WEEKLY BULLETIN

November 2023: Issue #3

Quote of the Week.

The market can stay irrational longer than you can stay solvent – John Maynard Keynes

The recent performance of the U.S. stock market has been unbelievably good, with the S&P 500 experiencing a robust rally, fuelled by a $2.7 trillion surge in November. The primary driver behind this surge has been the widespread belief that the Federal Reserve is poised to conclude its tightening cycle to avert a potential recession.

As of now, the S&P 500 has notched its third consecutive week of gains, marking the longest winning streak since July. Despite concerns about the market being "overbought," signs of a potential breather, and technical and macroeconomic headwinds building, the index continues to trade above 4,500.

While the market has witnessed an "epic risk rally," caution is advised. The recent surge in global stock funds, with the second-largest inflows of the year, suggests that investor optimism is high. However, Fed hike end is not confirmed, caution against prematurely embracing rate cuts, emphasizing a waiting game until 2024.

In terms of stock valuations, the analysis by Bloomberg Intelligence reveals that high-quality stocks have become significantly more expensive compared to the overall market and low-quality counterparts. This echoes historical patterns observed in 2020 and 2008-2009, times of market turmoil.

The current environment, characterized by a rapid market turnaround, rising valuations of high-quality stocks, and mixed signals from the Federal Reserve, prompts a careful assessment of risk and reward. As the market consolidates in a tight range, there is acknowledgment of potential short-term pullbacks.

In conclusion, while the U.S. market appears poised to extend its rally, a small correction might be in the cards. The delicate balance between optimism and caution should guide investment decisions. Monitoring key indicators, including Fed statements, inflation trends, and market valuations, will be crucial in navigating the evolving landscape. As the market continues its crazy run-up, strategic positioning and readiness to adapt to changing conditions will be essential for investors seeking to capitalize on opportunities while managing risks effectively.

Last Week 's Notable Events.

US Economy/Politics

- Moody's warning on the massive US debt burden has turned into a non-event - 13th Nov.
- US economy cools as retail sales dip, monthly producer prices decline – 16th Nov
- Biden tells corporate leaders stable US-China ties benefit the world – 17th Nov
- Fed Collins says more rate hikes can't be taken off the table yet.

Europe Economy/Politics

- Germany homebuilding collapse threatens wider economic damage – 12th Nov
- EU agrees to mineral supply targets to cut reliance on China – 16th Nov
- Brussels cuts EU growth forecast again to just 0.6% this year – 16th Nov

Asia Pacific Economy/Equity

- Double 11 shopping gala testifies China's robust recovery of consumption – 13th Nov
- Shipping shifts from jackpot to job cuts after US$364 billion boom – 13th Nov
- India considering slashing EV tariffs to lure Tesla – 13th Nov
- Xi willing to push for greater China-Mexico cooperation – 17th Nov
- China, Japan reaffirm strategic relations in rare leader talks – 17th Nov

Weekly Data Monitor.

Performance

- Global Equity driven high by US indexes.
- Real Estates recovered on Fed pause expectations.
- USD weaken.

INDEX	Weekly %	MTD %	YTD %	1YR %	3Y %	5Y %
Global Equity	2.89	7.81	15.08	13.28	18.24	57.23
Global Real Estate	4.43	8.60	-1.85	-3.29	0.47	12.89
US Real Estate	4.36	8.52	-0.46	-2.22	5.19	19.42
APAC Real Estate	3.47	6.33	-8.48	-5.07	-23.85	-17.69
Investment Grade	0.87	3.05	7.81	8.29	3.43	21.43
High Yield Bonds	1.89	3.73	0.23	1.38	-18.71	-4.89
Global HY ETF	3.46	3.73	7.10	8.03	15.92	23.27
ASIA Real Estate ETF	3.62	6.67	-12.57	-12.38	-21.28	-15.07
USD Index	-1.87	-2.78	0.17	-3.03	12.23	7.08

Weekly chart:

- Brent crude remains volatile.
- Gold prices consolidates.

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

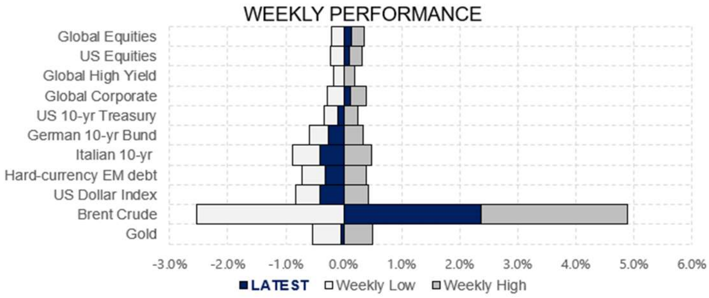
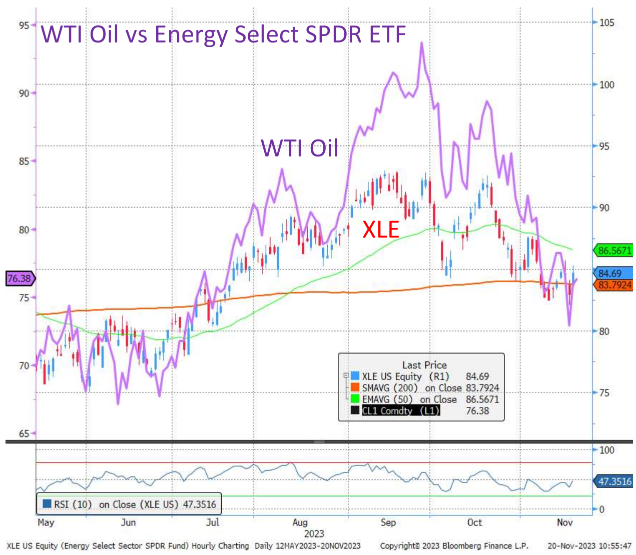


Chart of the Week.

This week, our scrutiny extends to WTI crude oil and the Energy Sector SPDR ETF (XLE) as pivotal indicators of inflation. Given the substantial influence of energy prices on the US Consumer Price Index (CPI), closely monitoring the XLE chart becomes essential for anticipating Federal Reserve actions.

An additional layer to consider is the intricate relationship between the Fed's stance on inflation and the dynamics of WTI Oil futures. As long as the Fed remains committed to combating inflation, there is a discernible incentive to sell WTI Oil futures down. In navigating this scenario, it's advisable to exercise caution with investments in Oil stocks for the time being.



Examining the XLE chart offers valuable insights. A trend towards 80 suggests a potential pause in the Fed's rate hike actions, providing a temporary reprieve. Conversely, should the trend approach 90, it could reignite concerns about further rate hikes, prompting a re-evaluation of market expectations.

In summary, the interplay between WTI crude oil, XLE, and the Federal Reserve's inflation-fighting stance forms a complex web of indicators. Keeping a keen eye on these metrics provides investors with a comprehensive understanding of potential market shifts, enabling informed decision-making in response to evolve monetary policy dynamics.