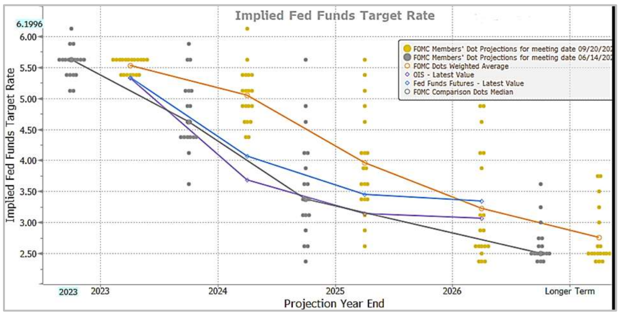
MONTHLY BULLETIN

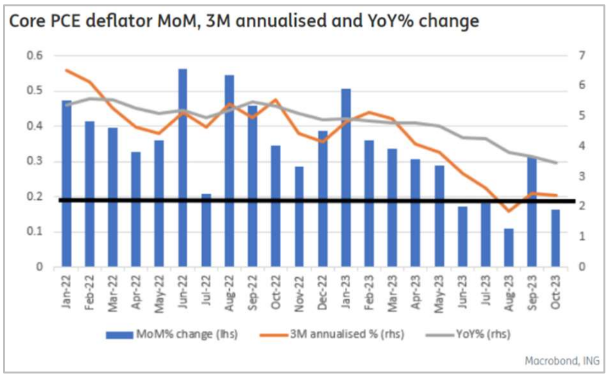
December 2023

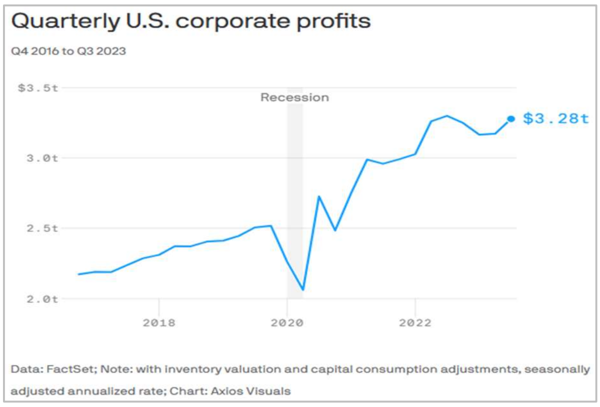
Monthly Perspective

Thought of the Month

Market reversal sparks optimism amidst risks.







Investor confidence, akin to a roller coaster ride, experienced a welcome reprieve in November after enduring three consecutive months of market turbulence from August to October. During this transformative period, the narrative underwent a dramatic shift, witnessing positive performances prevailing across the board and instilling a renewed sense of optimism among investors. This positive sentiment was fuelled by the prevailing belief that interest rates were poised to decrease, as indicated by the Fed dot-plot chart. Additionally, the lower inflationary trajectory, evident in the Core PCE chart pointing downward, contributed to this optimistic outlook. Coupled with the assurance of robust earnings, as highlighted by the Q3 corporate Profit chart on the right, the markets adopted a perspective that viewed the proverbial glass as half full in the penultimate month of 2023.

US Market Leads the Charge:

The US emerged as the leader, boasting returns of almost 9% in Nasdaq and nearly 8% in S&P500 in November. The anticipation of a business-friendly interest rate environment and strong earnings from major tech players like NVIDIA played pivotal roles in this resurgence. However, concerns arose as these tech giants now constitute a historically significant proportion of leading indices, posing a risk of overreliance on their performance.

Global Equities Face Mixed Fortunes:

Contrary to initial expectations, November presented a nuanced picture for global equities, marked by diverse performance trends. The index we monitor encountered a decline of -1.01%, diverging from the anticipated surge. This unexpected downturn was primarily influenced by shifting investor sentiments, favouring Japanese and Indian markets while showing reluctance toward Chinese stocks. The prevailing investment landscape revealed a distinct preference for certain regions, challenging the earlier optimism. This nuanced scenario

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diverged from the optimistic narrative, introducing a dynamic element to the market outlook. While the expectations of interest rate stabilization persist, regional disparities have emerged, reshaping the trajectory of global equities.

Sectoral Winners and Losers:
Information technology emerged as the big winner on the sectoral front, posting an impressive 13.6% return, driven by robust earnings. Consumer discretionary and financials also thrived due to improving financial conditions and expectations of lower interest rates. However, Chinese equities faced headwinds, posting slight negative returns amid a challenging regulatory environment.

Global Sovereign Bonds Make History:
Global sovereign bonds experienced their most substantial rise since May 1995, setting the stage for a potential bull market.

Federal Reserve and Market Dynamics:
The Federal Reserve continued to be a key driver of market movements, with recent dovish signals and declining yields providing tailwinds for stocks. As the year concludes, all eyes are on the Federal Open Market Committee's December meeting for any indication of interest rate adjustments and their rationale.

China's Contrasting Fortunes:
While global markets flourished, China's leading index faced headwinds, falling 2% in November and marking its fourth consecutive monthly decline. Concerns over the regulatory environment and geopolitics deterred investors, with foreign direct investment experiencing its first-ever quarterly deficit.

Outlook and Caution:
As November concluded, investors are left wondering if there's enough momentum for a December rally. The S&P 500 and Nasdaq Composite closed the month near their 52 weeks highs, reflecting a swift reversal from the third-quarter selloff. However, caution persists, especially with the market seemingly heavily banking on a soft-landing scenario, which could be easily rattled by OPEC+ production cuts or escalation of war in the Middle East—both remain uncertain and outside the control of the US. The only positive factor I see in the current market momentum is stepping into the US election year in a month's time. As we navigate the final stretch of 2023, the investment landscape remains dynamic, offering both opportunities and challenges for savvy investors.

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From the News Desk to the Investment Team

- UN says Gaza becoming a graveyard for children as Israel strike intensify – 6th Nov
- WeWork goes bankrupt, capping co-working company's downfall – 6th Nov
- UK asset management sees cautious growth after 2022 slump – 6th Nov
- Canada seen missing 2030 climate target due to government delays – 7th Nov
- RBA hiked 25bps to 4.35% to bring inflation down to target – 7th Nov
- French economy slows nearly to a halt as exports slump – 7th Nov
- China and Australia agree to improve trade ties at summit – 7th Nov
- Mario Draghi delivers downbeat outlook for Eu economic growth – 8th Nov
- Bond market crash leaves big banks with $650 billion unrealized losses – 8th Nov
- US economy scores low on new index measuring nation's well-being – 9th Nov
- BOE Bailey warns of risks to world economy posed by fragmentation – 9th Nov
- US lawmakers unveil bill requiring private equity firms to reveal China investment – 9th Nov
- Nearly half of Democrats disapprove of Biden response to the Israel-Hamas war, polls show – 10th Nov
- Fitch warns sustained high unsecured loan growth increases mispricing risk. Banks like SBI, ICICI Bank and Axis Bank face risk due to high unsecured loan growth – 10th Nov
- German homebuilding collapse threatens wider economic damage – 12th Nov
- Moody's warning on the massive US debt burden has turned into a non-event – 13th Nov
- US Consumer spending fell in October – 13th Nov
- Taiwan cabinet allocates NT$4 billion for hydrogen power plan – 14th Nov
- Brussels cuts EU growth forecast again to just 0.6% this year – 16th Nov
- Biden tells corporate leaders stable US-China ties benefit the world – 17th Nov
- Thailand GDP growth disappoints as exports weaken – 20th Nov
- Geopolitical instability and a packed election calendar have strategists wary of 2024 – 21st Nov
- Singapore pegs 2024 GDP growth between 1% and 3% - 22nd Nov
- McDonald's stake reacquisition reflects confidence in Chinese market – 23rd Nov
- ESG funds see record liquidations in 2023 – 23rd Nov
- US recession will prompt 175bps in Fed cuts next year, DB economists say – 28th Nov
- Bernstein: China EV maker should not be worth so much less than Tesla – 28th Nov
- US economy grows 5.2% in third quarter, higher interest rates eroding momentum – 29th Nov
- Chinese stocks record foreign selling streak extends into fourth month – 30th Nov

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Market Overview

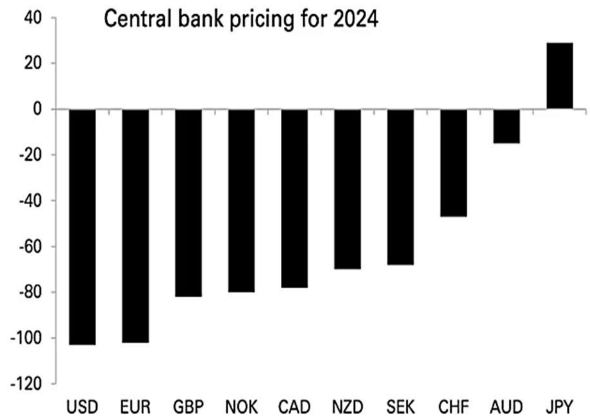
Market Watch

Equity Market Indexes	Current Price		MTD ▲	YTD ▲
MSCI Global Index	694.38		-1.01%	-6.74%
S&P500	4,567.80		7.79%	18.97%
Nasdaq	14,226.22		8.92%	35.92%
Mega Cap Tech	183.44		8.71%	85.27%
Japan TOPIX	2,385.11		3.21%	26.07%
Hang Seng Index	16,925.85		-1.03%	-14.44%
China CSI 300 Index	3,464.40		-0.30%	-10.52%
MSCI Singapore ishare	1,266.19		-1.01%	-6.74%
Emerging Markets	983.04		7.77%	3.21%
Fixed Income				
US 2 year Treasuries	4.68	%	-5.37%	5.70%
US 10 year Treasuries	4.33	%	-8.49%	11.80%
BBG US Agg.Corp Spread	3,087.21		4.96%	4.01%
BBG US HY Corp Spread	2,390.82		4.12%	9.37%
Currencies				
US Dollar Index	103.36		-3.30%	-0.16%
EUR	1.0905		3.17%	1.87%
GBP	1.2640		4.01%	4.59%
AUD	0.6611		3.41%	-2.96%
NZD	0.6165		5.44%	-2.93%
JPY	148.09		-1.90%	-11.44%
SGD	1.3374		-2.24%	0.16%
CNY (HK)	7.1448		-2.61%	-3.12%
BRL	4.9200		-2.35%	7.34%
Commodities				
WTI Oil	75.88		-5.28%	-5.44%
Gold	2,040.18		2.90%	11.85%
Silver	25.30		10.22%	5.62%
Baltic Dry Index	2,937.00		1.10%	0.94%

Chart of the Month

"It's sort of like a teeter-totter; when interest rates go down, prices go up" – Bill Gross

Fed is priced to cut more than anyone else



The Fed is expected to cut more than any other advanced nation central bank. (Deutsche Bank research) (Deutsche Bank research)

The prospect of central banks cutting interest rates has become a focal point for investors seeking to capitalize on market dynamics. The upcoming year, 2024, is poised to witness a significant narrative unfold as the United States leads the way with an expected 100 basis points (bps) rate cut, triggering a potential domino effect across the European Union (EU) and other G7 nations. This scenario, particularly the Federal Reserve's (Fed) decisive move, holds the potential to propel the US equity market to new heights, especially in a US election year which is generally positive for equities.

Driving US Equity Markets Higher:
The correlation between interest rates and equity markets is well-established. When interest rates decline, the cost of borrowing decreases, making it more attractive for businesses and consumers to invest and spend. As the Fed takes a proactive stance to stimulate economic activity, the US equity market stands to benefit from increased corporate earnings, improved consumer spending, and a generally positive economic outlook.

Potential Global Impacts:
While the US takes the lead in rate cuts, the global implications are expected to be felt across borders. As the world's largest economy, the US often influences the policy decisions of other major economies. The EU and other G7 countries, albeit with smaller rate cuts, may follow suit to ensure their competitiveness in the global market.

Investment Strategies for 2024:
Given this prospective landscape, investors may consider adopting a diversified approach to capitalize on potential opportunities. Sectors such as technology, healthcare, and consumer discretionary may benefit from increased consumer spending, while dividend-paying stocks could attract income-seeking investors in an interest-rate down-shift environment.

Conclusion:
As the financial world braces for the anticipated rate cuts in 2024, strategic investors should keep a keen eye on the shifting dynamics. The US, with its bold 100 bps cut, has set the stage for a potential equity market rally, creating a promising environment for those positioned to navigate the waves of change. While challenges and uncertainties persist, a well-thought-out investment strategy aligned with the evolving economic landscape may unlock hidden opportunities in the year ahead.

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November proved to be a resilient month for global markets, with U.S. and Asia Pacific stocks, led by Japanese benchmark closing positively. U.S. markets, including the Dow Jones and Nasdaq, experienced robust gains fuelled by strong corporate earnings and end of interest hike optimism. Thanksgiving added a touch of gratitude, emphasizing collective efforts to overcome challenges. The positive U.S. market momentum had a ripple effect globally, contributing to a favourable closing for Asia Pacific. The investment outlook remains cautiously optimistic, with a focus on economic indicators, geopolitical developments, and sectoral opportunities.

Investors are encouraged to stay vigilant, diversify portfolios, and embrace a global perspective as they navigate the final month of the year. Wishing all investors, a joyous and prosperous end to the year!

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