Monthly Perspective

"In times of turmoil, the winds of change may blow harder, but it is the steady hands that steer the ship to safer shores – New Dimensions Capital"

US Markets: Volatility is coming

February 2025 marked the first monthly decline for major US stock indices this year, primarily driven by:

- Trade War Fears Resurface – Trump's tariff threats are once again weighing on investor sentiment, as history has shown that protectionist policies tend to escalate into full-blown trade wars, increase prices, stalling global growth and squeezing corporate margins.
- Consumer Spending Skewed Toward the Wealthy – The US economy's reliance on affluent consumers (who now account for almost 50% of all consumer spending) exposes it to vulnerabilities if this group scales back. The University of Michigan's consumer sentiment index plunged 9.8% in February, highlighting broader concerns over tariffs and inflation.
- Mass Layoffs and AI Displacement Fears – Trump's sweeping dismissals in federal offices and the accelerating adoption of AI in corporate America (including IBM's announcement of 26,000 jobs at risk) are unsettling the labor market. A weakening job market can reduce disposable income and consumer confidence, further pressuring stocks.


The Daily Telegraph

'Make a deal or we're out'

Shouting match at White House as Trump tells Zelensky: Come back when you're ready for peace

One particularly striking moment occurred on February 28th, when Trump and Ukrainian President Zelensky clashed in the White House Oval Office. Never before has a US president publicly berated an adversary—and certainly not an ally—in such a dramatic way. This incident raises two critical points:

- Pre-Meeting Agreement and Political Showmanship: It's likely that Zelensky had initially agreed to terms with Trump, only for it to escalate into a public spectacle, intended to showcase Trump's power on home turf.
- A Bold Challenge to Presidential Power: The fact that Zelensky stood up to Trump in such a direct way is noteworthy. This challenge could send a message to other world leaders, particularly US allies, to be wary of Trump's protectionist stance. His policies, such as tariffs, are likely to create further uncertainties, not just in the US, but also in Europe. The volatility seen in the US markets may spill over globally, especially with potential tariffs targeting Europe.

In this context, volatility appears poised to continue into March, and America may soon realize that a "bully" approach on the international stage will not serve its long-term interests in a morally conscious global system.

Opportunities and Best Course of Action

- Resilience in High-Income Consumer Markets – Despite broader economic uncertainty, luxury goods, high-end travel, and premium consumer goods remain in demand. Select consumer discretionary stocks catering to affluent shoppers may continue to perform well.
- AI Investment Boom – While AI-driven layoffs pose a societal challenge, the rapid adoption of AI technology presents an opportunity in AI-related stocks, including semiconductor firms and enterprise AI software providers.
- Defensive Sectors for Stability – Given the economic uncertainty, sectors like healthcare, utilities, and consumer staples may offer relative safety, particularly dividend-paying stocks that can provide income stability.
- Selective Opportunities in Industrials and Energy – Companies benefiting from supply chain reshoring, domestic manufacturing, and energy infrastructure projects may see long-term growth potential.

Asia Pacific Markets: Vulnerable to US Tariff Fears

Asian markets are likely to be heavily impacted by Trump’s tariff threats in March. Notably, Japan faces risks from potential interest rate hikes by the Bank of Japan, while South Korea continues to recover from political instability. India's stock market, which enjoyed a strong run from 2020 to 2024, has faced a sharp downturn, with sectors like IT, automotive, and pharmaceuticals plummeting by as much as 33% in response to Trump-led worries.

On a more positive note, Singapore's stock market has seen gains, buoyed by safe-haven flows. The banking, infrastructure, and industrial sectors in Singapore continue to attract investment. However, the optimism from earlier relief rallies, based on hopes that US tariffs might not be as severe as initially feared, is starting to fade. As Trump's tariffs seem set to escalate, the global market, especially in Asia, could face significant challenges.

While the tariffs have already begun to affect China and Hong Kong, the rest of the region may still find a way forward if China decides to implement stimulus measures to support regional trade and circumvent US tariffs.

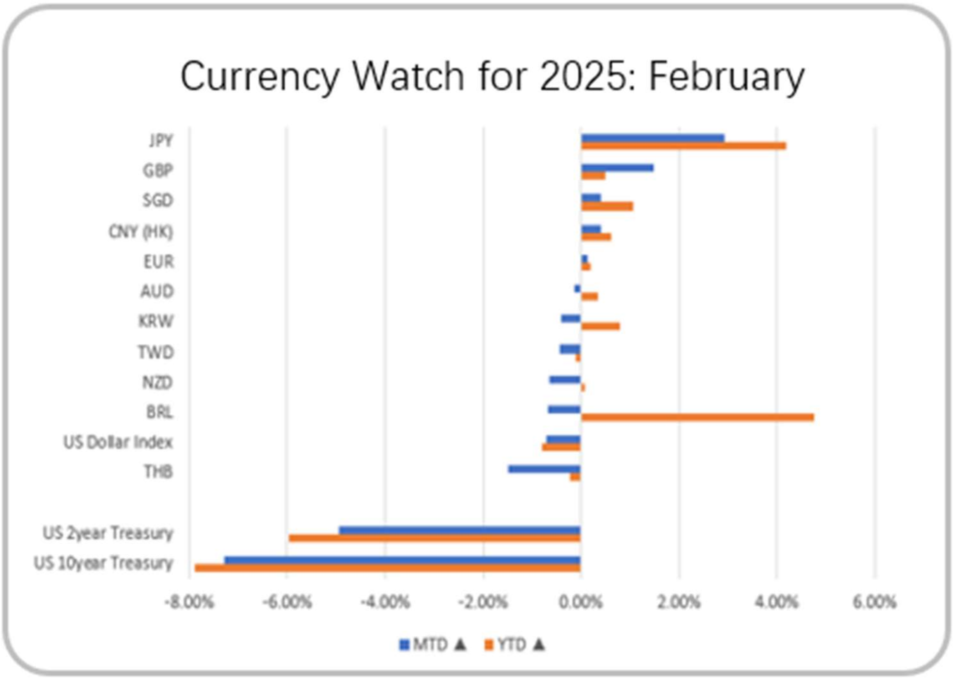
In the long term, the most effective approach may be to reduce dependence on the US and focus on fostering freer trade within the global market. If the US persists in its protectionist stance, global economies can still thrive by cooperating outside of US-dominated structures.

NEWS From the News Desk to the Investment Team

- Musk, DOGE order massive layoffs at office of personnel management – 4th Feb
- Trump orders US agencies to plan for 'large-scale' staff cuts – 12th Feb
- US layoffs: DOGE fires 9,500 federal workers, 85,000 jobs lost so far – 15th Feb
- Yes. America is Europe's enemy now – 21st Feb
- US services activity contracts for the first time in 2 years – 22nd Feb
- US stocks post worst slide in 2 months on gloomy economic data – 22nd Feb
- Russia says its open to economic cooperation with US on rare earth minerals and energy – 24th Feb
- Europe and US clash over Ukraine in G7 and UN – 26th Feb
- US economy grew 2.3% annually in the last months of 2024, outlook for 2025 is cloudier – 27th Feb
- Tariffs on China risk hurting US economy more than data suggest – 27th Feb
- Trump's threatened 25% tariffs on EU imports could trigger economic turmoil – 27th Feb
- Trump says US will impose additional 10% tariff on China, push ahead with Canada and Mexico – 28th Feb
- China pledges countermeasures after Trump announces new 10% tariff – 1st Mar
- White House shouting between Trump, Zelensky 'rare', dramatic in history of modern international relationships – 1st Mar
- Atlanta Fed model forecasts US GDP growth in Q1 2025 falling to -1.5% - 1st Mar
- US wants Canada, Mexico to match US tariffs on China – 1st Mar
- Trump-Zelensky row signals looming crisis between Europe and US – 1st Mar
- UK and France to present Ukraine peace plan to Trump, PM Starmer says – 2nd Mar
- US economy shows signs of strain from Trump's tariffs and spending cuts – 2nd Mar

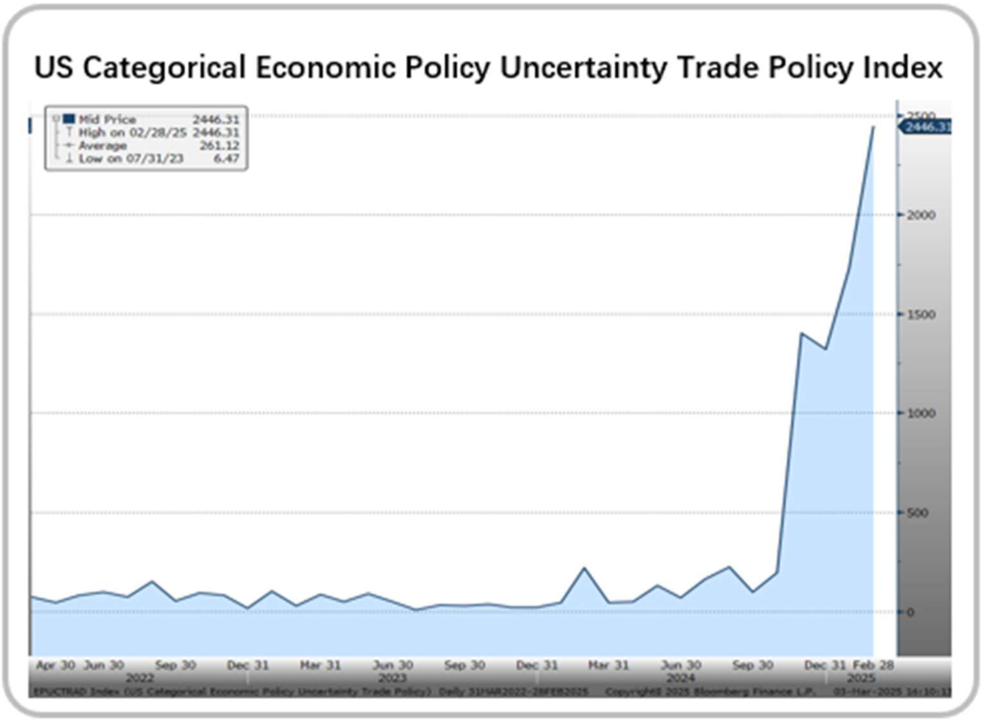
Market Overview

Hong Kong's benchmark index continues to perform well as President Xi pledges stronger protections for entrepreneurial interests and expanded market access, following the success of DeepSeek AI. S&P500 pullback in February.



US dollar declines as US consumer confidence weakens sharply amid growing economic concerns. Meanwhile, sentiment among Americans turns negative on Trump's swift tariff actions against Canada and Mexico.

Chart of the Month



The dramatic surge in the U.S. Trade Policy Uncertainty Index (above) to a record high of 2,446.31 likely played a role in the volatile February market pullback. While Wall Street may currently downplay its significance, this spike signals significant risks ahead for both the U.S. and global markets. As the new U.S. administration aggressively pursues tariff-driven policies, the global trade landscape faces heightened instability.

A critical question arises: Can the U.S. sustain its economic growth solely on domestic production? Even the strongest U.S. corporations rely on global markets to expand. For instance, Apple's recent struggles highlight the vulnerabilities when international demand weakens, particularly from China. This raises the broader issue—how do markets navigate extreme economic policy uncertainty?

Immediate Challenges

- Investment Slowdown: Businesses may delay capital expenditures, weighing on GDP growth.
- Global Trade Disruptions: Export-dependent sectors face heightened risks amid shifting policies.
- Inflationary Pressures: Tariff-driven cost increases squeeze corporate margins, impacting both U.S. and global companies.

Opportunities & Strategic Positioning

- Safe-Haven Assets: Increased demand for gold, U.S. Treasuries, and defensive stocks.
- Hedging Strategies: Long-short equities and volatility trading provide downside protection.
- Sectoral Rotation: Focus on domestic industries like defense, infrastructure, and energy.
- Global Diversification: Reduce exposure to U.S.-centric risks through strategic portfolio allocation.

Investment Approach

Investors should adopt a defensive yet opportunistic stance. Safe-haven assets and selective sectoral plays offer protection, while volatility strategies provide additional hedging. Staying agile and responsive to policy shifts will be critical to managing risks and capitalizing on market dislocations.

New Dimensions Capital

Rare 7-planet alignment

On February 28, a rare celestial event unfolded—a perfect alignment of seven planets, a spectacle that will not occur again until 2040. This cosmic synchronization serves as a powerful metaphor for wealth management: success is not random but a result of precise alignment, strategic positioning, and patience.

Just as planetary forces govern the universe, financial markets operate within cycles influenced by economic policies, interest rates, and global trends. Investors who recognize these forces and align their portfolios accordingly will be better positioned to navigate uncertainty and capture opportunities.

Key Takeaways for Our Investment Strategy:

- Timing & Market Cycles – Much like planetary alignments, financial markets experience periods where different asset classes outperform. Understanding economic phases allows us to adjust allocations accordingly.

- Portfolio Balance & Stability – Each planet contributes to the stability of the solar system, just as different asset classes (equities, fixed income, alternatives) provide resilience to an investment portfolio. Our strategy remains focused on a well-balanced allocation to generate stable returns.

- Rare Opportunities & Long-Term Wealth – Major financial shifts—whether in interest rates, technology, or geopolitical trends—create once-in-a-decade investment opportunities. Identifying these moments allows us to build generational wealth.

- Strategic Positioning for Growth & Protection – Misalignment in celestial orbits can create turbulence, just as poor financial structuring can lead to unnecessary risk. Our focus remains on aligning capital with high-quality investments, optimizing tax structures, and ensuring risk mitigation.

As we move forward in 2025, our wealth strategy remains aligned with market forces, adapting to macroeconomic trends while maintaining a disciplined approach. The rare planetary alignment reminds us that financial success, like celestial events, is a product of precise positioning, foresight, and patience.