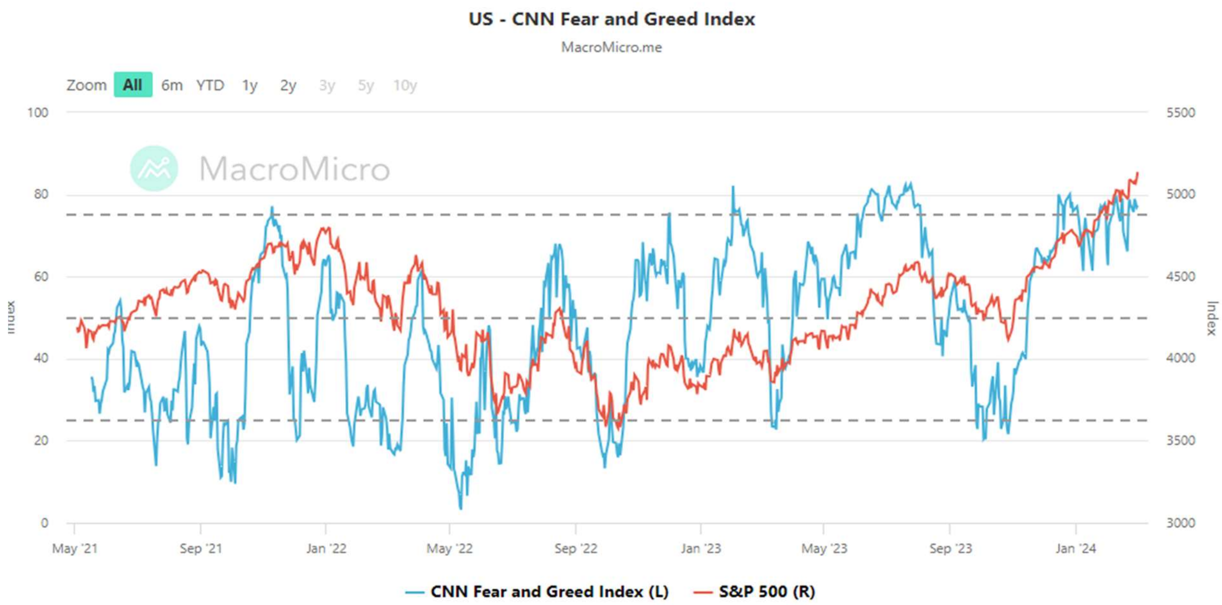
MONTHLY BULLETIN

March 2024

Monthly Perspective

"The stock market is filled with individuals who know the price of everything, but the value of nothing." - Philip Fisher



In February, the S&P 500 and Nasdaq once again reached multiple record highs, driven by strong demand for AI technology and growing calls for a Fed rate cut. However, beneath this apparent surge lies a complex interplay of market dynamics.

Despite concerns about inflation and geopolitical tensions such as conflicts in Gaza and the Red Sea, Wall Street remains optimistic. Investors are hopeful about the potential for a Federal Reserve rate cut, which has overshadowed worries about increasing US debt and global unrest.

Fourth-quarter earnings have been strong, with approximately 80% of S&P 500 companies exceeding earnings estimates. However, it's important to consider this performance within the context of lowered initial expectations. Forecasts for fourth-quarter earnings growth were notably revised downward since October, indicating the challenges facing corporate America.

Looking ahead, while some companies have issued cautious guidance, market sentiment remains positive. While the CNN Greed Index (refer to the chart above) has reached extreme levels, prudent investors are mindful of the risks associated with chasing short-term gains.

Historical parallels offer valuable insights. Presidents Reagan and Hoover, proponents of laissez-faire economics, promoted the idea that market forces should be largely unregulated. However, their policies, while initially promising reduced government intervention, ultimately faced economic challenges. Reagan's reliance on Keynesian economics led to a significant increase in the national debt, while Hoover, despite advocating for a balanced budget, expanded debt to address economic crises.

In today's context, the growing national debt challenges the notion of a purely free market. Despite advocating for unregulated capitalism, government intervention through spending and taxation has historically influenced economic outcomes.

While market enthusiasm may be driven by short-term considerations, prudent investors recognize the importance of patience and careful analysis. Instead of succumbing to FOMO (fear of missing out), they approach the investment landscape with caution, waiting for opportunities where valuations align with intrinsic worth.

In conclusion, while market exuberance may be present in the short term, a balanced approach grounded in historical context and economic theory offers the best chance for sustainable investment success. It's essential for investors to maintain a measured perspective, acknowledging both the opportunities and risks inherent in today's market environment.

NEWS From the News Desk to the Investment Team

- US Nonfarm Payroll surge 353,000 in January vs 180,000 forecast – 2nd Feb
- China regulator announces more curbs on short-selling – 6th Feb
- Thailand's 2023 GDP growth slows to 1.9% on weak exports – 19th Feb
- Bad property debt exceeds reserves at largest US banks – 20th Feb
- Fed worried about cutting rates too soon, minutes of January meeting show – 21st Feb
- China tightens reins on quant trading after 3 day ban on fund – 21st Feb
- China tourists push Singapore's January visitor arrivals to new post-COVID high – 21st Feb
- After decades touting openness, Singapore sees foreign meddling threat – 27th Feb
- China's Greater Bay Area launches new version of cross-border Wealth Management Connect – 27th Feb
- US Q4 GDP growth revised lower to 3.2% from 3.3% - 28th Feb
- HK economy to expand 2.5% - 3.5% in 2024, property tightening measures scrapped – 28th Feb
- Malaysia to sign Free Trade pact with UAE in June – 28th Feb
- US probes security risks in Chinese cars, mulls curbs – 29th Feb
- Taylor Swift's Singapore-only shows have neighboring governments seeing red – 29th Feb
- US National debt is projected to reach $54.39 trillion by 2034 - 29th Feb

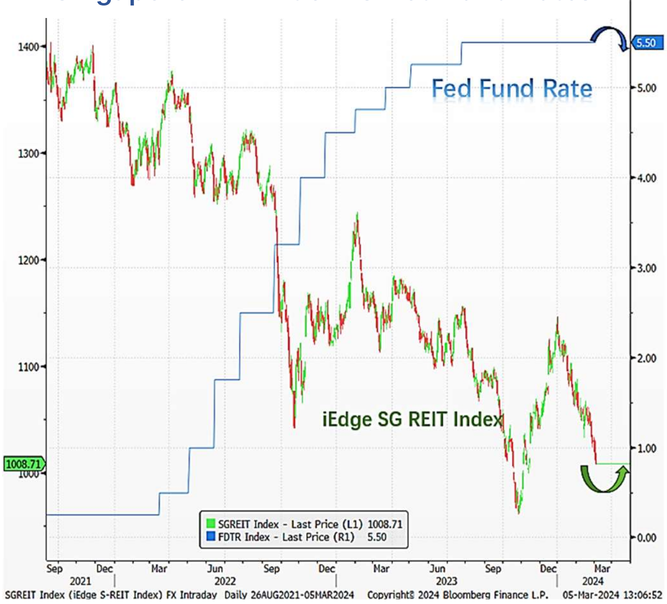
Market Overview

Market Watch

Equity Market Indexes	29-Feb-24	MTD ▲	YTD ▲
MSCI Global Index	761.28	4.17%	4.72%
S&P500	5,096.27	5.17%	6.84%
Nasdaq	16,091.92	6.12%	7.20%
Mega Cap Tech	223.78	11.69%	17.54%
Japan TOPIX	2,675.73	4.89%	13.07%
Hang Seng Index	16,511.44	6.63%	-3.14%
China CSI 300 Index	3,516.08	9.35%	2.48%
MSCI Singapore ishare	1,309.38	1.26%	-1.95%
iEdge Singapore REIT	1,029.14	-5.13%	-22.93%
Emerging Markets	1,020.94	4.63%	-0.27%
Fixed Income			
US 2 year Treasuries	4.62 %	9.79%	8.68%
US 10 year Treasuries	4.25 %	8.63%	9.57%
BBG US Agg.Corp Spread	3,167.24	-1.50%	-1.67%
BBG US HY Corp Spread	2,487.09	0.29%	0.29%
Currencies			
US Dollar Index	104.16	0.85%	2.79%
EUR	1.08	-0.12%	-2.12%
GBP	1.26	-0.50%	-0.83%
AUD	0.65	-1.08%	-4.62%
NZD	0.61	-0.49%	-3.67%
JPY	149.98	-2.08%	-6.34%
SGD	1.35	-0.36%	-1.92%
CNY (HK)	7.21	-0.29%	-1.15%
BRL	4.97	-0.31%	-2.34%
Commodities			
WTI Oil	78.26	3.18%	9.23%
Gold	2,044.30	0.23%	-0.91%
Silver	22.68	-1.23%	-4.71%
Baltic Dry Index	2,111.00	51.00%	0.81%

Chart of the Month

Singapore REIT Index vs. Fed Fund Rates



Singapore Real Estate Investment Trust (S-REIT) sector has weathered significant challenges in the past 18 months, particularly amidst elevated Fed fund rates and shifting market dynamics. However, as we move into the latter half of 2024, there are encouraging indications of a potential turnaround, especially with the Federal Reserve signaling a possible rate cut in their FOMC dot-plot forecast.

Throughout 2022 and into 2023, S-REITs encountered substantial headwinds, primarily driven by rapid interest rate hikes that impacted borrowing costs, property valuations, and distributions. This resulted in a notable sell-off in the sector, particularly affecting office REITs with assets based in the US, influenced by changing work dynamics accelerated by the pandemic. Furthermore, lower property valuations led to breaches of loan covenants for some REITs, prompting efforts towards recapitalization and asset sales to mitigate financial risks.

In response to the underperformance of REITs, foreign investors have been reallocating funds to other high-yield products and short-term Treasury bills. However, as rates are anticipated to decline in 2024, there is potential for a shift in investor sentiment back towards REITs, particularly given their currently attractive valuations and well-managed portfolios, especially those with significant assets in Singapore.

The potential for a turnaround hinges significantly on the Federal Reserve's indication of a rate cut. While we witnessed a recovery in the December period when the Fed signaled a path towards a rate cut in 2024, this was disrupted in January when the Fed preferred to hold rates unchanged, likely to ensure that inflation was not affected by new Middle East conflicts. Nonetheless, there are strong cases for the Fed to enact their forecast for a rate cut eventually in the latter half of 2024, which could alleviate some of the pressure on S-REITs, making them more attractive relative to other assets.

Investors should maintain a long-term perspective, diversifying within the S-REIT sector to mitigate risks associated with specific property types.

In conclusion, despite recent challenges, the prospect of a rate cut in late 2024 offers optimism for the S-REIT sector. Investors should consider the potential for growth and income generation over the medium to long term.

New Dimensions Capital

Tossing for Prosperity – Finding Abundance in the Markets”

As February heralds the festive spirit of Chinese New Year in Singapore, the tradition of Lohei, or the tossing of raw fish salad, comes to mind—a cherished highlight of the celebrations. This vibrant ritual not only delights the senses but also symbolizes the embrace of abundance and prosperity into our lives.

In Lohei, each ingredient in the salad carries its own auspicious meaning, embodying well-wishes for the year ahead. Similarly, in the realm of investment, every decision we make holds significance, capable of shaping our financial destinies. Much like diners coming together to toss the salad high, seeking greater prosperity, investors collaborate in the dynamic marketplace, striving to elevate their portfolios. This collective effort fosters unity and purpose, amplifying the potential for success.

At NDC, we understand the value of fostering strong partnerships, akin to the bonds forged during Lohei. As we extend warm wishes to our esteemed partners and clients for a prosperous Year of the Dragon, we invite you to join us in a journey of growth and prosperity in the investment world.

Just as Lohei transcends generations, our commitment to delivering exceptional value is deeply ingrained in our company culture, enduring beyond time and borders. In this auspicious season, let us embrace the spirit of abundance and embark together on a path towards financial success. As we raise our chopsticks in celebration, may our investments soar, bringing prosperity and fulfillment to all.

Wishing you a joyous and prosperous Year of the Dragon!