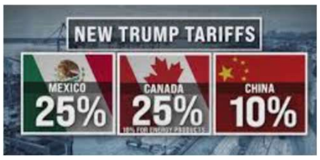
Monthly Perspective

"With uncertainty, there is never a dull moment – Haresh Sippy"

US Markets: Sector rotation begins as Tech faces new headwinds

The U.S. equity rally, driven by resilient corporate earnings, hit turbulence in late January as two major developments rattled investor confidence—Trump's renewed tariff threats and China's surprise unveiling of DeepSeek AI, a next-gen generative AI model.



The fallout was immediate: the tech sector, which had been on a relentless run, saw a sharp pullback as investors weighed the risks of tariff-induced inflation and escalating U.S.-China AI competition. Information Technology was the only sector in the S&P 500 to end January in the red, while 10 out of 11 sectors posted gains—an early sign of sector rotation. Investors are now shifting capital toward sectors that appear less vulnerable to trade policy risks and valuation pressures.

In an unexpected twist, Trump temporarily halted tariffs on Mexico and Canada after securing tighter border security commitments from both countries. This underscores a key takeaway—despite his aggressive stance, tariffs remain a bargaining chip rather than a direct path to full-scale trade war. While it's too soon to gauge the full inflationary impact of Trump's policies, one thing is certain: market volatility is here to stay in 2025.

Commodities: Gold shines as "Trade Risks" mount

Gold has been quietly gathering strength, fuelled by growing uncertainty around Trump's tariff playbook. His latest manoeuvre—pressuring Canada and Mexico—raises a critical question: who's next? With Europe and the UK potentially in the crosshairs, global investors are bracing for heightened risk aversion

As the old Chinese saying goes, "Accompanying the emperor is like accompanying a tiger"—you never know when you might be next in line for a bite, even for very closed allies to the US. The same applies to markets: as trade tensions rise, investors could seek shelter from a volatile U.S. dollar, accelerating global de-dollarization. Against this backdrop, a $3,000 gold price target no longer seems unrealistic.

Central banks have been steadily increasing gold reserves, and if trade fragmentation deepens, this trend is likely to gain further momentum. With geopolitical and currency risks in focus, gold remains a crucial asset to watch in 2025.

Asia Pacific Markets: Market split as capital flows shift

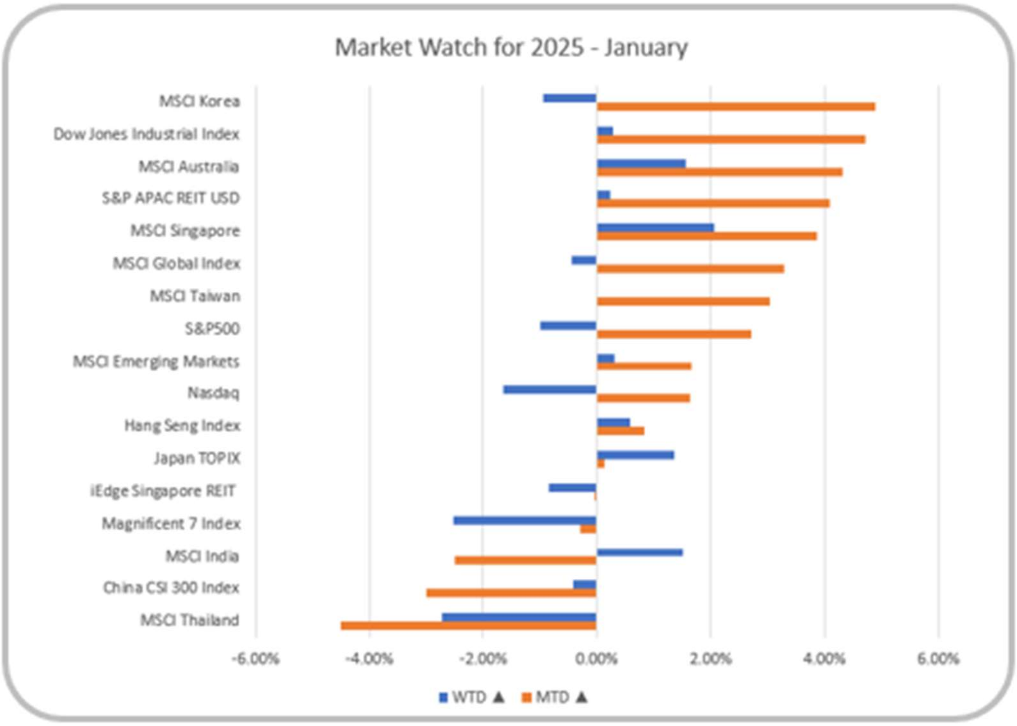
Asian markets reacted unevenly to shifting global dynamics. Thailand and India struggled with foreign capital outflows, dragging down January performance, while China remained under pressure amid mounting concerns that the U.S.-China trade war will persist. Meanwhile, capital flowed into Australia, Korea, and Singapore as investors sought more stable opportunities. Japan's stock market, on the other hand, faced renewed volatility after the Bank of Japan signaled the possibility of further rate hikes. Financials and tech stocks continue to lead sectoral activity, but the broader landscape remains fluid.

Looking ahead, Australia could be the next tariff target as Trump extends his trade agenda beyond Europe and the UK. Meanwhile, all eyes are on the Federal Reserve—it is likely to hold rates steady for now, closely watching how Trump's tariff strategy unfolds before making its next move.

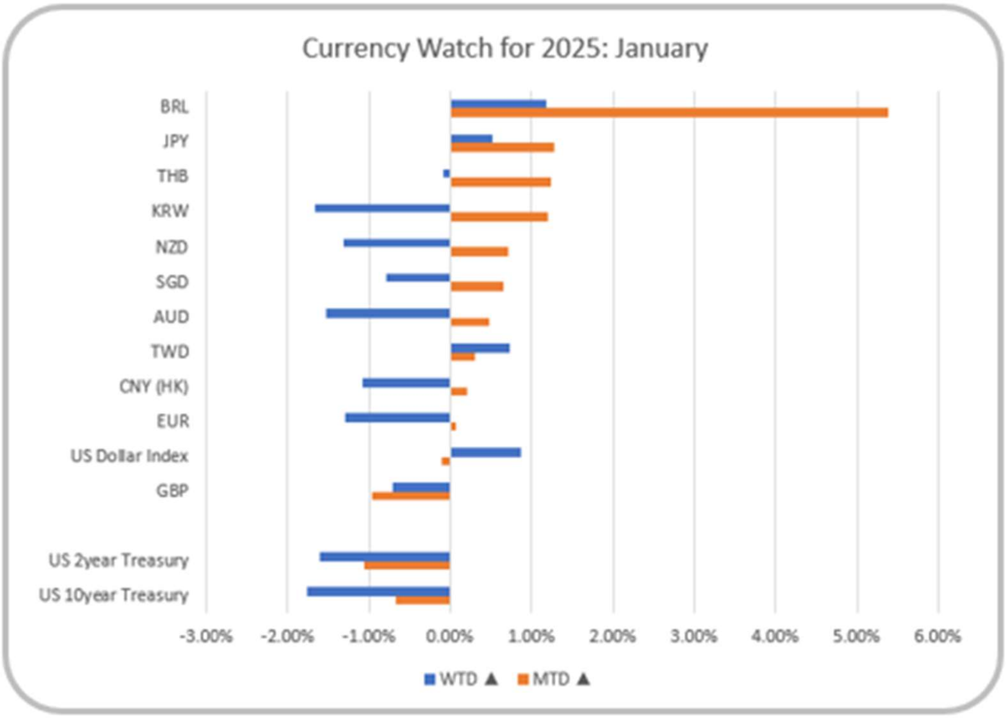
From the News Desk to the Investment Team

- US GDP grew 2.5% in 2024 but slowed slightly in final quarter – 30th Jan
- Indonesia, India ink six MoUs to boost trade, investment – 30th Jan
- Trump says EU tariffs will happen and UK is outline but deal can be worked out – 1st Feb
- China vows to sue US over Trump's tariff policy with WTO – 2nd Feo
- French trade minister warns EU not to be naïve after US imposes tariffs – 2nd Feb
- Panama will leave Beijing's Belt and Road project as US targets China's alleged influence over canal – 3rd Feb
- Panic buying causes drug shortages in Japan amid flu outbreak – 3rd Feb
- Former IMF chief economist warned tariffs could throw the world into recession – 3rd Feb
- Trump wants Ukrainian rare earths deal in returns for US Military support – 4th Feb
- Trump agrees to pause tariffs on Canada and Mexico but not on China – 4th Feb
- China responds with retaliatory tariffs, export controls and Google probe – 4th Feb
- Trump's tariff and the threat protectionism poses to Australian exporters – 4th Feb
- Gulf states attract more Chinese tourists amid economic pivot attempt – 4th Feb
- US Postal Services suspends incoming parcels from China and Hong Kong – 5th Feb
- EU shifting tone of stance on China as it prepares for frictions with US – 5th Feb
- China sees over2.3 billion inter-regional trips during Spring Festival holiday – 5th Feb
- Trump says US will take over Gaza strip following meeting with Netanyahu – 5th Feb
- China remains key market for British carmakers, says auto industry leader – 5th Feb

Market Overview

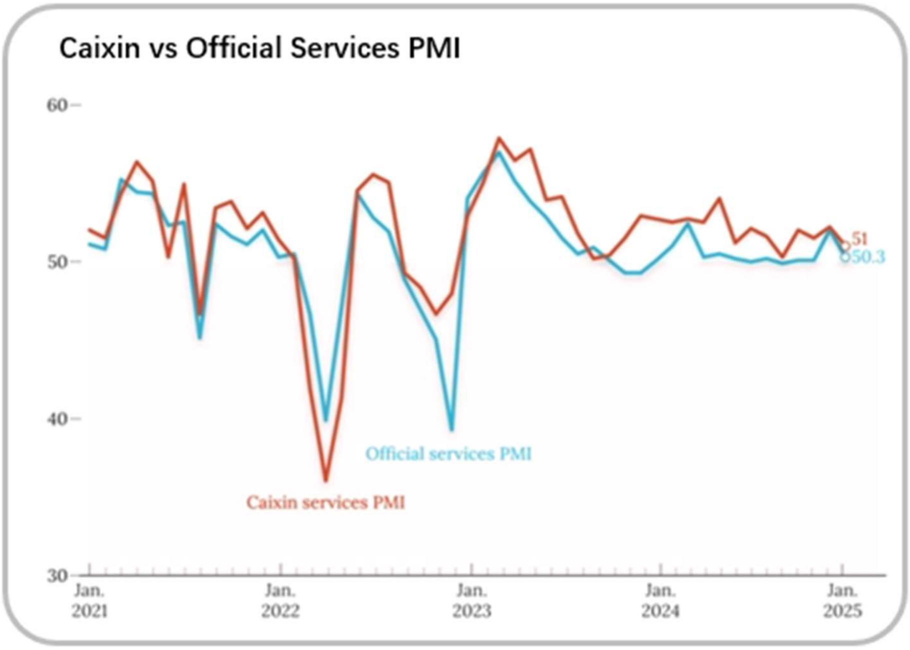


Korea, Australia and Singapore stocks attracting inflows.



The US dollar is experiencing wild swings, strengthening with the imposition of tariffs and weakening when tariff impositions are reduced.

Chart of the Month



China's latest services sector data shows a slight slowdown, with the Caixin Services PMI dipping from 51.5 to 51.0, while the official China Services PMI has come in at 50.3, slightly below the previous reading of 51.0. While both indices still remain above the 50 threshold, signaling continued expansion, the deceleration may suggest a moderation in the pace of recovery. Despite this, the resilience in the services sector remains evident, pointing to a stable economic foundation. The data suggests a cooling of the rapid growth seen in previous months, but not a contraction. This environment offers investors a unique opportunity to assess sectors poised for steady, albeit slower, growth. A cautious yet optimistic outlook could be warranted, with a focus on sectors likely to benefit from ongoing consumer demand and government support.

New Dimensions Capital

Blessed Chinese New Year from New Dimensions Capital!

The Year of the Wood Snake in 2025 symbolizes wisdom, transformation, and creativity. In Chinese culture, the Snake represents strategic thinking, patience, and the ability to navigate complexity with foresight. The Wood element enhances these qualities by emphasizing growth, renewal, and adaptability—traits that align closely with our investment philosophy at New Dimensions Capital.

Embracing the Spirit of the Wood Snake in Investing

We navigate market cycles with wisdom, embrace transformation in an evolving landscape, and foster creativity in structuring wealth solutions. These principles guide us in adapting to changing financial environments and seizing emerging opportunities.

As the global economy undergoes transformation, the Year of the Wood Snake serves as a reminder that sustainable success is built on foresight, agility, and resilience. At New Dimensions Capital, we are dedicated to guiding our investors through this shifting landscape, leveraging expertise to identify trends that shape future opportunities.

A Year of Strategic Growth and Renewal

As we step into 2025, we invite our investors to embrace renewal and strategic advancement. Let the wisdom of the Wood Snake inspire us to refine our strategies, capitalize on opportunities, and build lasting prosperity.