NEW DIMENSIONS CAPITAL

WEEKLY BULLETIN

January 2024: Issue #3

Quote of the Week.

War doesn't bring solution, except more war, more hatred, more agony, more destruction – Tedros Adhanom Ghebreyesus

Key Highlights from Last Week:

1. Record Highs for S&P500 & Nasdaq:

US chipmakers and tech giants fueled a historic moment as the S&P500 and Nasdaq reached unprecedented heights. Lower Q4 earnings expectations contributed to easy revenue beats, fostering a short-term bullish trend. Majority of the US investors are betting high on soft landing scenario and have priced in a Fed cut as early as March. The key question now is "Will the Fed signal a rate cut soon?," posing a challenge to the current rally.

2. Hong Kong and China Markets Hit Multi-Year Low:

In stark contrast to the positive momentum in the US, Hong Kong and China faced challenges, leading to a significant 34.8% slump in the Hang Seng Index. Chinese authorities responded with a rescue package and a surprising PBoC U-turn to cut Reserve Ratio Requirement (RRR), potentially catching short sellers off guard. The stark divergence between the S&P 500's resilience and the Hang Seng's over 30% slump presents an intriguing investment opportunity.

3. Gaza War Spreads to the Red Sea:

Amid the Gaza war, Houthi attacks on Israel and Israeli-owned ships in the Red Sea have escalated, prompting a joint US-UK force response. The financial impact is underplayed by the media but shipping disruptions could elevate costs for businesses and supply chains in the next 2 quarters, potentially fueling inflation amid prolonged warfare in the Red Sea.

4. Dollar Outlook: Rise, Fall, or Resurgence?

Strong market expectations of a Fed cut in March weakened the US dollar path in Dec 2023. With the US economy at a crossroad, three scenarios for the USD emerge: (a) A slowed US economy prompts Fed rate cuts, leading to a progressively downward USD trend. (b) Geopolitical risks support a firmer USD. (c) US outperformance boosts USD holdings, not that US is doing well but expecting the world to lag US due to external factors such as de-globalization and friendshoring. At the current junction, Wall Street is betting high for scenario A.

5. Trump's Triumph in New Hampshire Primary:

Trump's victory over Nikki Haley in the New Hampshire primary propels him toward the nomination, marking a significant political development with potential implications for the financial landscape at the end of the year.

In summary, the S&P500's upward trajectory in Q1 presents heightened challenges amid escalating war factor, introducing uncertainties that could impact inflation and Fed policy. It's noteworthy that the Wall Street bulls will likely keep their momentum until significant adversities happened. Meanwhile, in Asia Pacific region, the prevailing theme of friendshoring continues to shape dynamics until we know who the next US President is. Currently, Chinese stocks show potential for a rebound given official support, yet skepticism from foreign media poses a formidable barrier since China is omitted from the friendshoring circle.

Last Week 's Notable Events.

US Economy/Politics

- US GDP grew at 3.3% rate in Q4 vs expectation 2.0%, last 4.9% – 25th Jan.
- US lawmakers moves bill to ban Chinese biotech firms from contracts on army link - 26th Jan.

Europe Economy/Politics

- UK army chief warns citizens to prepare for massive war with Russia – 25th Jan
- European Central Bank holds rates steady, give no hint at cuts ahead – 25th Jan.
- UK suspends trade talk with Canada after claims progress is not being made – 26th Jan.

Asia Pacific Economy/Equity

- Thailand rolls out new VAT refund for foreign tourists – 23rd Jan
- India overtakes Hong Kong as world's fourth-largest stock market – 23rd Jan
- Malaysia central bank keeps interest rates unchanged at 3%, remains wary of price risks - 24th Jan
- China weighs stock market rescue package backed by $278 billion - 24th Jan.
- China, Singapore agree visa-free deal or travel stays of up to 30 days – 25th Jan

Weekly Data Monitor.

Performance

- Record high US equities led the global index higher.
- Real Estates continue to decline
- USD consolidate ahead of FOMC

INDEX	Weekly %	MTD %	YTD %	1YR %	3Y %	5Y %
Global Equity	0.98	0.98	0.98	14.88	19.96	66.11
Global Real Estate	-1.06	-4.30	-4.30	-3.63	6.36	16.40
US Real Estate	-1.06	-3.87	-3.87	-1.18	12.55	25.06
APAC Real Estate	0.33	-5.47	-5.47	-13.48	-22.83	-23.27
Investment Grade	0.36	-0.07	-0.07	9.10	5.65	25.02
High Yield Bonds	-0.16	-2.33	-2.33	-0.05	-16.87	-4.70
Global HY ETF	1.23	-0.06	-1.05	1.97	11.81	22.81
ASIA Real Estate ETF	-0.49	-6.24	-6.24	-16.22	-17.48	-18.53
USD Index	0.17	2.15	2.15	1.55	14.27	8.02

Weekly chart:

- Brent crude surge
- Gold interest continue to drop.

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

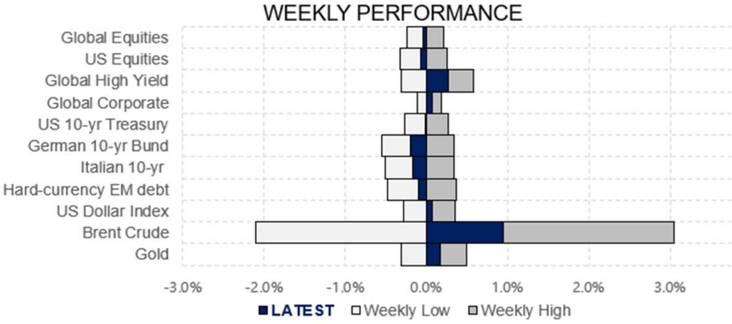
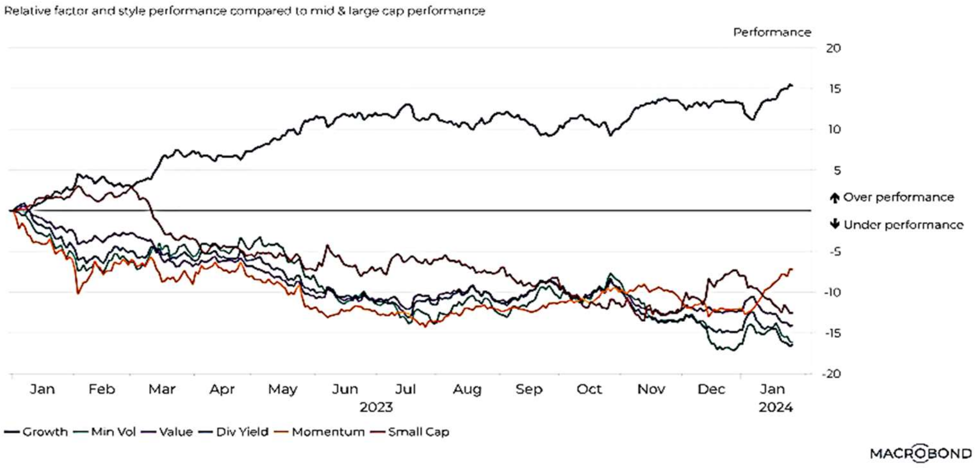


Chart of the Week.

Market Performance breakdown by investment style



The US stock market's gains have been narrowing – a theme we have revisited several times. The biggest gains have been concentrated in a small number of tech stocks in the growth sector.

This chart takes another look at this theme by breaking down 2023 market performance between investment styles, as defined by MSCI. The "growth stocks" strategy – defined as equities whose earnings are expected to grow more rapidly than the rest of the market – was the clear outperformer.