MONTHLY BULLETIN

January 2024

Monthly Perspective

Santa “Fed” delivers a pivotal Christmas gift to the markets.

As the curtains close on December, the S&P 500 concludes the year on a resounding note, encapsulating a period characterized by significant market swings. Notably, the market's resilience was anchored by the remarkable performance of the "magnificent seven" mega-cap stocks aligned with the AI theme. These stalwarts played a pivotal role in sustaining a bullish sentiment, particularly in sectors like Communication, Consumer Discretionary, and Technology, overshadowing the challenges faced by Utilities, Energy, and Consumer Staples – the lagging sectors of 2023. A late-year resurgence in real estate and healthcare, spurred by the Fed's indication of a rate cut in 2024, contributed to positive year-to-year returns.

Movers or Shakers	ETF	1Y%
Biotech	XBI US	7.60
Communication	XLC US	52.82
Consumer Disc	XLY US	39.64
Consumer Staples	XLP US	-0.82
Energy	XLE US	-0.63
Financial	XLF US	12.03
Healthcare	XLV US	2.07
Industrials	XLI US	18.13
Materials	XLB US	12.46
Real Estate	IYR US	11.89
Technology	XLK US	56.02
Utilities	XLU US	-7.18

Asia Pacific Dynamics: Navigating Geopolitical Currents

In the Asia Pacific region, the concept of "friend-shoring" from the West exerted a significant influence. Strong economic performances were observed in close allies of the United States, such as Japan and India, while economies closely tied to China grappled with foreign outflows. Despite robust government support and impressive earnings, benchmarks in Hong Kong and China remained among the region's weakest. Anticipating China's resilience and growth potential, I foresee concerted efforts by the Chinese government to fortify their market, buoyed by the region's overall growth prospects. Japan's benchmark, which outperformed in 2023, may face challenges in 2024 due to a potential tightening shift by the BOJ, while India's benchmark could continue to benefit from increased collaboration with the US but should remain vigilant against overshooting.

Impact of Fed Policies: Navigating Economic Crosswinds

The upward trajectory of the US equity market owes much to the Federal Reserve, which has signalled a potential cut in 2024. However, the economic landscape remains uncertain, marked by persistent inflation and escalating credit card debts straining consumer budgets. This cautious consumer behaviour could reverberate across various sectors, influencing earnings calls in 2024.

Investment Strategy for 2024: Navigating Market Currents

Financial advisors advocate caution against knee-jerk reactions to short-term market movements. Nonetheless, an opportune time for portfolio rebalancing may be on the horizon. Strategically trimming positions that have excelled and redirecting funds to underperforming areas, particularly in real estate and financial sectors. Given the anticipated trend of lower interest rates, the real estate and financial sectors may present attractive opportunities in 2024. Shifting focus away from large, fast-growing US companies towards smaller-cap stocks and emerging markets aligns with the anticipation of broad-based economic acceleration.

Recessionary Concerns: Rethinking Traditional Indicators

Contrary to historical norms, the housing market, often a harbinger of recessions, remains resilient, characterized more by a shortage than a crash. This supports the belief that a recession is currently remote.

Debt-Driven Strength and Potential Headwinds:

The robustness of the US equity market is rooted in substantial national debt spending. Yet, concerns arise regarding the sustainability of this spending spree, given the staggering total national debt and an annual interest payment approaching a trillion dollars. Despite adept management by the Fed, the looming spectre of a recession, especially with oil prices above $70 and two on-going wars, suggests a potentially bumpy landing for the US in 2024

In conclusion, the combination of lower interest rates, a resilient US economy, and the momentum in artificial intelligence positions markets for an upward trajectory in 2024. While challenges persist, strategic portfolio adjustments and a focus on enduring market dynamics can help investors navigate the uncertainties ahead and embark on a prosperous journey into the new year.

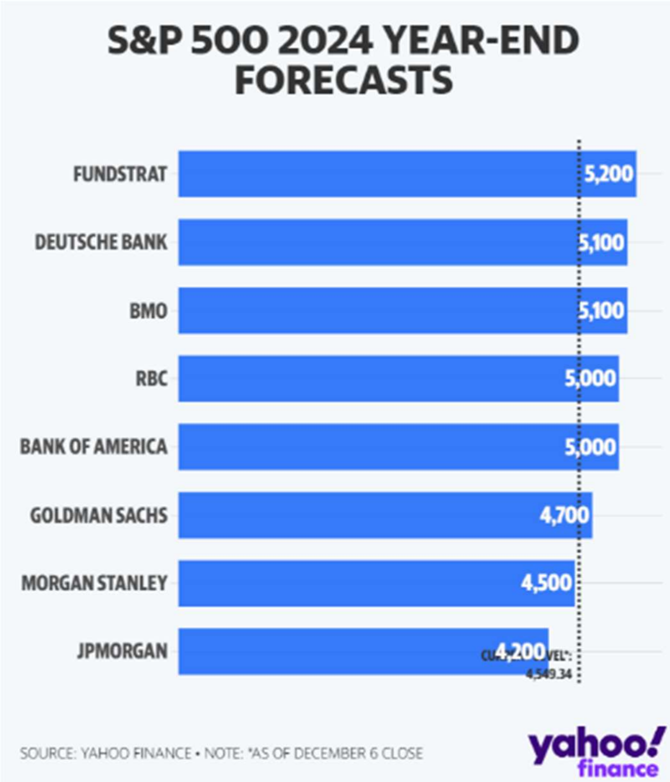
NEWS From the News Desk to the Investment Team

- India GDP increases to 7.6% in July-September – 1st Dec
- India to be world's third-largest economy by 2023, S&P Global ratings – 5th Dec
- Thai business group keeps 2023 growth forecast at 2.5% - 3% - 6th Dec
- Geopolitics and central banks could keep Gold demand hot in 2024, World Gold Council says – 8th Dec
- Japan Q3 GDP revised to annualized -2.9% vs preliminary -2.1%. Real wages -2.3%, household spending -2.5% in October – 8th Dec
- Apple to move key iPad engineering resources to Vietnam – 8th Dec
- China starts up World's first fourth generation nuclear reactor – 8th Dec
- US sanctions Chinese officials over Uyghur abuse – 8th Dec
- US stocks hit 20-month high as S&P500 notches longest weekly win streak in 4 years – 9th Dec
- US vetoes UN resolution demanding Gaza ceasefire – 9th Dec
- US economy adds more jobs than expected in November – 9th Dec
- Huawei to start building first European factory in France in 2024, source say – 12th Dec
- Singapore economy expected to grow by 1.8% y/y in 4Q2023, MAS survey – 13th Dec
- US bankruptcy wave may stretch into 2024, but pace could slow – 13th Dec
- Chinese Telecom giant Huawei pushes forward with ambitious plan to dethrone Android – 13th Dec
- US flash PMI ends 2023 at highest since July amid looser financial conditions – 15th Dec
- US sanctions tipped to drive China NAND leader out = 16th Dec
- UK infrastructure PE firm Actis exits first Vietnam investment – 19th Dec
- Philippine rates to stay higher for longer to tame inflation, central bank chief – 20th Dec
- Surging US oil production is helping defang geopolitics – 20th Dec
- Bird files for bankruptcy. The electric scooter maker was once valued at $2.5 billion – 20th Dec
- US Third quarter GDP growth revised to 4.9% to 5.2% – 22nd Dec
- Chinese developer Aoyuan files for US bankruptcy protection – 22nd Dec
- BOJ Ueda says no decision yet on timing of policy shift – 25th Dec
- China's Xiaomi unveils its first EV as it looks to compete with Porsche, Tesla – 28th Dec
- Singapore, Malaysia to raise consumption tax amid inflation fears – 28th Dec
- China economy had a miserable year. 2024 might be even worse – 29th Dec
- Vietnam sells around 10.3 million tons of carbon credits for first time – 30th Dec
- US debt mountain is growing so fast the government could soon be spending more on interest payments than on defense – 30th Dec
- China Dec manufacturing PMI falls to 49.0 vs last 49.4 – 31st Dec

Market Watch

Equity Market Indexes	29-Dec-23	WTD ▲	MTD ▲	YTD ▲
MSCI Global Index	727.08	0.82%	4.71%	20.10%
S&P500	4,769.83	0.32%	4.42%	24.23%
Nasdaq	15,011.35	0.12%	5.52%	43.42%
Mega Cap Tech	190.38	-0.25%	3.78%	92.28%
Japan TOPIX	2,366.39	1.28%	-0.36%	25.09%
Hang Seng Index	17,047.39	4.33%	0.03%	-13.82%
China CSI 300 Index	3,431.11	2.81%	-1.86%	-11.38%
MSCI Singapore ishare	1,335.38	3.32%	5.89%	-1.24%
Emerging Markets	1,023.74	3.17%	3.71%	7.04%
Fixed Income				
US 2 year Treasuries	4.25 %	-1.65%	-9.15%	-3.93%
US 10 year Treasuries	3.88 %	-0.36%	-10.30%	0.16%
BBG US Agg.Corp Spread	3,221.05	0.65%	4.34%	8.52%
BBG US HY Corp Spread	2,479.95	0.40%	3.73%	13.45%
Currencies				
US Dollar Index	101.33	-0.09%	-1.35%	-2.11%
EUR	1.1039	0.23%	1.39%	3.12%
GBP	1.2731	0.24%	0.85%	5.36%
AUD	0.6812	0.19%	3.13%	-0.01%
NZD	0.6319	0.37%	2.66%	-0.49%
JPY	141.04	0.96%	4.83%	-7.57%
SGD	1.3203	0.26%	1.27%	1.43%
CNY (HK)	7.1258	0.40%	0.28%	-2.94%
BRL	4.8572	0.08%	1.27%	8.01%
Commodities				
WTI Oil	71.65	-2.60%	-5.67%	-10.73%
Gold	2,062.98	0.48%	1.30%	13.10%
Silver	23.80	-1.62%	-5.84%	-0.66%
Baltic Dry Index	2,094.00	-10.82%	-28.70%	38.22%

Chart of the Month



In the realm of financial projections for 2024, the chart on the left paints a vivid picture of Wall Street analysts' bullish sentiments. Among the major investment houses, 5 out of 8 envision the S&P500 soaring to the 5,000 mark and beyond. However, a note of caution is sounded by Goldman Sachs, Morgan Stanley, and JPMorgan, advocating a more conservative stance amidst potential challenges to earnings and a global growth forecast that leans towards the subdued.

Understanding the spectrum of expectations, ranging from the optimistic to the cautious, is pivotal in shaping our strategic decisions for portfolio rebalancing. Acknowledging both the upside and downside potentials allows for a more informed and balanced approach.

Currently, my sentiment aligns with a degree of skepticism regarding the recent staggering rally in the S&P500 and Nasdaq. This exuberance appears somewhat overdone, primarily driven by the anticipation of a Fed interest rate reduction. However, the timing of such a move remains uncertain, potentially not materializing until the second half of the year.

In this landscape, I foresee the likelihood of increased volatility for the S&P500 in the first half of the year. The market may find itself grappling with uncertainties until concrete actions from the Fed materialize. My cautiously optimistic scenario envisions a consolidation higher for the S&P500 in the latter part of the year, contingent upon the actual initiation of rate cuts by the Fed in H2. A scenario that remains conditional and contingent on various economic factors unfolding as anticipated.

In essence, a balanced and adaptive strategy becomes paramount in navigating the intricate terrain of the market, considering both the potential for heightened volatility and the prospect of consolidation in the coming year. Prudence remains the guiding principle, particularly in a landscape where market dynamics are intricately intertwined with the actions of central banks and global economic indicators.

Unwrapping Financial Potential this Christmas season

As we approach the festive month of December, the quest for the perfect gift gains momentum. While traditional presents carry their timeless charm, a noteworthy trend is emerging, with an increasing number of individuals considering financial gifts as a pragmatic and thoughtful alternative. Financial gifts are now recognized as a considerate, timeless, and genuinely valuable choice for holiday presents, encompassing assets with the potential to appreciate over time, from stocks, bonds, and mutual funds to contributions to investment or retirement accounts.

The practical and versatile nature of financial gifts empowers individuals to make personalized choices, showcasing a thoughtful consideration of their financial well-being and future. This transcends the immediate joy of unwrapping a physical present, extending into the realm of long-term financial empowerment.

Depending on the chosen financial gifts, recipients stand to benefit from the power of compound interest, witnessing their money grow over time. This not only imparts a sense of financial literacy but also lays the foundation for a prosperous financial future.

This Christmas, let your gifts not only shine under the tree but also contribute to a brighter and more financially secure future for your loved ones. At New Dimensions Capital, we wholeheartedly embrace the traditional beauty of Christmas, and we are delighted to sit down and discuss various ways to customize these special financial gifts for your loved ones. Wishing you a Merry Christmas filled with joy and financial abundance!