NEW DIMENSIONS CAPITAL

WEEKLY BULLETIN

May 2025: Issue #3

Quote of the Week.

"If you push people too far, you may end up standing alone"

The third week of May delivered a fresh wave of volatility for U.S. markets, driven by three important developments.

1. Trump's "Big Beautiful Bill" and the Debt Spiral

Trump introduced a new fiscal proposal—dubbed the "Big Beautiful Bill"—to stimulate the U.S. economy through increased public spending. However, this arrives at a time when trade conflicts are already weighing on U.S. businesses through elevated input costs. The bill could push national debt toward the $40 trillion mark, up from $36.22 trillion as of May 2025. The announcement weighed on U.S. equities, especially after a disappointing U.S. Treasury auction showed a decline in foreign take-up rates.

Despite long-term risks, I believe Congress is likely to pass the bill, and in typical fashion, Wall Street may cheer the short-term stimulus while discounting future debt consequences.

2. Tariff Threats on Europe—Escalation or Isolation?

The second shock came as Trump threatened to impose a 50% tariff on all EU imports after failing to secure a trade deal on U.S. terms. This development could be a pivotal test for the U.S. economy. A deal would be a tactical win, but a tariff escalation may drive Europe, Canada, Mexico, and Asia-Pacific nations into closer alignment, potentially isolating the U.S.

Markets should brace for sudden shocks—but ultimately, the greatest risk may fall on the one left isolated.

3. Silent Strike—Huawei Ban Expands

In a lesser-publicized move, the U.S. extended its global ban on Huawei after the Chinese tech giant unveiled an AI-powered PC fully independent of U.S. technology. The ban now includes secondary countries—penalizing those that adopt this Chinese innovation. This move extends beyond conventional trade practices and may complicate U.S.-China negotiations when the 90-day pause concludes.

All signs point to a highly volatile July trading environment when tariff pause ends. Let's hope for more communication, collaboration, and less geopolitical fire-fighting in the weeks ahead.

Last Week 's Notable Events.

US Economy/Politics

- Canadian core CPI rose 2.5% yoy in April – 20th May
- Fed speakers signal rate cuts on ice as tariff risks mount: Morgan Stanley – 23rd May
- Trump targets Apple, Samsung phones with 25% tariff threat – 24th May
- Trump delays imposing 50% tariffs on EU until July 9th – 25th May
- US National debt is $36,217,468,675,252 as of 26th May 2025 – 26th May

Europe Economy/Politics

- Europe freezes US travel as Lufthans, British Airway, Air France, KLM slash more routes to US major cities – 24th May
- EU calls for US trade deal based on 'respect' after Trump tariff threats – 25th May
- Shipping bottlenecks in Europe send a warning signal to US, Asia – 26th May

Asia-Pacific Markets

- RBA cuts rates to 3.85% from 4.1% as inflation concerns continue to recede – 20th May
- China vows to use anti-sanctions law if US ban on Huawei chips enforced – 21st May
- Harvard ban shows the US is getting it all wrong in Asia – 23rd May
- MAS says chief did not say US dollar assets are irreplaceable – 23rd May
- Japan looks to use US shipbuilding cooperation as card in tariff talks – 24th May

Weekly Data Monitor

Weekly chart:

- US equities fall on rising tariff threats, fiscal uncertainty and weakening investor confidence.
- Asia Pacific equities attracts some buying interest.
- Gold is higher as investors seek safety amid rising geopolitical tensions, falling dollar and concerns over US debts risks.

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

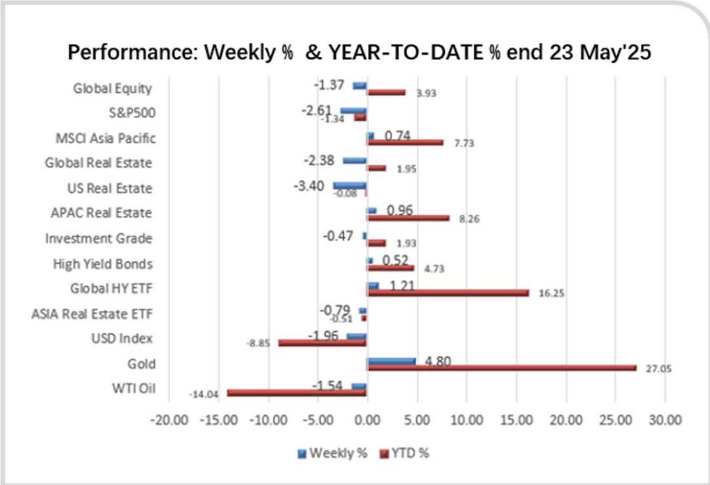


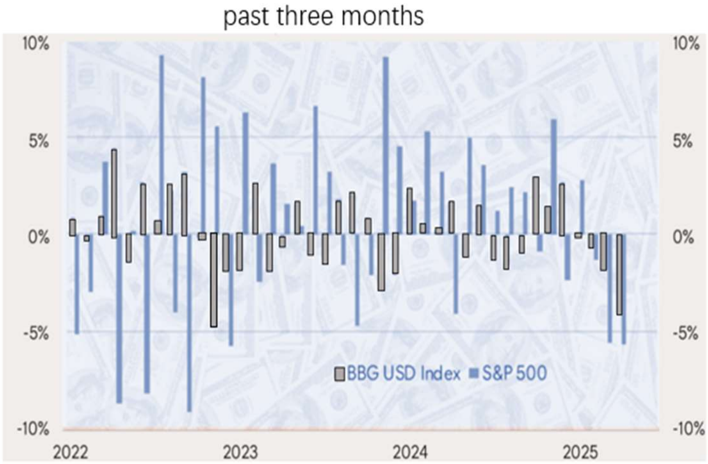
Chart of the Week

For the past three months, both the US Dollar Index and US equities (S&P 500) have declined in tandem—a rare and notable correlation breakdown that signals deeper macroeconomic concerns.

Conclusion & Likely Impact:

1. Loss of confidence in US policy direction
   The simultaneous decline in both the dollar and equities typically reflects broad investor unease—not just with asset valuations, but with the overall economic and policy outlook. Trump's escalating tariff rhetoric, rising fiscal deficits, and weakening foreign demand for U.S. Treasuries may be contributing to global capital flight.

US Dollar Index & US equities have fallen in tandem the past three months



source: Bloomberg as of 22 April 2025

2. Capital Flight or Rotation Risk
   Falling equity prices alongside a weakening dollar often suggest outflows from U.S. assets toward hard assets, emerging markets, or traditional safe havens like gold and commodities.

3. Tightening Financial Conditions Ahead
   If this trend persists, U.S. corporations may face rising funding costs and declining international demand, increasing the risk of earnings downgrades and slowing economic momentum.

4. Policy Response Watch
   A dual-market decline could pressure the Federal Reserve and fiscal policymakers to act—potentially through rate cuts, yield curve controls, or renewed stimulus—especially if credit spreads begin to widen.

A three-month tandem decline in both the U.S. dollar and equities is a macro red flag. Investors should prepare for heightened volatility, monitor closely for any policy pivots, and consider diversifying beyond U.S.-centric assets. While Trump appears ready to inject new spending as a buffer against the backlash from his "tariff aggression," the market may demand more clarity—and credibility—before regaining confidence.