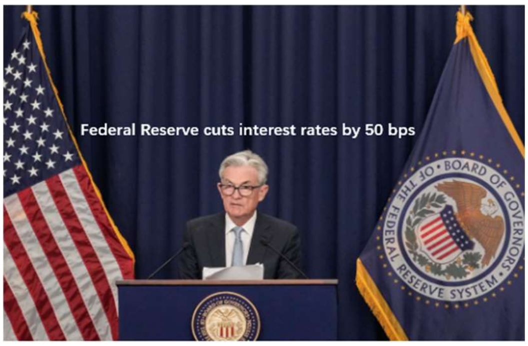
WEEKLY BULLETIN

Sep 2024: Issue #2



Quote of the Week.

Life is full of surprises, but never when you need one
– Bill Watterson

The Federal Reserve surprised the market by announcing a 50 basis point (bps) rate cut, deviating significantly from the consensus expectation of a 25 bps reduction. Even minutes before the announcement, uncertainty lingered over the size of the cut. This unexpected move has elicited mixed reactions from experts. While many view it as a positive step for the economy and equity markets, there are also concerns about the risks of aggressive monetary easing, particularly given the growing unease about the health of the job market.

Key Points

- Unexpected Rate Cut:

  Traders had largely expected a more conventional 25 bps reduction, with a 50 bps cut considered unlikely until just hours before the announcement.

- Market Reaction:

  The S&P 500 initially dipped, as the larger-than-expected cut caught many off guard. However, after a day of absorbing the news, the market rebounded as analysts and asset managers shifted focus to sectors poised to benefit from the rate cut, overshadowing earlier concerns about the economic risks associated with the Fed's aggressive move.

  Stocks have continued to rise, supported by rate cuts from the European Central Bank, the Bank of Canada, and Indonesia—suggesting a coordinated global effort to stimulate economic growth. Despite high volatility driven by mixed economic data, upcoming elections, and geopolitical uncertainties, the expectation of a soft landing in the U.S. is likely to keep risky assets attractive.

Asset Classes Likely to Attract Attention:

- Gold: A safe-haven asset that tends to benefit from monetary easing.
- Large-cap Companies: Firms with resilient balance sheets and strong market positioning are expected to perform well.
- Real Estate: Lower financing costs could boost demand and provide support to the real estate sector.

Last Week 's Notable Events.

US Economy/Politics

- US stock market dipped after historic Fed rate cut– 19th Sep
- US and Taiwan seek to strengthen drone supply chain to keep out China – 20th Sep

Europe Economy/Politics

- Near-shoring is turning eastern Europe into the new China – 19th Sep
- Cautious Bank of England hold rates, extends bond reduction plan – 19th Sep

Asia Pacific Economy/Equity

- South Korea emerges as a top US investor as China tensions escalate – 18th Sep
- Malaysia foreign policy has always favoured strong partnership with China, says the King of Malaysia – 20th Sep
- BOJ keeps rates on hold, Ueda tempers another hike speculation – 20th Sep
- China stimulus hopes rise as PBoC cuts rate, plans briefing – 23rd Sep

Weekly Data Monitor

Weekly chart:

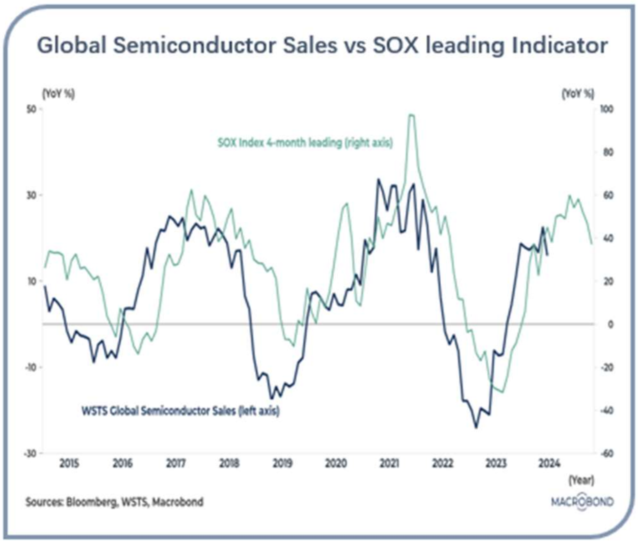
- US stocks recovered from initial sell off on Fed 50bps cut and stage a rally after digesting the benefit of 50bps cut.
- Gold and oil surge on higher demand as market expects Fed to cut rate further.
- US Real Estate slow to react to Fed bigger cut

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	1.27	0.53	16.58	28.30	20.41	73.53
S&P500	1.34	0.96	19.55	32.00	28.18	90.61
MSCI Asia Pacific	1.84	0.01	10.09	16.50	-7.00	17.13
Global Real Estate	-1.13	2.86	12.44	30.74	0.82	18.52
US Real Estate	-0.95	2.73	13.16	31.60	4.62	26.72
APAC Real Estate	1.30	1.65	5.31	12.32	-16.01	-17.77
Investment Grade	0.81	1.47	7.84	15.08	9.00	25.28
High Yield Bonds	-0.25	1.40	3.29	10.62	-10.25	-4.66
Global HY ETF	1.20	2.97	8.35	14.57	17.68	30.55
ASIA Real Estate ETF	0.71	2.81	-2.77	2.06	-12.42	-15.72
USD Index	-0.39	-0.51	-0.15	-4.17	8.70	2.62
Gold	1.69	4.60	26.93	36.67	50.25	72.02
WTI Oil	4.55	-3.14	-0.57	-20.87	-2.81	21.49

Chart of the Week.

Wall Street analysts continue to forecast higher prices for US equities, I believe the semiconductor sector will remain a key area of growth. A crucial chart from Macrobond illustrates the relationship between global semiconductor sales and the SOX leading indicator.



At present, global semiconductor sales are still showing double-digit growth, suggesting no immediate risk to demand. However, the SOX leading indicator has recently been trending downwards, and it's important to monitor developments over the next two months.

Risk of a continued decline in the SOX could signal a potential repeat of the 2022 slowdown. History reminds us that during periods like the dot-com boom, the Metaverse hype, and even the recent AI adoption phase, early bullish sentiment often gave way to market disappointment when revenues failed to meet expectations.

While we are in the initial stages of AI adoption today, it may take some time before actual revenues justify the sector's high valuations. Be cautious of short-term overvaluation risks.