WEEKLY BULLETIN

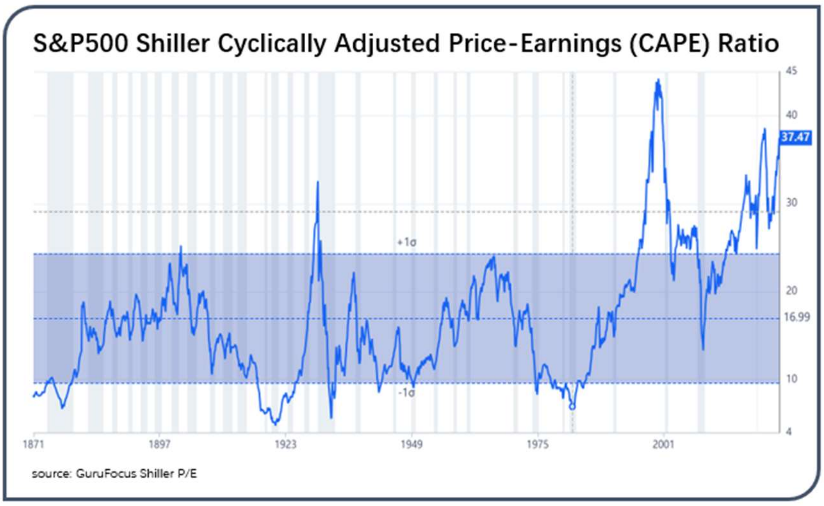
Nov 2024: Issue #2

Quote of the Week.

"Sometimes, your best investments are the ones you don't make" – Donald Trump

US stocks have continued their bullish run into early November, driven by the excitement surrounding Trump's election win, which has sent the S&P 500 soaring past the 6,000 mark. While the performance of the major US indexes has been nothing short of impressive, a closer look reveals an underlying concern that could spell trouble for the market in the near future.

Despite the S&P 500 hitting its 47th record high of the year, one key indicator is raising red flags: earnings revisions momentum. Simply put, this measures how analysts are adjusting their earnings forecasts for S&P 500 companies. Right now, the momentum is shifting downward—a trend that suggests future growth expectations may be too optimistic. This shift in sentiment hasn't gone unnoticed, even by Wall Street's sharpest minds.



A critical metric to watch is the Shiller Cyclically Adjusted Price-to-Earnings (CAPE) ratio, which currently sits at an elevated 37.4, well above the 32 threshold that historically signals a potential market correction. When the CAPE ratio exceeds 32, a sharp pullback of around 20% is often seen as valuations revert to the mean. Given the current elevated level, this suggests the market could be getting close to a correction if earnings fail to move in tandem to the rising prices.

Tech stocks, particularly Nvidia, have been a major driver of the S&P 500's gains. Nvidia's earnings report, due on November 20, will be crucial in determining whether the rally continues or falters. If the company's results fall short of expectations, it could trigger a broader market correction. With the market's valuation stretched and earnings expectations cooling, investors should remain cautious as the next few weeks could bring volatility.

Last Week 's Notable Events.

US Economy/Politics

- Fed chair Powell says 'there's no need to hurry to cut rates' – 14th Nov
- Many investors moved into treasury bonds assuming prices rise. That didn't go according to plan – 14th Nov
- Trump's cabinet picks trigger unease in Europe – 14th Nov

Europe Economy/Politics

- Europe is in grave danger if Trump hands victory to Putin in Ukraine – 12th Nov
- Ukraine bonds jump as investor bet Trump will end war – 14th Nov
- ECB cut rates to avoid damage to economy, meeting minutes show – 14th Nov

Asia Pacific Economy/Equity

- PM Anwar appreciates Egypt's support in Malaysia's journey towards BRICS partnership – 11th Nov
- China's 'Debt swap' plan a slight disappointment – 11th Nov
- BOJ divided on rate hike timing, October summary says – 11th Nov
- Chipmakers flee China, shift to Vietnam amid US/China heat – 13th Nov
- India middle class tightens its belt, squeezed by food inflation – 13th Nov
- China's Comac secures more than 100 aircraft orders at Zhuhai Airshow – 13th Nov

Weekly Data Monitor

Weekly chart:

- Global stocks fall on a combination of Trump tariff threats and Powell signalling slower rate cut
- APAC Real Estate hurt by slower Fed cut signal.
- USD strengthen on slower Fed cut signal.

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	-2.39	1.30	17.51	24.78	17.11	67.50
S&P500	-2.13	2.89	23.08	30.05	24.79	88.04
MSCI Asia Pacific	-4.01	-2.08	7.57	13.26	-8.45	10.33
Global Real Estate	-1.65	-0.73	7.47	20.56	-6.54	13.43
US Real Estate	-2.06	-0.41	9.30	23.25	-2.36	22.04
APAC Real Estate	-3.49	-3.73	-1.29	5.90	-20.80	-24.00
Investment Grade	-0.36	0.43	7.88	13.52	9.61	25.28
High Yield Bonds	-1.27	-1.31	-1.18	4.23	-12.52	-8.49
Global HY ETF	-1.71	-4.19	4.84	9.26	15.24	28.85
ASIA Real Estate ETF	-1.03	-3.35	-10.06	-2.99	-20.04	-26.88
USD Index	1.58	2.62	5.29	2.67	11.67	9.10
Gold	-4.74	-5.74	25.38	30.76	39.14	75.78
WTI Oil	-5.01	-2.79	-6.03	-11.28	-14.78	18.02

Chart of the Week.

After Fed Chair Powell's comment on a slower pace of Fed rate cuts, traders have adjusted their expectations, reducing the anticipated cumulative rate cut for 2025 from more than 80 basis points (bps) to just under 75 bps. While the change may seem small in percentage terms, its significance is substantial. We saw the US dollar surge higher, and US Treasury yields firm up towards 4.5%, all in a very short period. The most detrimental effect of this adjustment is the impact on interest rate-sensitive countries, particularly in the Emerging Markets and Asia-Pacific regions. Real estate, which represents a significant portion of the Asia-Pacific market, remains highly sensitive to high Fed fund rates and has underperformed since Powell's reversal from his earlier stance on easing. Despite some Wall Street analysts forecasting a strong recovery in the sector, I believe it's still too early to take significant positions in real estate. Stay vigilant.