

WEEKLY BULLETIN

Oct 2024: Issue #3

Quote of the Week.

I am no longer accepting the things I cannot change. I am changing the things I cannot accept
– Angela Davis

Both the Dow and S&P 500 continue to reach new record highs, fueled by a wave of "earnings beat" results from the early part of the quarterly earnings season. Investors seem eager to celebrate any positive news they can find, while overlooking several looming risks that, in my view, warrant caution.

Here's why I remain cautious:

First, while companies are beating expectations, some big names are merely surpassing low Wall Street earnings forecasts, all while showing lower year-over-year growth in net income or profit margins. With stock prices hovering near all-time highs, this could lead to a dangerous valuation trap if earnings growth doesn't keep up with the rising prices.

Second, after more than a year of stability, core US CPI inflation is starting to rise again. This signals increasing costs that could pressure profit margins going forward.

Third, credit card delinquencies have surged to their highest level since 2011, painting a worrying picture of consumer finances and potentially adding to economic strain.

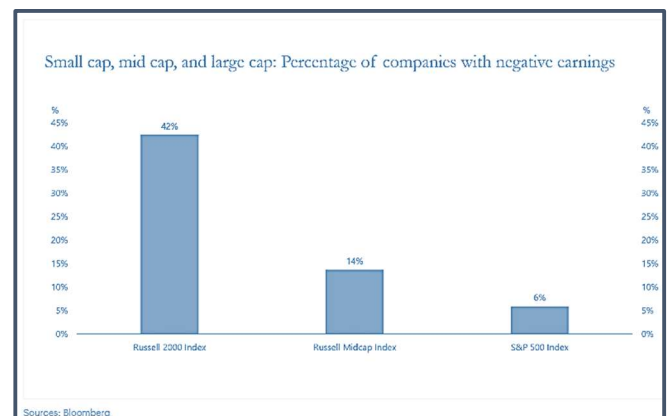
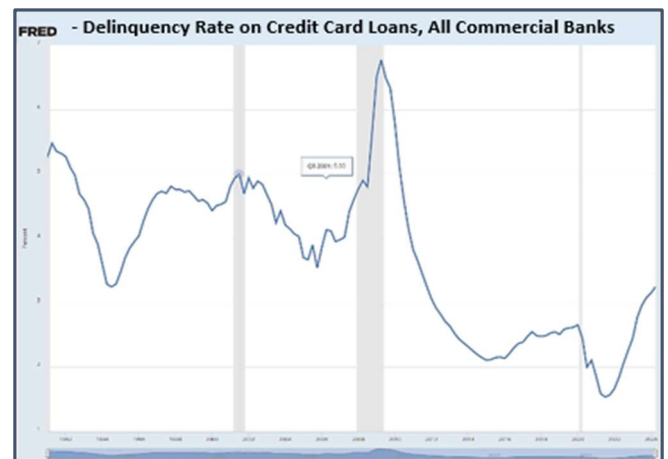
Fourth, as of September 30, 2024, 42% of companies in the Russell 2000 are unprofitable—levels not seen since the pandemic. This raises concerns about the resilience of smaller companies, especially when compared to the dominance of mega-tech firms in the current market environment.

Lastly, the upcoming US election poses another risk. With less than 15 days until Election Day, Wall Street seems to be downplaying potential political uncertainty. The tight race between Trump and Harris, coupled with the possibility of a contested election, could lead to significant volatility after November 5. I believe many are unprepared for this, and it might be prudent to reduce stock positions ahead of the election and keep a close eye on valuations.

Last Week 's Notable Events.

US Economy/Politics

- US consumers see higher long-run inflation, rising delinquency risk – 15th Oct
- US threatens Israel but deploys troops, revealing policy inconsistency – 15th Oct
- Strong discretionary spending lifts US retail sales in September – 17th Oct
- US presidential election is now a toss-up – 18th Oct



Europe Economy/Politics

- ECB lower rates to 3.25% as inflation slows – 17th Oct
- ECB Holzmann: Inflation set to tick up in coming months – 18th Oct

Asia Pacific Economy/Equity

- Malaysia targets new RM 30 billion in Chinese tourist spending by 2025 via Xin-Ma-Tai route, boosting travel from Singapore and Thailand – 18th Oct
- China's central bank to cut reserve ratio, bolster property and capital market – 18th Oct
- BlackRock bets on serviced apartment in Singapore; life sciences in Australia – 18th Oct

Weekly Data Monitor

Weekly chart:

- S&P500 set new record high.
- MSCI Asia Pacific drag down by losses in Hong Kong and Japan.
- Gold set new record high on US election uncertainties and increased Middle East conflict.

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	0.48	0.62	19.39	35.55	21.36	76.06
S&P500	0.85	1.77	22.95	38.84	28.90	95.05
MSCI Asia Pacific	-0.60	-1.87	12.99	25.23	-4.21	19.53
Global Real Estate	2.42	-0.64	12.40	38.10	-0.56	15.16
US Real Estate	2.86	0.07	13.79	40.36	2.48	24.24
APAC Real Estate	-0.31	-3.79	6.03	19.32	-17.18	-19.64
Investment Grade	0.34	-0.14	7.86	17.76	9.60	25.38
High Yield Bonds	0.00	-2.18	1.34	11.04	-10.53	-6.27
Global HY ETF	0.25	2.24	9.51	21.35	22.07	28.88
ASIA Real Estate ETF	0.72	-2.46	-3.93	11.24	-11.53	-16.67
USD Index	0.58	2.79	2.23	-2.42	10.47	6.43
Gold	2.38	3.48	32.15	38.19	52.91	83.65
WTI Oil	-9.16	2.44	-2.54	-21.32	-15.36	30.99

Chart of the Week.

ASML Holding Daily Price Chart: ASML shares dropped over 16%, wiping out more than \$50 billion in market value after announcing cuts to its 2025 sales forecast. This move highlights a significant strategic shift that raises concerns about the company's long-term competitiveness. Here are three key takeaways:

- China Revenue Drop: China's share of ASML's revenue fell from 49% in the June quarter to 20% in 2025. By reducing its exposure to such a critical market, ASML risks undermining its own competitive strength while U.S. companies like MKS Instruments and Lam Research may stand to gain.
- China's Progress: Recent reports show China making progress in chip-making technology after the unfair ban force them to search for alternative. Although the West may downplay this, it represents a big leap forward for China—potentially positioning them as a formidable competitor in the long term.



- Shift in Leadership: By cutting ties with China, ASML could be shifting leadership in semiconductor technology back to the U.S., but at the cost of leaving itself vulnerable to growing competition, especially as China strengthens its domestic chip industry.

I will be watching US chipmakers to gain over the Dutch while keeping an eye on China names.

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