NEW DIMENSIONS CAPITAL

WEEKLY BULLETIN

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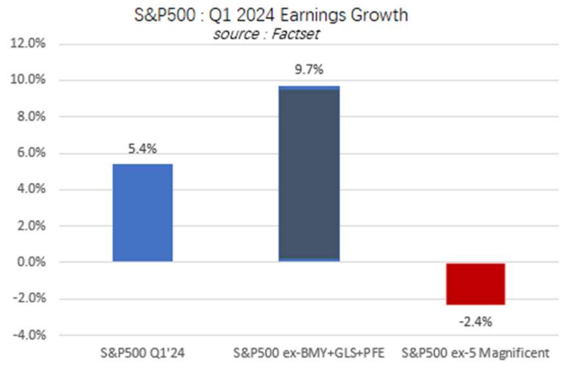
Quote of the Week.

It's only those who are persistent and willing to study things deeply, who achieve the master work – Paulo Coelho

Key Metrics

- **Earnings Scorecard:** For Q1 2024 (with 92% of S&P 500 companies reporting actual results), 78% of S&P 500 companies have reported a positive EPS surprise and 59% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q1 2024, the blended (year-over-year) earnings growth rate for the S&P 500 is 5.4%. If 5.4% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q2 2022 (5.8%).
- **Earnings Revisions:** On March 31, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q1 2024 was 3.4%. Ten sectors are reporting (or have reported) higher earnings today (compared to March 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q2 2024, 51 S&P 500 companies have issued negative EPS guidance and 36 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 20.4. This P/E ratio is above the 5-year average (19.1) and above the 10-year average (17.8).



The recent Factset report presents an intriguing picture of the S&P500 earnings season, with 78% of companies reporting a positive EPS surprise and 59% reporting positive revenue. While these figures have undoubtedly contributed to the S&P500's resilience and flirtation with record highs, it's imperative to scrutinize the finer details beyond surface-level optimism.

Delving deeper, some concerning trends emerge, particularly against the backdrop of lofty valuations. Firstly, a closer look reveals that more companies have issued negative EPS in Q2 compared to those reporting positive earnings. This disparity raises questions about the sustainability of the current market exuberance.

Secondly, removing the influence of the standout five companies from the indexes exposes a net negative impact of -2.4%. This indicates that the bulk of earnings growth is concentrated in a handful of firms rather than reflecting a widespread improvement across the S&P500.

Thirdly, despite the market testing record highs, it's essential to note that PE ratios are currently above the 10-year average. This suggests that stocks may be overvalued, especially considering the uncertain economic environment and the Federal Reserve's hawkish stance.

In light of these factors, prudence is warranted. While every investor desires a buoyant market, it's crucial to temper enthusiasm with a critical assessment of underlying fundamentals. Failure of earnings to justify further stock price escalation could precipitate a significant correction, particularly in the face of tightening monetary policy. Thus, a cautious approach seems prudent amidst the signs signaling potential turbulence ahead.

Last Week 's Notable Events.

US Economy/Politics

- Biden to put tariffs on China medical supplies – 10th May
- Israel due to get billions of dollars more in US weapons despite Biden pause – 10th May

Europe Economy/Politics

- EU tariffs on Chinese EVs could backfire, German car bosses warn – 8th May
  Europe must close productivity gap with US to lift growth, says Riksbank chief -9th May
- Limited gains from Xi's Europe trip suggest more troubled times ahead for China-Europe relations – 11th May

Asia Pacific Economy/Equity

- Amazon Web Services announces $9 billion cloud investment in Singapore – 8th May
- Hong Kong woos Saudi money in attempt to revive stock market – 9th May
- Domestic tourism soars in China but foreigners stay away – 10th May
- China SMIC predicts fiercer price war for less advanced chips – 10th May

Weekly Data Monitor.

Performance

- Record US equities continue to support global equity higher.

Weekly chart:

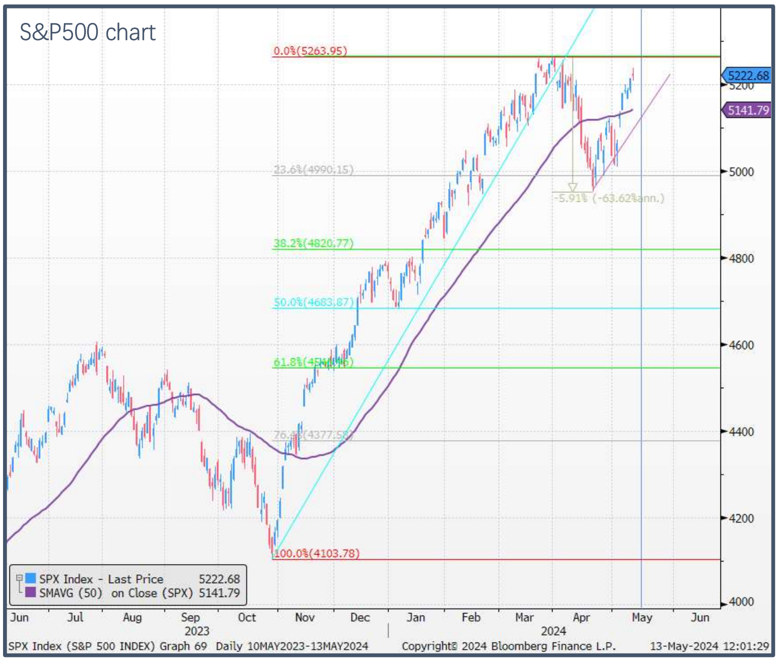
- USD strengthen
- Gold surges.

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

INDEX	Weekly %	MTD %	YTD %	1YR %	3Y %	5Y %
Global Equity	1.70	3.45	8.24	22.45	19.43	69.74
Global Real Estate	1.84	4.55	-5.16	3.40	-5.35	8.83
US Real Estate	1.95	4.40	-5.29	5.59	-2.16	15.45
APAC Real Estate	-0.28	2.45	-0.12	-0.58	-21.86	-21.00
Investment Grade	-0.02	0.93	1.46	10.51	5.62	22.14
High Yield Bonds	-0.10	1.18	-3.43	-1.02	-15.65	-7.30
Global HY ETF	1.89	2.71	6.05	11.23	14.04	29.51
ASIA Real Estate ETF	1.95	1.44	-10.64	-14.40	-26.04	-30.69
USD Index	0.26	-0.86	3.92	2.56	16.04	8.21
Gold	2.49	3.08	14.24	16.87	29.02	81.30
WTI Oil	0.19	-4.77	8.89	11.39	22.25	27.82

Chart of the Week.

In anticipation of the upcoming US CPI release, which could trigger market movements similar to the recent 5.9% correction following the April 10th CPI data, investors are closely monitoring the S&P500 chart. The market is sensitive to the Federal Reserve's hawkish stance, with concerns lingering about the potential impact of higher interest rates on borrowing costs, corporate profitability, and consumer spending. Trading near all-time highs, the indexes are particularly susceptible to shifts in Fed policy. Therefore, a close watch on the 5120 level is advised. This level, representing a historical support or resistance point, could signal potential short-term directional changes, especially if the Fed maintains its hawkish stance.



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