WEEKLY BULLETIN

August 2024: Issue #1

Quote of the Week.

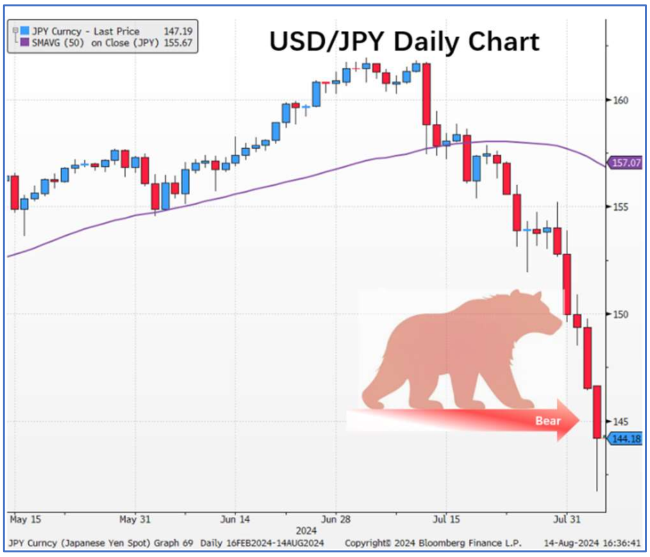
Opportunities don't happen. You create them – Chris Grosser

August began with a strong "sell" signal across U.S. stock markets, driven by a rise in the U.S. unemployment rate, which reignited fears of a potential hard landing for the economy. However, the true catalyst behind the recent market turbulence came on August 5th, when the Bank of Japan's unexpected rate hike triggered a sharp rally in the Japanese yen (JPY), leading to the sudden unwinding of a significant wave of carry trades.

The impact of this event was immediate and profound, with the USD/JPY exchange rate plunging from 152 on July 31st to 141.70 by August 5th—a striking 6.7% drop that reverberated across global markets. The effects spread rapidly through various asset classes, leading to sharp declines in stocks and bonds, and extending from the U.S. to Japan and other major economies. The Nikkei index, in particular, experienced its steepest one-day drop since the infamous Black Monday crash of 1987.

Analysts have pointed to the unwinding of carry trades, where investors borrow from low-interest-rate economies like Japan to invest in higher-yielding assets, as the primary driver of this downturn. U.S. stocks, many of which had been supported by these leveraged positions, are now facing significant pressure as these trades are reversed.

As hedge funds, which typically employ substantial leverage, are forced to adjust their positions, market volatility has intensified. While this may lead to further short-term pain, the resilience in U.S. and Japanese economic data suggests that this market disruption will be contained. In this environment, I see a compelling opportunity to strategically cost average into fundamentally strong U.S. and Japanese companies, capitalizing on the temporary dislocation to create long-term value.



Last Week 's Notable Events.

US Economy/Politics

- US Nonfarm Payroll 114K vs exp 175K, Unemployment rate 4.3% vs exp 4.1% - 2nd Aug
- Biden briefed on attack on Ain al-Asad airbase in Iraq – 6th Aug
- US prepares for crucial week as Gaza deal faces "now-or-never" moment – 10th Aug
- Harris leads Trump in Three key states, Times/Siena polls find – 10th Aug

Europe Economy/Politics

- European markets move sharply lower as global turmoil deepens – 5th Aug
- Anti-racism rallies sweep across UK after recent anti-immigration riots – 10th Aug

Asia Pacific Economy/Equity

- Bank of Japan raises interest rate to 0.25%, open to further hike this year – 31st Jul
- Singapore Retail Sales dip 3.7% y/y in June amidst slow tourism recovery – 6th Aug
- Bank of Japan walks back talk of rate increases after roiling markets – 7th Aug
- China PBoC keeps Gold buying on hold as prices hit record – 7th Aug.
- Nikkei recoups most of the week losses but China loses momentum – 9th Aug

Weekly Data Monitor.

Performance

- US markets were in 3 days of darkness before recovery on Friday.
- MSCI Asia Pacific drag down by the sell-off.

Weekly chart:

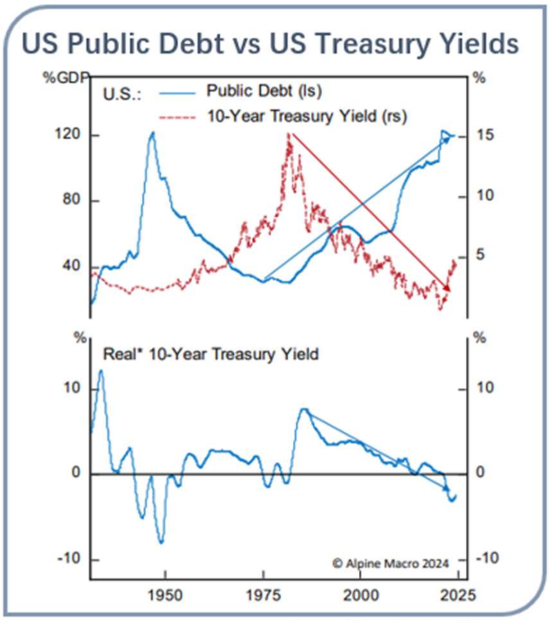
- Oil rebound on Middle East war escalation.
- Gold retreat on China hold back.

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	0.02	-1.83	11.02	18.54	14.17	74.13
S&P500	-0.04	-1.59	13.93	21.04	21.63	91.31
MSCI Asia Pacific	-0.79	-3.15	4.98	10.09	-11.03	17.67
Global Real Estate	-0.22	1.78	4.96	15.13	-6.27	14.97
US Real Estate	-0.05	1.31	5.77	15.42	-2.26	23.79
APAC Real Estate	0.63	-0.64	-1.56	3.79	-22.56	-20.03
Investment Grade	0.25	0.15	4.73	11.52	7.18	24.24
High Yield Bonds	-0.27	1.67	1.17	6.74	-12.71	-7.14
Global HY ETF	-0.10	-2.73	3.96	9.04	14.33	26.47
ASIA Real Estate ETF	-1.55	0.39	-9.71	-7.13	-20.28	-28.63
USD Index	-0.07	-1.44	1.24	-0.58	10.89	4.70
Gold	-0.49	0.96	19.79	29.58	38.85	62.97
WTI Oil	4.32	1.27	10.12	-4.38	15.28	42.86

Chart of the Week.

U.S. public debt has surged since 2009, driving nominal 10-year Treasury yields to under 5% in 2024. However, real yields, which account for inflation, have turned negative. This means investors are effectively losing purchasing power despite higher nominal returns.



Source: AlpineMacro Aug 2024

Key Takeaways:
- Negative real yields indicate inflation is outpacing returns on 10-year Treasuries, making them less attractive.
- Consider alternatives like TIPS, commodities, real estate, or shorter-duration bonds to protect against inflation.
- Reevaluate the role of U.S. Treasuries in your portfolio, given the current economic environment.

Investors should focus on preserving purchasing power and managing inflation risk.