

# WEEKLY BULLETIN

Oct 2024: Issue #1

## Quote of the Week.

Very few people chose war. They chose selfishness and the result was war. Each of us, individually and nationally, must choose between total love or total war – David Dellinger

Welcoming in early October, U.S. Nonfarm Payroll data surprised with 254,000 new jobs added, far exceeding the expected 150,000. The unemployment rate also fell to 4.1%, better than the anticipated 4.2%. This strong employment report supports the U.S. economy, allowing stocks to consolidate higher gains despite escalating conflicts in the Middle East and Ukraine. Market attention now shifts to quarterly reports starting in the second week of October.

Meanwhile, China's aggressive stimulus measures have revitalized its markets, notably boosting the Hang Seng Index by 26% and the MSCI China Index by 21.6% since September 24. This rally is the largest since 2008. However, as the rally continues into its second week, many are questioning its sustainability. Is this stimulus plan genuinely different from previous efforts? Should investors consider selling during the rally instead of buying?

In a purely market-driven environment, I would advocate for buying in anticipation of further uptrends, just like the case in Japan this year. The price-to-earnings (P/E) ratios of China and Hong Kong stocks appear attractive, with earnings remaining respectable amid low expectations. Coupled with the Chinese government's fiscal and stimulus policies, this should signal a 'buy' market. However, I have long suspected the ongoing U.S.-China trade tensions complicate this picture, making the effectiveness of China's stimulus efforts uncertain, especially via the foreign flows.

A major concern for Americans is Huawei's recent tri-fold smartphone launch, which garnered 3 million pre-orders shortly after its late September debut. This achievement underscores Huawei's technological leadership, overshadowing the lackluster launch of the iPhone 16. It challenges claims that China is merely appropriating U.S. technology, which likely won't sit well with the current U.S. administration.

Additionally, China conducted a public test of its Dongfeng-41 Intercontinental Ballistic Missile on September 26, 2024—the first of its kind in decades. This demonstration of speed, power, range and accuracy sends a strong message to nations trying to contain China amid rising tensions in the East China Sea, Taiwan Strait, and South China Sea, likely unsettling the U.S. administration.

Finally, skepticism from international media regarding China's economic prospects is growing, with warnings of selloffs if further stimulus is not introduced (planting the seed of fear instead of support).

In this competitive landscape, the U.S. and its allies are striving to maintain their monopolies. I prefer to allocate resources toward Japan, India, Thailand, and Singapore, while keeping limited exposure in the U.S. due to high valuation and adopting a cautious approach to Hong Kong to mitigate volatility.

## Last Week 's Notable Events.

### US Economy/Politics

- US bans Chinese steel and food additives firms over Xinjiang human rights – 3<sup>rd</sup> Oct
- US economy adds 254,000 jobs, unemployment rate falls to 4.1% - 5 Oct

## Europe Economy/Politics

- EU to impose tariffs up to 45% on Chinese EV – 4<sup>th</sup> Oct

## Asia Pacific Economy/Equity

- Economists sceptical about China's rate cuts, new stimulus – 25<sup>th</sup> Sep
- Big, but not enough: China's stimulus package may not be effective – Business Standard – 1<sup>st</sup> Oct
- Is the China stimulus package enough? – FT – 2<sup>nd</sup> Oct
- Chinese start-up Numemory claims memory chip breakthrough amid US tech sanctions – 2<sup>nd</sup> Oct
- Are China's stimulus measures enough? – 4<sup>th</sup> Oct
- Indian companies move in as US cuts China out of its solar industry – 6<sup>th</sup> Oct
- China advocates use of local AI chips over those from Nvidia – 7<sup>th</sup> Oct

## Weekly Data Monitor

### Weekly chart:

- Real estate slide on speculation that Fed will not cut rate aggressively.
- Oil spike as Middle East conflicts escalate.
- Gold consolidating after reaching all-time high above \$2607 per ounce.

**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	-0.63	-0.94	17.55	31.05	23.67	80.27
S&P500	0.22	-1.15	19.42	32.20	29.71	96.88
MSCI Asia Pacific	-1.34	0.78	16.04	27.08	0.85	25.88
Global Real Estate	-1.94	-3.31	9.39	31.54	2.27	15.28
US Real Estate	-1.82	-3.31	9.95	32.03	4.92	23.24
APAC Real Estate	-0.73	0.10	10.32	21.07	-11.21	-14.35
Investment Grade	-0.15	-0.42	7.55	16.67	9.49	26.05
High Yield Bonds	-1.79	-1.86	1.67	11.05	-10.26	-6.40
Global HY ETF	-0.71	1.98	10.08	19.65	20.80	29.56
ASIA Real Estate ETF	0.02	-2.70	-4.16	7.24	-11.76	-13.23
USD Index	2.09	1.61	1.05	-3.44	8.86	3.29
Gold	-0.17	0.33	28.13	42.00	50.43	75.57
WTI Oil	8.34	11.41	6.00	-8.26	-4.28	44.31

## Chart of the Week.

On the right, you'll find the latest Asia Index valuations matrix provided by Bloomberg. With the U.S. markets hitting record highs month after month, our attention is increasingly drawn to Asian markets, especially as the Fed signals a potential path toward interest rate reductions, which would benefit the region. The matrix indicates that Free Cash Flow yields favour further investments in the SET, JCI, AS51, NKY, and TPX indexes. Additionally, the SHSZ300 index remains poised for potential upside in Chinese stocks..

Asian index valuations				
	FCF Yield	Price to Sales	PERatio	EV to Ebitds
KOSPI Index	1.7	0.6	13.4	7.5
PCOMP Index	2.2	1.7	13.6	9.4
TPX Index	4.5	1.0	15.9	7.0
SHCOMP Index	1.8	1.1	16.1	15.2
SHSZ300 Index	3.2	1.3	16.3	16.8
SET Index	5.3	1.0	17.5	9.2
JCI Index	4.8	1.9	18.0	8.2
AS51 Index	4.3	2.1	21.1	13.1
NKY Index	3.6	1.6	23.6	11.5
NIFTY Index	1.7	2.7	24.3	16.1
SENSEX Index	1.9	3.0	24.6	17.6
SPX Index	3.0	3.0	26.1	16.6

Source: Bloomberg

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