

## Market Weekly Insights

1st April 2024

## Global Outlook

*China's FDI Trends: Early 2024 Analysis*

China's Foreign Direct Investment (FDI) witnessed a 19.9% YoY decline, reporting ¥215.1bn (\$29.88bn) total in January and February this year. Despite such a downturn, the Ministry of Commerce noted that FDI remains the third highest in the past ten years, keeping spirits high. The decrease we saw in the first two months of 2024 follows 2023's weak performance of an 8% decrease. However, newly established foreign-funded enterprises jumped by 34.9%, attributed to China's enormous market supply chain infrastructure and human resources as crucial investment attractions.

The uptick in China's unemployment rate to 5.3% and the record-low performance of the real estate sector add further considerations for investors evaluating China as an investment destination amidst the declining FDI. These factors and diminished foreign investment contribute to a more complex assessment of China's investment landscape.

*Eurozone and Ireland Economy Poised for Growth in 2024*

Economists have forecasted that the eurozone economy, including Ireland, may see a return to growth in 2024 after experiencing a challenging year in 2023 due to a significant contraction in Ireland's economy. The country's central bank has indicated that Ireland's GDP is expected to grow by 2.5% and 2.8% respectively in 2024, driven by a revival in pharmaceutical exports.

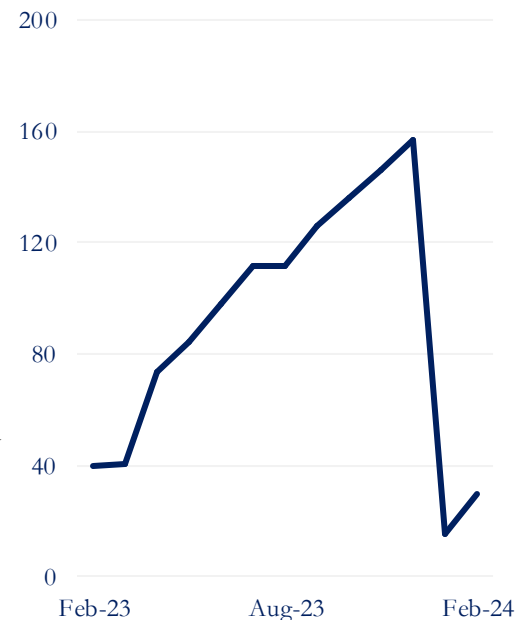
Overall, the eurozone is expected to see modest growth in 2024, supported by increases in real wages and a potential decline in borrowing costs later in the year. The eurozone economy improved slightly in March, indicating the potential for a modest rebound in the first quarter of 2024 after stagnation in the previous quarter.

*Singapore's Inflation Unexpectedly Increased in February*

February was a tough month for many in Singapore, with inflation unexpectedly accelerating due to increased food, transportation, and housing prices, all of which have a significant weight on the index. Transportation rose 2.3%, housing and utilities rose 3.9%, and food prices rose 3.8%. Furthermore, the Consumer

WoW % change

S&P 500	\$5,254.35 +0.24%
DJIA	\$39,807.37 +0.07%
NASDAQ	\$16,379.46 -0.14%
Russell 2000	\$2,072.00 +1.60%
FTSE 100	\$7,952.62 +0.89%
Nikkei 225	\$40,369.44 -1.27%
WTI Crude	\$83.12 +2.86%
10-yr Treasury	4.2% -0.041%

CHINA'S FOREIGN DIRECT INVESTMENTS  
(in \$ billions)

Sources: Wall Street Journal, MarketWatch, Ministry of Commerce of the People's Republic of China

SINGAPORE'S INFLATION  
(in %)



Price Index (CPI) rose by 3.4%, surpassing many analysts' expectations of a 3.3% median; the Core CPI increased by 3.6% as well. This jump in CPI was attributed partly to the Lunar New Year Holidays.

Top Analysts at Goldman Sachs predict that inflation will remain high for now but gradually relax later in the year to roughly the 2% mark. The Monetary Authority of Singapore (MAS), Singapore's Central Bank, is expected to maintain its current monetary policy in April. However, if the inflation outlook stabilizes, the policy might ease in the second half of 2024.

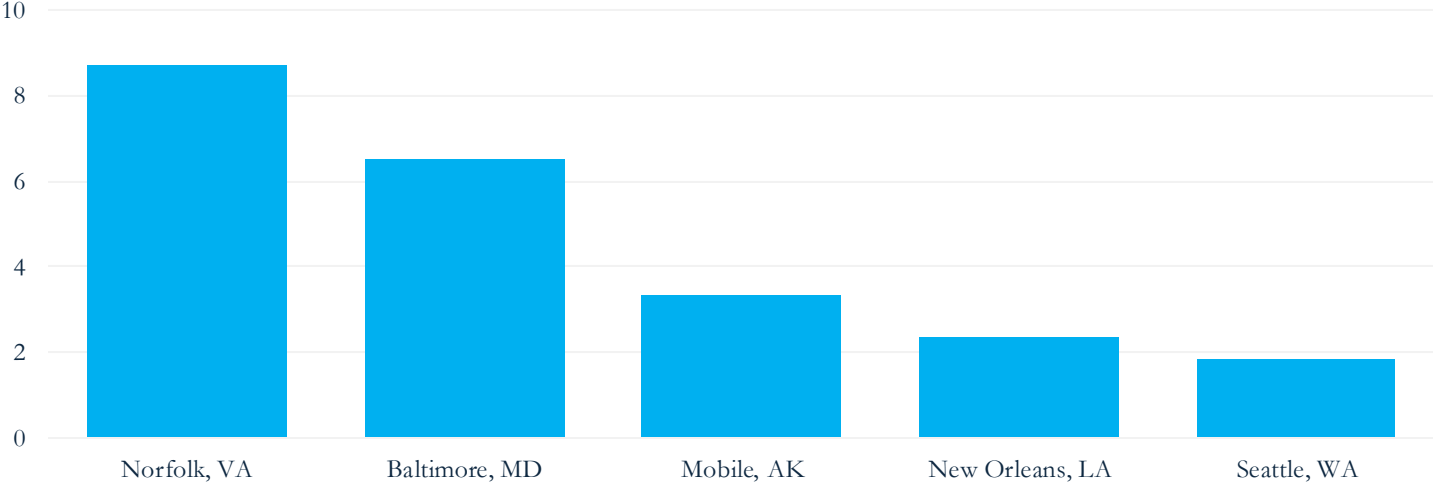
## America This Week

### *Francis Scott Key Bridge Collapse Disrupts Port of Baltimore Operations*

This previous week, the cargo ship Dali lost power and collided with the Francis Scott Key Bridge, resulting in the subsequent collapse of the bridge. The bridge's collapse will affect port operations for an extended period as the bridge is a crucial entry point to the Port of Baltimore, a key access point for imported cars and farm equipment, and the U.S.'s second-largest hub for coal exportation.

Companies such as Consol Energy and CSX, which operate export terminals at the port, have been impacted, forcing some to divert shipments to other ports in the region. While the shipping disruption is expected to be less severe than other recent events, such as pandemic-related backups or war and drought impacts, the bridge collapse represents a significant short-term challenge.

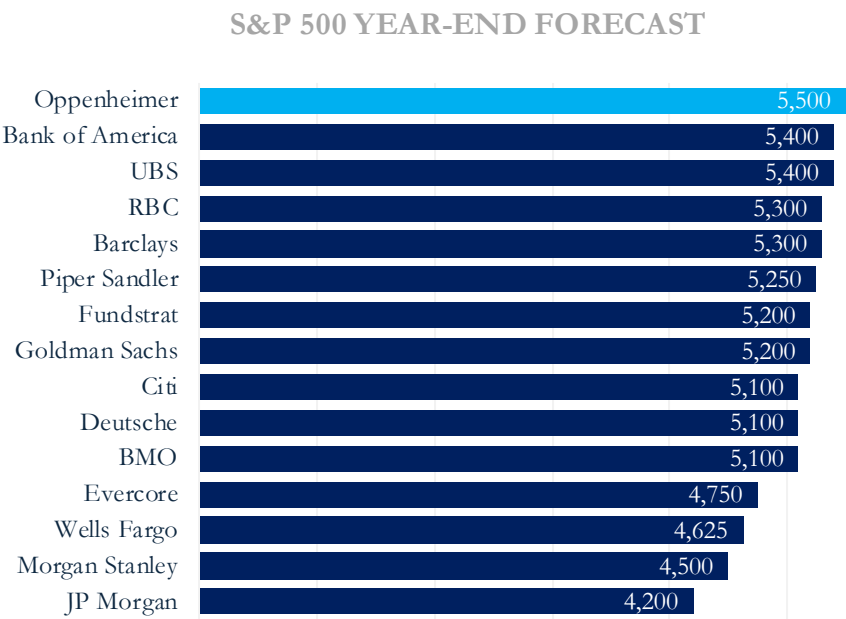
TOP US PORTS IN COAL EXPORT VOLUME FROM JULY TO SEPTEMBER 2023  
(in millions of short tons)



Sources: Trading Economics, Wall Street Journal, US Energy Information Administration

## Wall Street Gave its Highest S&P 500 Year-End Forecast

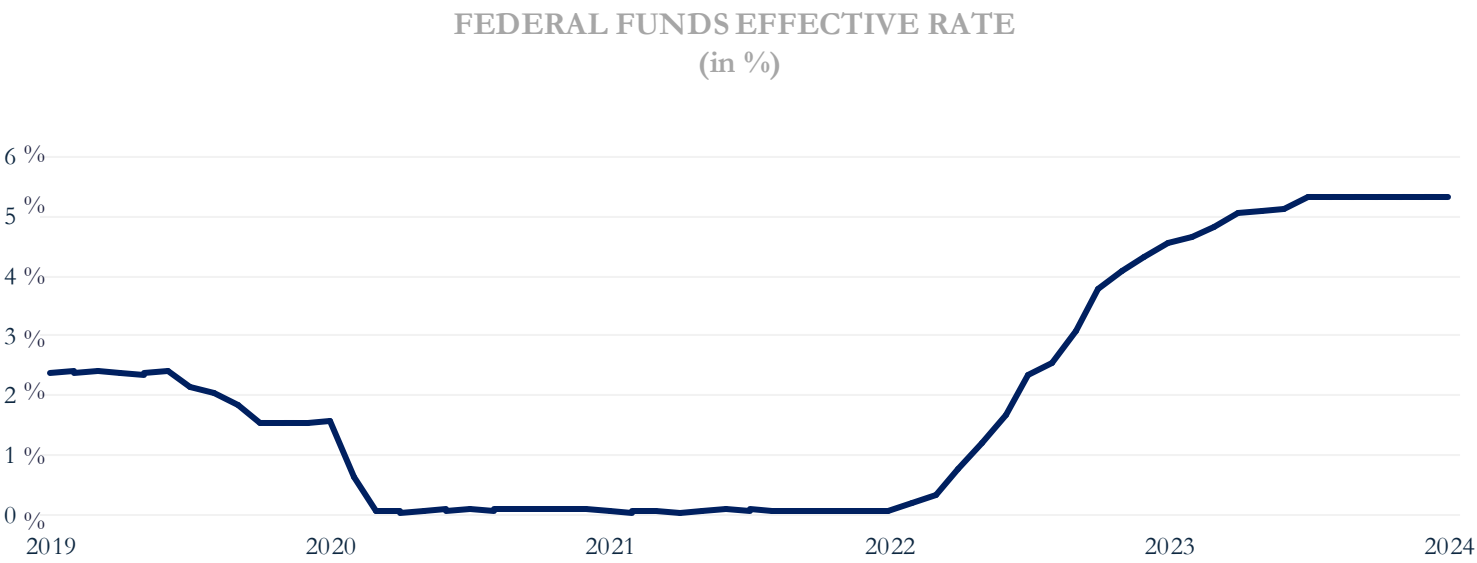
This past week, Oppenheimer's chief investment strategist, John Stoltzfus, made one of the most bullish calls by projecting the index to reach 5,500 by year-end, a 5% increase from the previous close, which is a record high for the S&P 500 index. This forecast comes after a stock surge pushed the index past Stoltzfus's initial 5,200 target in late December. His rationale for this increase was that the Federal Reserve might make two rate cuts this year, positive signs in earnings over the last several quarters, and strong US economic growth. Other analysts have raised their benchmarks, with Bank of America and UBS projecting 5,400 by year-end. As we move into the second quarter, let's see if S&P can continue its current trend.



## Macro Highlights

### The Fed's Deliberate Path Towards Rate Cuts Amid Mixed Reactions

The Federal Reserve holds the Fed Funds Rate steady at 5.50%, with Chairman Jerome Powell indicating forthcoming rate cuts within the year. Projections suggest three anticipated cuts of 25 basis points each, potentially bringing the rate down to 4.75% by the outset of 2025. The prospect of rate reductions has sparked diverse reactions among the public.



Sources: Yahoo Finance, Wall Street Journal, Federal Reserve Bank of St. Louis

While large corporations and investors appear relatively unmoved by the impending cuts, citing ample bond availability and a resilient stock market, households and small businesses eagerly await relief from high borrowing costs. The Federal Reserve's cautious approach to adjusting the funds rate reflects its delicate balancing act between managing inflationary pressures and fostering sustainable economic growth. As the central bank navigates these complex considerations, market observers remain attentive to signals regarding the timing and magnitude of future rate adjustments.

## Industry News

### *Visa and Mastercard Settlement Caps Swipe Fees*

In a class-action settlement stemming from a 2005 lawsuit, Visa and Mastercard have agreed to cap the swipe fees they charge merchants, potentially saving them an estimated \$30 billion over five years. The agreement includes implementing a ceiling on swipe fees and rolling back posted fees for merchants.

Additionally, merchants will be allowed to adjust prices based on card costs. Although many agree that the settlement demonstrates progress toward eliminating anticompetitive restraints, some smaller merchants feel the changes are insufficient and advocate for legislative action to promote competition in the marketplace. Overall, the settlement may empower smaller merchants to negotiate fees collectively, potentially reshaping the landscape of card processing fees.

### *Baidu Shares Rise Following Reports of Collaboration with Apple*

Baidu, a major Chinese multinational internet company, saw its shares surge in Hong Kong after a potential collaboration in Artificial Intelligence between them and Apple. Shares for the company rose by 5.4% on Monday, contrasting with a decline in Hong Kong's benchmark tech index.

The uptick started when a Chinese media outlet announced that Baidu could become Apple's local generative AI model provider for their products, such as the upcoming iPhone 16, the Mac operating system, and iOS 18. While this has to be approved by Chinese regulators, the Baidu Ernie Bot, one of more than 40 models, has already been approved. Analysts say this endorsement would be a massive boost for the company, considering the increased competition in the space. Robin Li, Baidu's CEO, states that the AI cloud business will likely be a main event driver in 2024, hinting at revenue of several billion Yuan.

### *Novo Nordisk Expands Portfolio, Acquires Cardior Pharmaceuticals for €1bn*

Novo Nordisk, the Danish drugmaker behind Ozempic and Wegovy, is acquiring Cardior Pharmaceuticals for €1 billion (\$1.08 billion) to diversify its portfolio. Cardior provides Novo Nordisk with cardiovascular disease treatments using RNA-based therapies. The company has seen success with its diabetes and weight loss medications.

This acquisition provides an opportunity for them to expand into cardiovascular health. Integrating cardiovascular treatments with diabetes medications prescribed for weight management is expected to yield significant advantages. Cardior's ongoing clinical trials for heart failure treatment hold promise, potentially addressing fundamental factors contributing to heart disease.

Sources: New York Times, Wall Street Journal, Financial Times

### Amazon Invests an Additional \$2.75 Billion in AI Startup Anthropic

Amazon has fortified its commitment to the AI landscape by injecting an additional \$2.75 billion into Anthropic, an AI startup, totaling a monumental \$4 billion investment. Anthropic, led by former OpenAI employees, offers Claude3, an AI assistant competing directly with OpenAI's ChatGPT. This investment reflects the intense competition among tech giants like Microsoft, Google, and Amazon in the burgeoning AI sector, with over \$29 billion invested in generative AI companies last year.

Beyond financial support, Amazon's collaboration with Anthropic extends to leveraging its AI capabilities within Amazon's cloud business offerings, showcasing the symbiotic relationship between the two entities. Despite potential regulatory scrutiny, both companies remain steadfast in their pursuit of AI innovation, with Amazon's Vice President of cloud computing expressing optimism about the transformative potential of generative AI.










### Looking Ahead: Analyst Outlook

#### Varun Jhamvar – Can AI Revolutionize Deal Making Dynamics?

Integrating AI in private equity signals a significant shift in dealmaking dynamics. While current applications predominantly focus on data analysis and risk assessment, I believe there's immense untapped potential waiting to be explored. If harnessed effectively, AI's predictive and prescriptive capabilities could revolutionize due diligence processes, offering more profound insights into potential investments. Moreover, I think the prospect of personalized investment strategies tailored to individual investor profiles is particularly compelling, as it has the potential to enhance investor satisfaction and bolster relations.

For example, Amazon's investment in Anthropic clearly shows that investors are flocking to AI startups, fueling a surge in funding. According to PitchBook, over \$29 billion was invested in generative AI companies last year, highlighting the immense financial interest in this transformative technology. In conclusion, as private equity continues to evolve, embracing AI technologies will redefine industry standards and drive superior investment outcomes. This technological advancement promises to offer a competitive edge in an increasingly dynamic market landscape.

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Sources: Wall Street Journal