NEW DIMENSIONS CAPITAL

WEEKLY BULLETIN

August 2023: Issue #2

Thought of the Week.

What does the latest Moody's downgrade mean for markets? .

In recent times, the US financial landscape has been marked by a series of interconnected events, creating a complex backdrop for investors. From the US banking crisis In March to US credit rating downgrades in August, Federal Reserve decisions, and banking sector vulnerabilities, these developments are connected by an intricate web of cause and effect.

US Banking Crisis: A Tipping Point in March

Fitch downgrades US credit rating...

The US banking crisis in March reverberated globally, with its origins traced to the excessive Treasury holdings by financial institutions. Amid rising interest rates driven by the Federal Reserve's hike to 5%, the value of these holdings plummeted, triggering significant mark-to-market losses. This ripple effect culminated in liquidity constraints and capital adequacy strains, ultimately sparking the crisis.

Credit Rating Downgrade: Unmasking Fiscal Vulnerabilities

Moody's downgrades US banks, warns of possible cuts to others

Just months later, a downgrade in the US credit rating by Fitch Ratings exposed the nation's fiscal vulnerabilities. Governance concerns linked to mounting debts loomed large, carrying the potential for a trillion-dollar financing cost. This downgrade compounded the fallout from the banking crisis, intertwining fiscal responsibility and financial stability.

Federal Reserve's Balancing Act: July's Interest Rate Signal

July saw the Federal Reserve's signaling of potential interest rate hikes to control inflation. While the market interpreted this as a potential end to the rate-hiking cycle, the Federal Reserve faced the challenge of balancing inflation containment with the backdrop of the ongoing crisis and credit rating downgrade. Investor sentiment fluctuated, molding the intricate financial landscape further.

Moody's Domino Effect: Vulnerabilities in the Banking Sector

August brought more interconnectedness as Moody's downgraded US regional banks and placed large banks on negative watch. The banking sector, still grappling with the aftermath of the crisis, experienced fresh vulnerabilities. This sequence of downgrades underscored the fragility present, reiterating the interconnected nature of the nation's financial structure.

A Holistic View: Connecting the Financial Dots

These events form a sequence of interlinked cause-and-effect relationships that resonate throughout financial markets. The banking crisis initiated a cascade of vulnerabilities, compounded by credit rating downgrades. The Federal Reserve's interest rate decisions added complexity, influencing both investor expectations and economic outlook. As these events continue to unfold, a holistic perspective becomes crucial for investors. Acknowledging the ripple effects and interdependencies is key, guiding them to navigate through complexity while identifying potential value amidst challenges. In a landscape where adaptability and informed decision-making reign, investors can uncover opportunities amid the intricate financial tapestry. Lastly, the mystery key to unlock all these complexities could be Fed choosing to cut rates ultimately.

Last Week 's Notable Events.

US Economy/Politics

- US inflation gauge rose 3.2% annually in July, less than expected – 10th Aug.
- US 30-year Treasury auction signals weak demand to wrap up week of big sales – 11th Aug.

Europe Economy/Equity

- UK business confidence falls as economy slows and interest rates rise – 7th Aug.
- European gas price jumped nearly 40% on Australia supply fears – 10th Aug.

Asia Pacific Economy/Equity

- China, Saudi Arabia in talks to deepen stock exchange cooperation – 5th Aug.
- Philippine economy likely to grow 6% in Q2, Moody's analytics say – 7th Aug.
- Qatar, India in talks for LNG deals – 7th Aug
- EV powerhouse China leads world in auto exports, topping Japan – 8th Aug.
- Deadly floods hits China's grain-producing region, fuelling food security concerns – 8th Aug.
- Singapore narrows 2023 growth forecast on weak external demand – 11th Aug

Weekly Data Monitor.

Performance

- Real Estate continue to weaken.
- IG and HY bonds gain.
- USD consolidates in tight range.

INDEX	Weekly %	MTD %	YTD %	1YR %	3Y %	5Y %
Global Equity	-0.20	-2.66	14.97	7.65	28.16	45.67
Global Real Estate	-0.39	-2.44	1.20	-14.33	8.12	15.87
US Real Estate	-0.57	-2.41	3.34	-12.03	13.89	23.71
APAC Real Estate	-1.20	-3.73	-4.83	-8.94	-13.71	-18.66
Investment Grade	0.82	-0.11	6.72	2.75	5.40	17.82
High Yield Bonds	0.44	-0.98	1.13	-3.49	-16.70	-5.07
Global HY ETF	0.55	3.65	7.60	5.62	28.95	25.83
ASIA Real Estate ETF	-0.12	-2.30	-7.10	-19.12	-12.14	-0.09
USD Index	-0.02	0.72	-0.90	-2.38	9.57	6.47

Weekly chart:

- Brent crude firming up.
- Global HY and Corporate attract interests.
- US 10-year Treasury sliding.

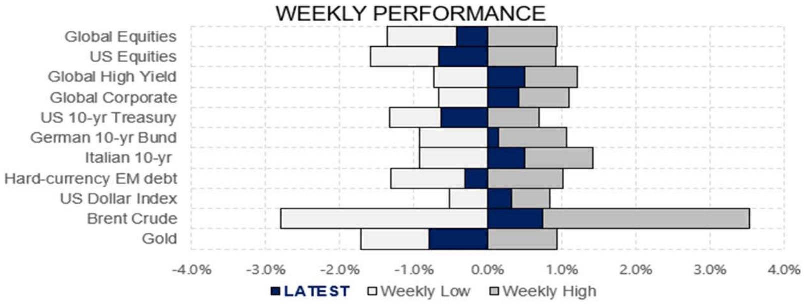

Chart of the Week.

"Banking is very good business if you don't do anything dumb." -- Warren Buffett,

The U.S. banking sector experienced a mixed second-quarter performance characterized by benefits from higher interest rates, driving index rallies, while facing challenges from lower consumer spending, slower loan growth, and increased costs of retaining deposits. The investment banking sector showed signs of revival due to improved rates and increased debt underwriting, resulting in share gains. However, the industry's outlook is clouded by concerns over lower consumer spending, modest loan expansion, and potential pressures on deposit costs. Additionally, the commercial real estate (CRE) loan portfolios have raised concerns, particularly in the context of office loans, given the rise in financing costs for buildings experiencing significant vacancies.

Above chart reveals a notable trend of increased investor confidence in selected major financial institutions such as JPMorgan and Wells Fargo. These big banks have managed to garner greater trust and positive sentiment from investors, contributing to their overall market performance. The upswing in investor confidence is likely influenced by several factors, including their ability to navigate the challenges presented by higher interest rates, lower consumer spending, and changing dynamics in the banking industry.