WEEKLY BULLETIN

July 2024: Issue #2

Quote of the Week.

"For those who believe, no proof is necessary. For those who don't believe no proof is possible"

US stocks continue to surge in the second week of July, driven by increasing hopes of Fed rate cuts despite the Fed maintaining high fund rates. The reason is simple: Fed Chair Jerome Powell knows how to make statements that keep the stock market buoyant without actually changing real rates. Throughout 2024, I have observed such contradictory statements. Below are key headlines from February to July.

Reuters
https://www.reuters.com › markets › feds-powell-says-n...
Fed's Powell says no rate cuts this year, and markets hear ...
2 Feb 2023 — Federal Reserve Chair Jerome **Powell** had a clear message on Wednesday:

Fed Is 'Not Far' From Confidence Needed to Cut Rates, Powell Says
- Wants more evidence inflation is moving sustainably at 2%
- Fed chief suggests central bank is close to adjusting rates

By Steve Matthews
March 8, 2024 at 12:56 AM GMT+8
Updated on March 8, 2024 at 10:07 AM GMT+8
Bloomberg

Bloomberg.com
https://www.bloomberg.com › news › articles › powell-s...
Powell Reiterates Fed Doesn't Need to Be In Hurry to Cut ...
29 Mar 2024 — Federal Reserve Chair Jerome **Powell** repeated that the US central bank isn't in any rush to **cut** interest **rates** as policymakers await more ...

PBS
https://www.pbs.org › newshour › politics › powell-say...
Powell says the Federal Reserve still sees rate cuts this year
3 Apr 2024 — WASHINGTON (AP) — Federal Reserve officials will likely **reduce** their benchmark interest **rate** later this year, Chair **Jerome Powell** said ...

Stocks wobble after Powell warns that rate cuts will likely come later than expected
By Bryan Mena, CNN
4 minute read · Updated 4:11 PM EDT, Tue April 16, 2024

Fed recap: Chair Powell explains why the central bank isn't ready yet to cut rates
The Federal Reserve held interest rates steady at their current range of 5.25% to 5.5%, but revised its outlook for rate cuts to just one in 2024.
UPDATED THU, JUN 13 2024 · 3:41 PM EDT
CNBC

Fed Chair Powell Jerome Powell, speaking on a panel with other central bankers, said the Federal Reserve wants more confidence that inflation is slowing down sustainably before loosening policy
By Nick Timiraos Follow
Updated July 2, 2024 4:45 pm ET
THE WALL STREET JOURNAL.

Powell indicates Fed won't wait until inflation is down to 2% before cutting rates
PUBLISHED MON, JUL 15 2024·1:03 PM EDT | UPDATED MOMENTS AGO
CNBC

Analysis: The Fed's Strategic Ambiguity

Managing Expectations Through Ambiguity & Market Optimism:

Powell's varied and sometimes contradictory statements reflect a strategy of managing market expectations through ambiguity. This keeps the market engaged and speculative, avoiding predictable and potentially disruptive policy stances. Despite the fluctuating rhetoric, the Fed has maintained a steady course with no actual rate cuts so far. This dissonance between Powell's comments and the Fed's actions highlights a calculated approach to sustaining market confidence without committing to premature policy changes.

Persistent Market Rally:

The stock market, particularly the S&P 500 and Nasdaq, has continued to rise, driven by investor optimism about future rate cuts. This rally underscores the market's sensitivity to perceived monetary easing, even without concrete actions.

Alternative Interpretation: The Fed's Dollar Strategy

Maintaining the US Dollar's Strength:

An alternative view suggests that mixed signals and high interest rates are part of a broader strategy to maintain the strength of the US dollar. By keeping rates high and hinting at future cuts, the Fed may aim to sustain foreign investment in US assets, ensuring continued demand for the dollar.

Conclusion:

I expect that the Fed may continue this strategy, allowing US stock and bond market to attract larger foreign flows, thereby keeping US corporations dominant, and USD in high demand while strong USD can deploy to control inflation and high interest rate to control competition as long as possible. While mixed signals from Powell create some uncertainty, the overall US market outlook remains positive, driven by the expectation of monetary easing and the resilience of Wall Street confidence.

Last Week 's Notable Events.

US Economy/Politics

- Democratic lawmakers join calls for Joe Biden to step aside – 8th Jul
- US Jun CPI came in lower-than expected, 3.0% vs exp 3.1%.- 11th Jul
- US Jun Monthly Budget Statement came in at -$66 billion vs exp -$76.1B while last month was -$347.10B – 12th Jul

Europe Economy/Politics

- Europe prepares for a mighty trade war – 11th Jul
- Retail investors pull record £1.8 billion from UK equity funds – 12th Jul

Asia Pacific Economy/Equity

- China passenger car exports up 28% in June – 10st Jul
- Thai economy not good, with growth worsening, says Finance Minister Pichai – 11th Jul
- China willing to strengthen trade with Saudi, Commerce Minister says – 12th Jul
- Singapore economy grow by 2.9% in Q2 of 2024 – 12th Jul

Weekly Data Monitor.

Performance

- US markets dominate the lead.
- Global Real Estate rebounds on Fed cut hope.

Weekly chart:

- Gold edges higher.
- WTI Oil wobbles on slower China.

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	1.35	3.40	15.08	20.98	21.24	70.05
S&P500	0.86	3.13	18.06	24.99	30.14	87.45
Global Real Estate	4.05	4.80	1.66	6.56	-8.42	11.17
US Real Estate	4.41	4.90	1.89	6.69	-4.77	19.41
APAC Real Estate	3.78	5.42	-0.67	0.25	-24.53	-25.67
Investment Grade	0.79	1.21	3.82	10.68	6.02	22.32
High Yield Bonds	1.05	1.68	-1.54	1.00	-14.71	-7.60
Global HY ETF	1.67	3.02	6.33	9.60	16.68	32.33
ASIA Real Estate ETF	5.01	3.20	-10.52	-11.34	-22.40	-27.11
USD Index	-0.75	-1.44	2.97	4.43	12.57	7.13
Gold	0.80	4.35	17.69	24.19	33.98	72.65
WTI Oil	-1.16	0.15	13.97	8.27	13.72	41.72

Chart of the Week.

As the Magnificent 7 (a group of seven leading tech companies known for their strong performance) rise, alternative investments like REITs (Real Estate Investment Trusts) have faded into the background. A looming real estate crisis in many parts of the world has compounded this issue, with REITs failing to provide sufficient returns since last year.

MacroBond rankings indicate that only Australia's real estate sector has avoided losses in 2024. The most severe crises are in Canada, China, and Italy, where ongoing real estate struggles are taking a heavy toll. However, there is a glimmer of hope. With renewed expectations of a Fed rate cut, there has been noticeable movement into Singapore and other Asian REITs in recent weeks.

REITs annual performance ranking by country

2020	2021	2022	2023	2024 YTD
Germany 25.4%	United States 42.8%	Japan -14.4%	Germany 36.6%	Australia 1.6%
Australia -9.0%	Canada 37.7%	Spain -15.2%	France 27.2%	United States -1.9%
United States -9.6%	United Kingdom 27.7%	France -16.6%	Spain 24.6%	France -2.6%
Japan -9.8%	Australia 11.7%	Australia -17.4%	United Kingdom 17.3%	Spain -3.6%
Canada -12.8%	Spain 8.8%	Italy -17.4%	United States 13.3%	United Kingdom -3.8%
United Kingdom -13.2%	Japan 2.7%	China -22.6%	Canada 7.4%	Japan -6.6%
China -15.4%	Italy -0.3%	Canada -24.8%	Australia 7.2%	Germany -7.7%
France -20.4%	France -0.8%	United States -24.8%	Japan 4.0%	Canada -8.5%
Spain -26.6%	Germany -11.2%	United Kingdom -39.5%	Italy -14.5%	China -13.2%
Italy -32.4%	China -25.1%	Germany -55.3%	China -34.8%	Italy -25.9%

As of 27/06/2024
Source: FTSE

MACROBOND