MONTHLY BULLETIN

October 2024

Monthly Perspective

"Value creation is the true measure of success" – Albert Einstein

US stocks kicked off September with some jitters, triggered by worst-than-expected US unemployment data. The market briefly wobbled in self-doubt when the Federal Reserve delivered its first rate cut in two years. What took investors by surprise, however, was Fed Chair Jerome Powell's bold move—a jumbo 50 basis point (bps) cut, double the 25 bps widely anticipated. This unexpected decision initially sent equities into the red, as concerns over the state of the US economy spiked. The bigger-than-expected rate cut could point to a deeper economic weakness fear.

Yet, after a night of heated debate and analysis, Wall Street strategists began to reassess. One bullish forecast after another surfaced, and as confidence returned, US indexes started to edge higher. A mix of optimism over further rate cuts and renewed faith in the resilience of the US economy helped stocks bounce back. The market posted three consecutive weekly gains, culminating in a new all-time high for the S&P 500 by the end of September.

Performance Snapshot

The Dow Jones Industrial Average was on track to rise 1.4% for the month and notch a robust 7.8% gain for the quarter. The S&P 500 similarly saw solid growth, climbing 2% in September and nearly 5% for the quarter. Interestingly, a noticeable trend emerged: investors began rotating out of tech stocks and into value stocks. As the initial frenzy over AI cooled, market participants appeared to be seeking opportunities beyond the "Magnificent 7" tech giants. The next quarter's focus will likely shift to companies that can deliver rapid revenue growth outside this elite group of Seven.

Looking Ahead: US Election Looms Large

The approaching US election is set to become a significant source of market risk. As we inch closer to November 5, 2024, the race between Kamala Harris and Donald Trump is stirring more uncertainty than the previous Trump-Biden matchup. Talks of traders may start trimming their long positions ahead of the event may add potential volatility for the event.

Asia-Pacific: Stimulus-Fuelled Rebound

Over in the Asia-Pacific region, markets initially mirrored the early downside seen in the US, but things took a sharp turn when China stepped in with decisive action. In response to what was perceived as an unjustified sell-off, Chinese officials rolled out a massive stimulus package—a true "bazooka" of measures to support their faltering markets. The effect was immediate: both Hong Kong and Chinese stocks soared, posting double-digit growth for September alone. However, not all was smooth sailing. Japan diverged from the regional trend, with stocks selling off due to renewed fears of further interest rate hikes. The newly appointed Prime Minister, Mr. Ishiba, has publicly backed Bank of Japan (BOJ) Governor Ueda's tightening policies, fueling concerns over more restrictive monetary conditions. Nevertheless, the MSCI Asia Pacific Index closed out the month and quarter on a positive note.

As we move into October, a few emerging concerns demand attention. First is the potential for hedge funds to reduce positions ahead of the US election, which could lead to increased volatility. Second, escalating tensions in the Middle East may drive a surge in oil prices. Lastly, Warren Buffett's Berkshire Hathaway now holds a record $277 billion in cash, a level not seen since 2005. This suggests that even Buffett believes many stocks are overvalued at current levels. I think it's prudent to maintain a higher cash position and wait for opportunities to buy quality assets at a discount during the election period.

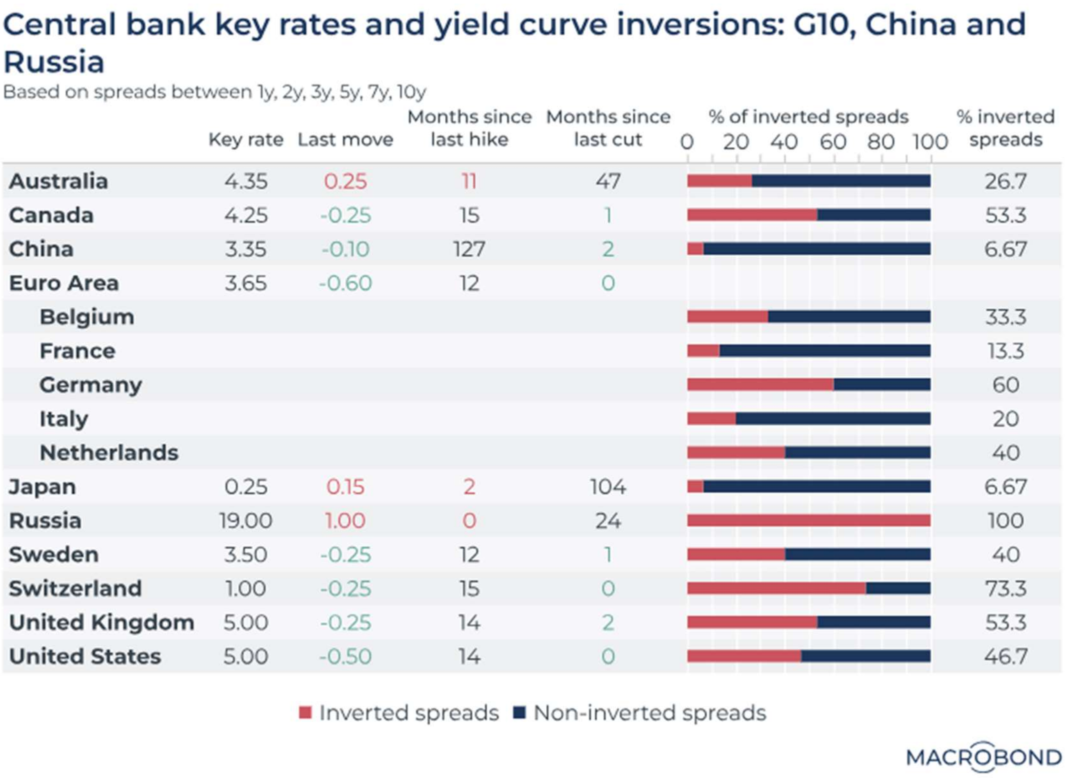
From the News Desk to the Investment Team

- Thai economy improved in July driven by exports and tourism – 3rd Sep
- South Korea revised GDP falls 0.2% in Q2 – 5th Sep
- Japan Q2 GDP growth reviewed down, softer consumption to test BOJ policy – 9th Sep
- UK pay growth at 2 year low keeps BOE on easing path – 10th Sep
- Hawkish BOJ policymaker calls for rates to rise to at least 1% - 12th Sep
- ECB cuts interest rates again as inflation slows – 12th Sep
- Trade wars a 'lose-lose game', analysts say China mulls milder steps as Western nations pile on tariffs – 16th Sep
- Fed cuts rates by half point to support economy – 19th Sep
- In US trade war with China, Mexico is emerging as the big winner – 20th Sep
- RBA to keep rates steady on Sep 24, cut in Q1 2025 – 20th Sep
- BOJ signals no rush in raising rates again, keeps policy steady – 20th Sep
- China fires policy bazooka to boost economy, led by mortgage-rate cut, property measures – 24th Sep
- US GDP: Economy grows at 3% annualized pace in Q2 on consumer expenditure and private investment – 26th Sep
- BOJ policymakers divided on future rate hike pace, July minutes show – 26th Sep
- Israel attacks Lebanon: Unequivocal US support for Israel's wars – 26th Sep
- Trump meets Zelensky and says it's time to end Russia's war - 27th Sep
- US dollar weakens after inflation data, JPY surges on Ishiba win – 28th Sep
- Big banks add October cut to ECB forecasts – 30th Sep

Market Watch

Equity Market Indexes	30-Sep-24	MTD ▲	YTD ▲
MSCI Global Index	851.78	2.17%	17.16%
S&P500	5,762.48	2.02%	20.81%
S&P500 ex Magnificent 7	121.23	1.25%	15.36%
Nasdaq	18,189.17	2.68%	21.17%
Mega Cap Tech	286.04	6.18%	50.25%
Japan TOPIX	2,645.94	-2.46%	11.81%
MSCI Taiwan	904.95	0.24%	31.79%
MSCI Korea	790.30	-5.29%	-4.87%
MSCI Australia	1,655.50	2.04%	8.79%
Hang Seng Index	21,133.68	17.48%	23.97%
China CSI 300 Index	4,017.85	20.97%	17.10%
MSCI Singapore	1,594.93	6.44%	19.44%
iEdge Singapore REIT	1,122.33	4.04%	-1.45%
MSCI India	3,121.22	2.03%	25.48%
MSCI Thailand	489.03	5.78%	3.39%
MSCI Emerging Markets	1,170.85	6.45%	14.37%
S&P APAC REIT USD	1,273.70	4.66%	9.56%
Fixed Income			
US 2 year Treasuries	3.64 %	-7.03%	-14.33%
US 10 year Treasuries	3.78 %	-3.14%	-2.53%
BBG US Agg.Corp Spread	3,392.48	1.77%	5.32%
BBG US HY Corp Spread	2,678.46	1.62%	8.00%
Currencies			
US Dollar Index	100.78	-0.90%	-0.55%
EUR	1.1135	0.79%	0.87%
GBP	1.3375	1.89%	5.06%
AUD	0.6913	2.19%	1.48%
NZD	0.6349	1.60%	0.47%
JPY	143.63	1.74%	-1.84%
SGD	1.2850	1.66%	2.67%
CNY (HK)	7.0074	1.17%	1.66%
KRW	1,314.70	1.73%	-2.07%
TWD	31.66	0.93%	-3.10%
THB	32.173	4.98%	5.76%
BRL	5.4496	2.80%	-8.69%
Commodities			
WTI Oil	68.17	-7.31%	-4.86%
Gold	2,634.58	5.24%	27.71%
Silver	31.16	7.95%	30.95%
Baltic Dry Index	2,084.00	14.88%	-0.48%

Chart of the Month



Central bank key rates and yield curve inversions: G10, China and Russia

Based on spreads between 1y, 2y, 3y, 5y, 7y, 10y

	Key rate	Last move	Months since last hike	Months since last cut	% inverted spreads
Australia	4.35	0.25	11	47	26.7
Canada	4.25	-0.25	15	1	53.3
China	3.35	-0.10	127	2	6.67
Euro Area	3.65	-0.60	12	0	
Belgium					33.3
France					13.3
Germany					60
Italy					20
Netherlands					40
Japan	0.25	0.15	2	104	6.67
Russia	19.00	1.00	0	24	100
Sweden	3.50	-0.25	12	1	40
Switzerland	1.00	-0.25	15	0	73.3
United Kingdom	5.00	-0.25	14	2	53.3
United States	5.00	-0.50	14	0	46.7

The chart above highlights key insights into the interest rate policies of various central banks. Most have embarked on rate-cutting cycles, with Australia, Japan, and Russia as notable exceptions. Given the rate hikes in Australia and Japan, their currencies appear poised for potential appreciation in the coming periods.

Conversely, the yield curve inversions observed in several economies, including the U.S., U.K., and parts of the Eurozone, indicate market expectations of future economic slowdowns and possible further rate cuts. Japan's low yield curve inversion of 6.6% suggests that the market anticipates stable economic conditions, supported by the Bank of Japan's hawkish outlook.

Overall, the current environment suggests a bullish outlook for both the Australian and Japanese currencies in the near future. However, it's crucial to monitor how other central banks adjust their policies, as these shifts could influence our higher percentage observations regarding yield curve inversions and interest rate movements.

New Dimensions Capital

The Boxing Duck

In September, New Dimensions Capital (NDC) proudly welcomed a new addition to our office art collection: the TUD x Mike Tyson collectible art piece. This striking piece adds a unique flair to our existing BearBricks and Murakami Wall Art, not only brightening the workspace but also serving as a source of value and inspiration.

Art, particularly in the realm of collectibles, can appreciate significantly over time. A prime example is the BAPE x MediCom BearBrick designed by Yuta Hosokawa, which originally sold for US$2,700 in 2018 and now commands a market price of US$121,000. While not every BearBrick sees such exponential growth, the increasing popularity of collectible art globally reflects its potential to gain value—much like a Picasso painting.

This month, our office shines with the addition of the "Boxing Duck" featuring Mike Tyson (above). The art is captivating, telling the story of an "ugly duck" from Brownsville who rose from nothing to greatness. Tyson's journey—from a troubled childhood to a world champion—reflects how adversity can build resilience. At New Dimensions Capital, we share that same spirit, embracing challenges as opportunities to grow stronger and more resilient in our wealth management services.