MONTHLY BULLETIN

February 2024

Monthly Perspective

“You pay a very high price in the stock market for a cheery consensus” – Warren Buffett

The unfolding of January has presented a dynamic interplay of global market forces, positioning the United States as a gravitational force for investments spanning both bonds and equities. The American economic terrain demonstrated its appeal through a robust 3.3% US GDP print and formidable employment figures, propelling Wall Street, particularly the S&P500 and Nasdaq, to shatter record highs throughout the month.

The allure of a potential "soft landing" evolving into a "no landing" scenario has captured Wall Street's attention, driven not only by economic indicators but also by the influential role of the media. Amidst the jubilation on Wall Street, the global landscape outside the US has taken on a more ominous tone, with conflicts in the Middle East simmering beneath the surface. Despite explicit warnings from UN officials and escalating shipping costs due to conflicts extending from Gaza to the Red Sea, both the Western media and Wall Street have maintained a restrained reporting stance. On January 30, MSC, the world's largest shipping company, and various trade experts emphasized to the US Congress that Houthi attacks in the Red Sea could significantly impact consumer prices. Nevertheless, the US stock market shrugged off these risks, concluding January at a record high, with WTI oil prices reaching a tad higher at $75.83 and gold maintaining a relatively subdued position at $2,042 per ounce.

Unexpectedly, the repercussions of higher risk of a “Fed Pause” and geopolitical unrest have reverberated in the Asia Pacific and Emerging markets. Several Asian markets retraced lower amid heightened expectations of a Fed pause on 31st Jan FOMC meeting. Hong Kong experienced a substantial decline fuelled by scepticism regarding the Chinese government's ability to stabilize the market, despite various official rescue initiatives. The ongoing race for Chinese regulators to stabilize the situation is expected to persist into February. In contrast, Japan stood out as an exception, enjoying robust support from Wall Street upgrades that attracted significant foreign inflows.

In 2024, global central banks face the intricate challenge of transitioning from inflation-limiting monetary policies to those mitigating recessionary risks, all while aiming for a soft economic landing. In Asia, the monetary policy landscape remains fragmented, with some markets already ahead of the US Federal Reserve, pausing interest rate hikes or reducing borrowing costs.

A significant challenge lies in the emerging global divide, with the US and its ally nations forming one cohesive bloc, while the rest of the world grapples with unique challenges. Over the past three months, stock picking via valuation methods have become increasingly intricate, with US indexes leading the charge to new high after new highs, followed by Tokyo and Europe, closely trailed the footsteps of the United States, whereas Chinese stocks face stronger external impacts than internal factors. Positive Chinese earnings often trigger subsequent US blacklisting, trade sanctions, or supply chain embargoes, complicating any form of Chinese officials' stabilizing rescue efforts. I suspect covert 'friendshoring' activities have spurred waves of capital outflows from the Chinese market, heightening challenges faced by the Chinese government. This "behind the scenes" escalating trade war risk complicates long-term investment decisions in Chinese stocks, as short-term mark-to-market losses could surpass 25%, ever for a good company which earns record sales.

In light of these observations, prudent asset allocation towards China necessitates caution. Emerging market is expected to do well in 2024 but may need to await a Fed signal for a cut before any bullish trend can take off. With deposit rates of most currencies on the decline, a resurgence of quality dividend stocks is anticipated in the second half of 2024. While allocation to US stocks appears imperative, a strategic preference for the technology sector, the highest revenue generator for the US market, is recommended but mindful of over valuation risk. Staying aligned with the winner remains a prudent approach in navigating these dynamic market conditions.

From the News Desk to the Investment Team

- US pushed ASML to block Chinese sales before January deadline – 2nd Jan
- UK fund manager has no plans to invest in China "anytime soon" – 4th Jan
- US lawmaker ask Biden administration to bar investments in China's Quectel – 5th Jan
- Biden administration staffers growing dissent against Gaza policy – 7th Jan
- Trump passes major US election test wit win in Iowa – 16th Jan
- German economy dodges recession despite shrinking 0.3% in 2023 – 16th Jan
- Singapore home sales fall to 15 year low as market cools – 16th Jan
- UK inflation rate surprises with rise to 4%, led by alcohol and tobacco – 17th Jan
- Japan received 25 million tourists in 2023, reaching 79% of pre-COVID level – 17th Jan
- Brevan Howard chief economist sees a recession coming in 2024 – 22nd Jan
- Europe travel strikes, flight and train disruption you can expect in Jan & Feb – 22nd Jan
- Hong Kong airport logs post-COVID record passenger numbers over festive season – 22nd Jan
- NABE survey shows more economists increasingly see US to avoid recession – 23rd Jan
- China witnessing their biggest weekly outflows since June 2022 – 23rd Jan
- China weighs stock market rescue package backed by $278 billion – 24th Jan
- Cost of shipping fuel to Asia jumps 182% since Yemen attack – 24th Jan
- German economy contracted in Q4, recession on the cards for Q1 – 31st Jan

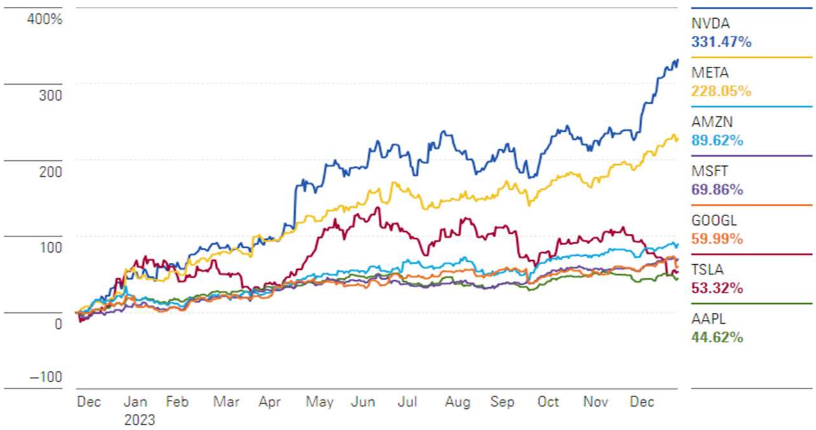
Market Overview

Market Watch

Equity Market Indexes	31-Jan-24	MTD ▲	YTD ▲
MSCI Global Index	730.84	-3.17%	-3.17%
S&P500	4,845.65	1.59%	1.59%
Nasdaq	15,164.01	1.02%	1.02%
Mega Cap Tech	200.35	5.24%	5.24%
Japan TOPIX	2,540.53	7.14%	7.14%
Hang Seng Index	15,485.07	-9.16%	-9.16%
China CSI 300 Index	3,215.35	-0.63%	-6.29%
MSCI Singapore ishare	1,294.26	-3.17%	-3.17%
Emerging Markets	980.59	-4.68%	-4.68%
Fixed Income			
US 2 year Treasuries	4.23 %	-0.48%	-0.44%
US 10 year Treasuries	3.94 %	1.39%	1.39%
BBG US Agg.Corp Spread	3,215.57	-0.17%	-0.17%
BBG US HY Corp Spread	2,479.85	0.00%	0.00%
Currencies			
US Dollar Index	103.27	1.92%	1.92%
EUR	1.0811	-2.13%	-2.09%
GBP	1.2683	-0.35%	-0.39%
AUD	0.6574	-3.51%	-3.52%
NZD	0.6123	-3.19%	-3.15%
JPY	146.77	4.17%	-4.01%
SGD	1.3395	1.46%	-1.48%
CNY (HK)	7.1842	0.82%	-0.85%
BRL	4.9559	2.02%	-1.98%
Commodities			
WTI Oil	75.83	5.54%	5.97%
Gold	2,042.20	-1.01%	-1.09%
Silver	22.99	-3.44%	-3.60%
Baltic Dry Index	1,397.00	-0.33%	-0.33%

Chart of the Month

Magnificent Seven Stock Performance



Data as of Feb 1, 2024. Source: Morningstar Direct, Morningstar Indexes.

Recent earnings reports from the "Magnificent Seven" stocks—Nvidia, Tesla, Meta Platforms, Apple, Amazon.com, Microsoft, and Alphabet—underscore their pivotal role in driving the stock market's rally. Despite beating Wall Street forecasts, market reactions have been mixed, signaling the high bar set by their previous stellar performance as shown by the chart on the left side.

These stocks collectively account for a quarter of the Morningstar US Market Index, exerting significant influence on investors' portfolios. Notably, five of them (excluding Apple and Tesla) were responsible for 98% of January's index gains.

Revenue growth is accelerating for these companies, buoyed by recovering online advertising revenues and increased tech spending. This, coupled with disciplined cost management, instills confidence among investors. Their success is starting to impact related sectors, fostering optimism for a broader market rally. Speculation about potential Fed rate cuts adds further momentum for every FOMC meeting.

In conclusion, while challenges persist in meeting elevated expectations, the Magnificent Seven's resilience and market impact continue to offer insights and opportunities for investors.

New Dimensions Capital

A new year brings new hopes and new expectations

January heralds the dawn of new beginnings, fresh resolutions, and lofty targets. In the realm of finance, it marks a time brimming with new forecasts and emerging themes, born from our worldly wisdom gleaned from the events of 2023, poised to extend into 2024. At New Dimensions Capital, we are privileged to curate diverse insights from various Wall Street banks, funds, and macro analysts. Through meticulous analysis and synthesis of this wealth of information, we sculpt our financial strategy for the year ahead. Our assessment leads us to advocate for an approach akin to ascending a spiral staircase in 2024. It requires navigating the intricate web of geopolitics and the turbulent landscape of conflict with careful, deliberate steps, to be taken one step at a time for us to ascend to the top. If you're intrigued to discover what insights we have to offer, we warmly invite you to engage with us. Kindly set aside at least 45 minutes for a meeting, allowing us ample time to share our perspectives with you. Wishing everyone a prosperous and fulfilling 2024.