NEW DIMENSIONS CAPITAL

WEEKLY BULLETIN

July 2025: Issue #1

Quote of the Week.

"There are two main drivers of asset class returns – inflation and growth" – Ray Dalio

Markets kicked off July in rally mode, with the S&P 500 and Nasdaq notching fresh all-time highs—setting the tone for what feels like an early Christmas on Wall Street.

Fueling the optimism are three key drivers:

- Trade Deal Momentum

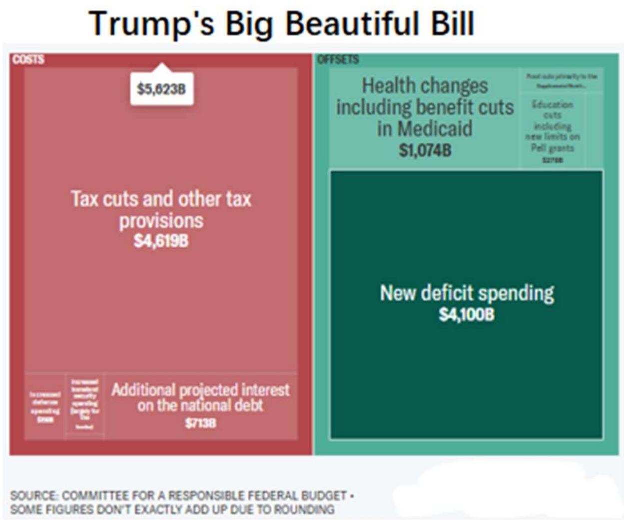
  Renewed optimism around a US-China trade agreement and a fresh deal with Vietnam have lifted sentiment. On top of this, Trump's "Big Beautiful Bill"—a major fiscal spending proposal focused on infrastructure and manufacturing—is gaining traction, boosting expectations for government-driven growth.

  Supportive Macro Data

- June's Nonfarm Payrolls report beat expectations, showing resilient job creation. Wage growth moderated, which markets view as a Goldilocks scenario: strong enough to support consumption, but not too hot to spark inflation fears. Adding to the positive tone, CPI inflation came in softer than forecast, reinforcing expectations for rate cuts by the Fed.

  Confidence in Demand

- OPEC+ announced an increase in oil production, interpreted not as oversupply risk, but as a vote of confidence in global demand recovery.



Yet beneath the surface, caution is warranted.

While hedge funds and pensions have been leading the latest leg of the rally, retail and many institutional investors remain hesitant—mindful of stretched valuations and a market that may be running ahead of fundamentals.

Looking ahead, the July 9th tariff deadline looms large, with potential tensions brewing between the U.S. and key trading partners including Japan, Canada, India, and the EU. Any breakdown in trade negotiations could serve as a trigger for a short-term pullback.

Last Week 's Notable Events.

US Economy/Politics

- Trump signs 'Big Beautiful Bill' into law in White House ceremony – 4th Jul
- Trump set to impose tariffs of up to 70% in letter push as July 9 deadline looms – 6th Jul
- Tariffs return to April rates on August 1 without deals, Bessent says – 6th Jul

Europe Economy/Politics

- ECB officials question whether EUR has strengthened too much – 3rd Jul
- China, EU close to EV tariff deal, state media says, dismisses 'trade diversion' fears – 5th Jul
- EU leaders race to secure a deal as deadline looms in Trump trade talks – 5th Jul

Asia Pacific Economy/Equity

- Trump threatens Japan with tariff up to 35% as deadline looms – 2nd Jul
- Indonesia offers $34 billion in US imports to secure tariff relief – 3rd Jul
- US plans AI chip curbs on Malaysia, Thailand over China concerns – 4th Jul
- China to power grid with record renewable energy as AI spurs demand – 6th Jul
- Thailand to offer US more trade concessions to avert 36% tariff – 7th Jul

Weekly Data Monitor

Weekly chart:

- US stocks hit record high.
- Oil prices slide on OPEC+ production increased news
- USD slide more than 10% YTD on Fed cut expectation.

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

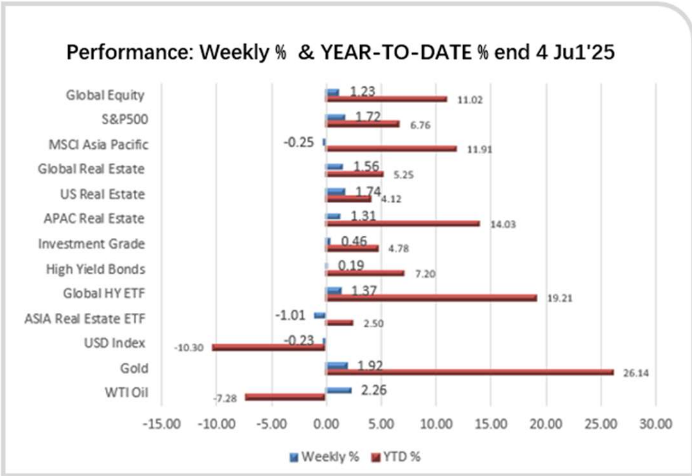
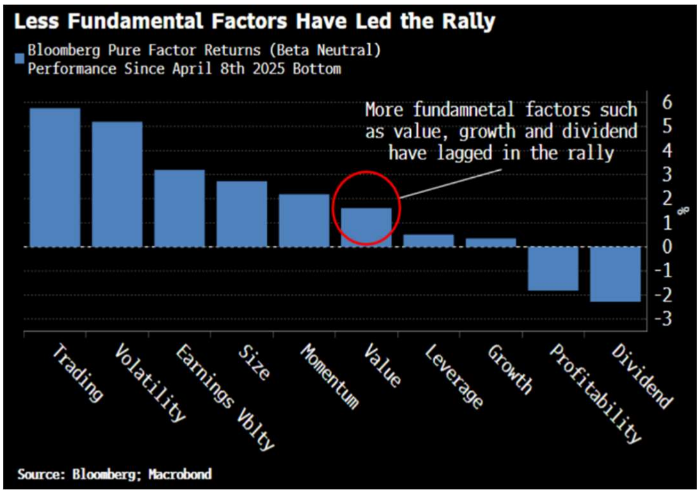


Chart of the Week

While price action looks strong, the quality of the rally raises concerns.

As shown in Bloomberg's Pure Factor Returns chart, the rebound since April 8th has been led by speculative factors—namely Trading and Volatility—rather than by core fundamentals like Value, Profitability, or Dividend Yield.

More worryingly, market breadth remains narrow. Fewer stocks are hitting new highs or trading above their 200-day moving averages, even as the index itself climbs. The **Momentum** factor is also failing to show conviction strength—suggesting this rally may lack durability.



All signs point to a rally driven more by liquidity and sentiment than by improving earnings or economic fundamentals. With economic momentum showing signs of slowing, any external shock—such as a failed trade deal or geopolitical escalation—could quickly tip the market into a correction.

Key Takeaway:

While the backdrop supports risk-on positioning in the short term, investors should remain disciplined and selective. A tactical correction in July could present a more attractive entry point for those currently sitting on the sidelines.