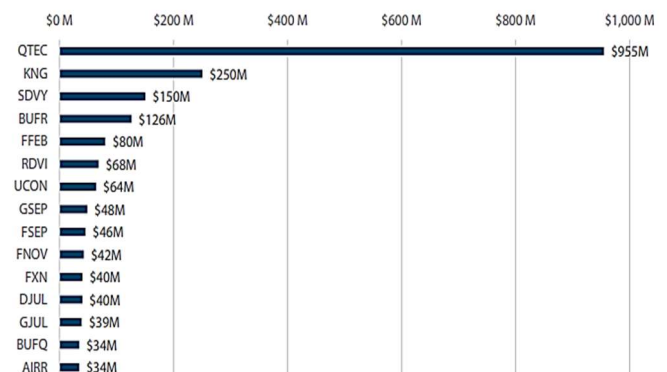
**Note:** The chart shows normalised weekly highs and lows for the Indicator, BLUE being the LATEST.



## Chart of the Week.

This week, I would like to draw attention to First Trust's updated Top Monthly Flows chart. Notably, a substantial portion of the highest inflows is directed towards QTEC – the Technology Sector ETF, amounting to \$995 million. Following closely are investments in KNG-FTCboe & S&P500 Dividend Aristocrats Target Income ETF, totalling \$250 million. This trend underscores the continued appeal of the technology sector in the US market, further reinforcing the significance of the 7 mega-cap technology stocks as major market influencers.

First Trust ETFs – Top Monthly Flows – September 2023 (\$ in Millions)



While I acknowledge the sustained profitability of these 7 mega-cap tech stocks on a global scale, I am beginning to have some concerns about potential overvaluation. This concern arises as the US persists in fragmenting global markets through ongoing trade wars and embargoes. Consequently, I anticipate periodic corrections during this gradual ascent as the Fed plays to the "soft landing" tune. Nevertheless, I foresee the bulls strategically rotating among the 7 major tech stocks, steering US stocks in a different direction if these companies can leverage the advantages of US trade dominance.

In light of these considerations, I suggest adopting a strategy that capitalizes on opportunities to 'buy on dips' within the 7 mega tech names. Additionally, it is prudent to uphold a well-diversified portfolio beyond the borders of the US. This approach aims to mitigate the risk associated with substantial pullbacks, especially in the face of concerns such as heavy debt or the potential ramifications of a recession triggered by the adverse effects of de-globalization on the US economy.

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