The Federal Reserve's interest rate cut cycle has officially begun. How will various types of assets perform?

The Federal Reserve cut the federal funds rate by 50 basis points in September, marking the official start of a new round of interest rate cuts. This major policy shift heralds a wave of profound changes in the global market. The interest rate cut not only means lower financing costs, but also brings a large amount of liquidity into the financial system, which will change the performance of various assets. The response of different asset classes depends on the current macroeconomic background and market expectations, and those investors who can foresee trends in advance and quickly adjust their portfolios will have the opportunity to reap rich returns in this round of market volatility.

Each round of interest rate cuts begins, and the performance of asset prices has a certain regularity. The US dollar usually depreciates,while the stock and real estate markets rebound strongly. Oil prices depend on global economic recovery, gold performs well, cryptocurrencies experience significant increases, and bond yields decline due to the pressure of quantitative easing (QE). The Federal Reserve's bond purchase program lowers long-term interest rates, driving up bond prices. Investors can benefit from low-risk capital gains through bonds. Historical experience shows that the Fed's rate cuts have a powerful impact on global asset markets, often directing capital toward high-growth sectors. In a low-interest-rate environment, the demand for high-risk, high-return assets tends to increase significantly.

At this point, market opportunities are already open, but this window will not last forever. Hesitation will only cause you to miss this critical moment for wealth accumulation.So which assets will be driven by low-cost funds to expand and revalue? Which assets will be the biggest beneficiaries of the interest rate cut cycle? Let's take a look at how the US dollar, stock market, real estate, crude oil, gold, cryptocurrency, treasury bonds and other assets will perform in the later period after the US dollar interest rate cut cycle starts? What opportunities do we need to seize to preserve and increase the value of our assets? Even how to quickly double our assets?

1.US dollar: The start of the US dollar interest rate cut cycle will directly increase the supply of US dollars in the market, which usually leads to the depreciation of the US dollar. However, in the early stage of an economic crisis, the US dollar may strengthen temporarily due to safe-haven demand, but in the long run, as liquidity increases and market confidence recovers, the US dollar faces depreciation pressure.

For example: The dollar depreciated sharply in the early days of COVID QE (March 2020), reflecting global market uncertainty about the U.S. economy. Although the dollar strengthened in the early days of the crisis due to safe-haven demand, it gradually weakened as quantitative easing progressed and global markets returned to normal.

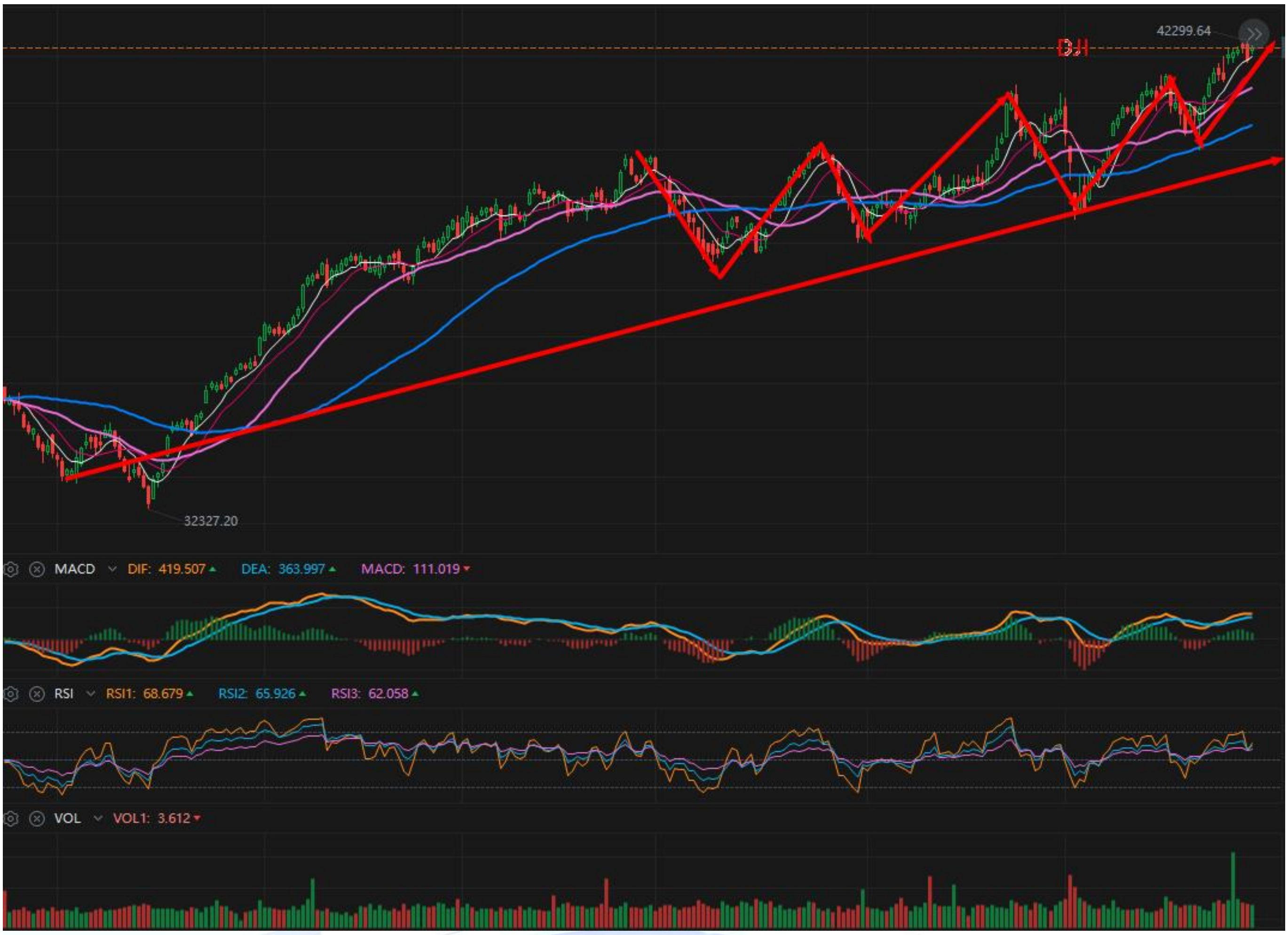
At the same time, let's take a look at the current daily candlestick chart of the U.S. dollar:

As shown in the chart, since the emergence of rate cut expectations, the dollar has continued to weaken. After the initial announcement of a 50 basis point cut, it dropped to a strong support level near 100. Due to a potential slowdown in the pace and magnitude of future cuts, the dollar index has begun a strong rebound, breaking above the 62-day moving average. However, the MACD indicator shows that the DIF has crossed above the DEA line, yet this signal remains below the zero line, indicating that the current rebound strength is weak. Overall, from a technical perspective, this rise appears to be a weak rebound, with the dollar index still in a downward trend amid a long-term rate cut cycle.

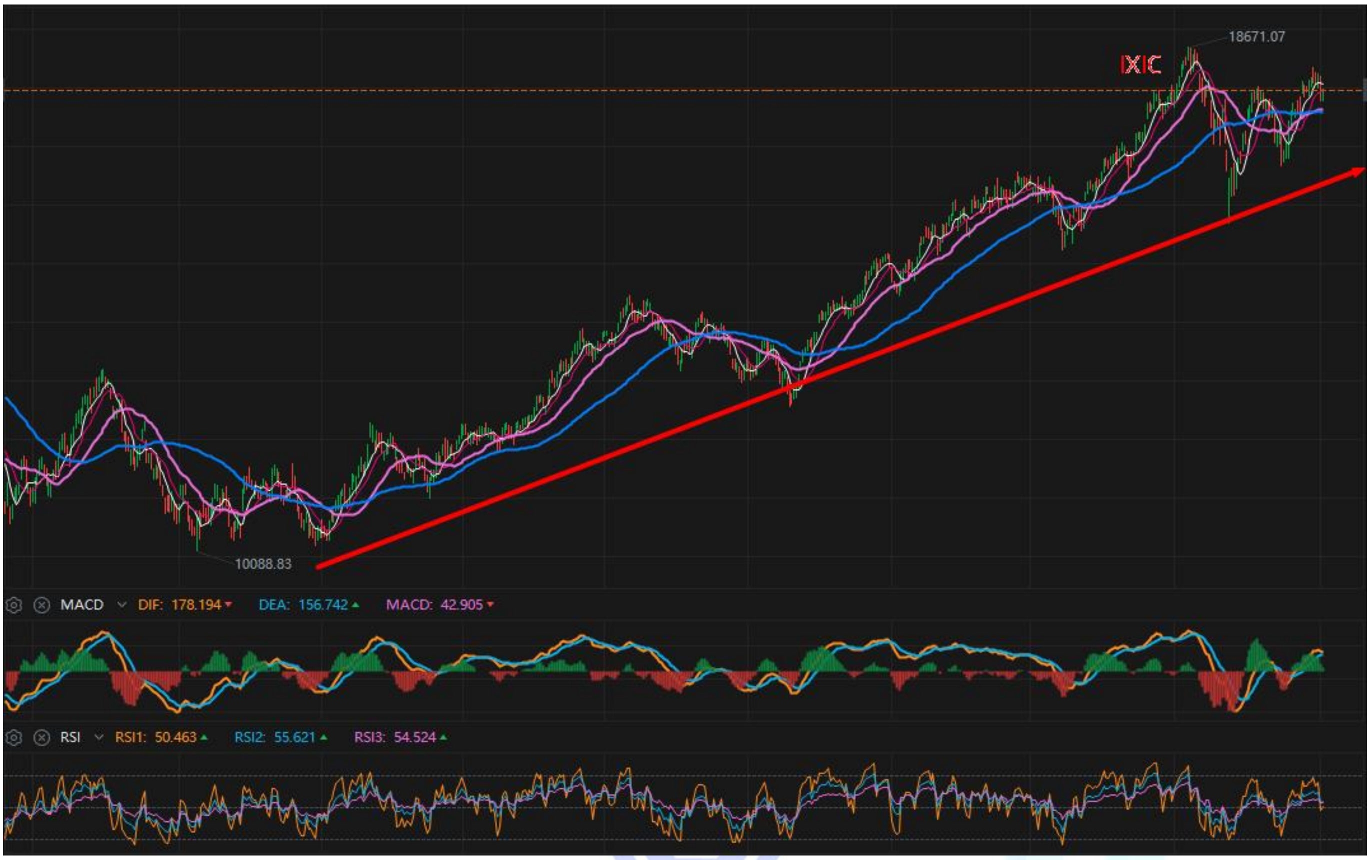
2.US stocks: The US dollar interest rate cut has driven the stock market up, especially technology stocks and growth stocks. The flood of liquidity and low interest rate environment have led to capital inflows into risky assets, pushing up stock market valuations. History shows that the stock market often enters a bull market after monetary easing.

For example, the Federal Reserve's rate cuts and quantitative easing in 2020 provided strong support for the stock market. With a significant influx of liquidity, the market quickly rebounded from the sharp decline in March caused by the pandemic, with technology stocks performing particularly well. The S&P 500 and NASDAQ indices surged by the end of 2020, driven by increased liquidity and rising market risk appetite.

Let's take a look at the current daily candlestick chart of the three major indexes:



As shown in the chart, since the beginning of this year, the Dow Jones Index has repeatedly fallen below the 62-day moving average but has quickly rebounded each time, crossing above the 62-day line and reaching new highs. Currently, the MA7, MA12, MA25, and MA62 are all in a diverging upward bullish trend, indicating that the Dow is steadily climbing along the 62-day moving average and continuously setting new highs. From the MACD indicator perspective, the DIF has repeatedly crossed above the DEA while above the zero line, forming a "golden cross" pattern that further strengthens the upward momentum. Overall technical analysis shows that the index is persistently rising along the 62-day moving average, indicating that the upward trend remains solid.



As shown in the chart, the Nasdaq Index, after reaching a new high of 18,671 points, is forming a distinct W-shaped bullish pattern. The overall trend continues to rise along the 62-day blue moving average, with brief dips below this line quickly recovering. Currently, the MACD indicator shows signs of the DIF potentially crossing below the DEA while remaining above the zero line, indicating a possible short-term pullback. However, if the W pattern is confirmed, the index still has the opportunity to reach new highs and maintain its upward trend.

As shown in the chart, after reaching a new high, the S&P 500 has started a short-term pullback, but the overall trend continues to rise along the 62-day moving average (the blue lifeline). The MACD indicator has generated a bullish crossover above the zero line but is showing signs of a potential bearish crossover, indicating pullback pressure. However, as long as the index does not drop below the 62-day moving average, the upward trend of the S&P 500 remains intact, with prospects for further highs.

So why are we more optimistic about the performance of tech stocks during the Fed's rate-cutting cycle? Let's look at the latest data. Over the past decade, the U.S. stock market has seen a surge in "ten-bagger" stocks, particularly in the tech sector, which has been a key driver of price increases. Companies like NVIDIA, with its leadership in AI chips, have seen a staggering 300-fold increase over ten years, marking a remarkable market phenomenon. Additionally, AMD has increased by 57 times, Broadcom by 28 times, and Tesla, Amazon, TSMC, and Netflix have also risen by over ten times during this period. Tech giants like Apple and Microsoft have shown significant growth in market capitalization, underscoring the tech sector's dominance in the U.S. market.

In 2024, technology and energy companies in the S&P 500 index once again led the market to rise. For example, NVIDIA, Palantir, and Constellation Energy's stock prices doubled this year, becoming the best in the stock market. At the same time, GE Aerospace, Arista Networks, Oracle, Broadcom, and Meta have also risen by more than 67% this year, demonstrating the importance of technology and innovation companies in the current market.

3.Real Estate: The start of the interest rate cut cycle will reduce mortgage rates and drive up demand in the real estate market. In particular, residential real estate is very likely to see an increase in housing prices, driven by low interest rates and increased demand for home purchases.

For example, during the COVID QE in March 2020, the real estate market performed strongly in a low-interest environment. Particularly with the shift to remote work due to the pandemic, there was a surge in demand for properties in suburban areas and around major cities, leading to rapid price increases. Low borrowing costs and abundant liquidity made real estate a popular choice for investors.

In summary, after the onset of the U.S. Dollar interest rate cut cycle, the real estate market typically benefits, characterized by rising house prices, increased demand, and lower financing costs. Residential and commercial properties, in particular, tend to become primary targets for capital inflows. However, while investors enjoy the benefits of low interest rates, they should also be mindful of potential risks such as market overheating and price adjustments.

4.Crude Oil: Crude oil prices are highly sensitive to global economic recovery and changes in supply and demand. The onset of the U.S. Dollar interest rate cut cycle is expected to support global economic recovery, which will increase energy demand and drive up crude oil prices.

For example, after the outbreak of the epidemic in early 2020, crude oil demand plummeted, causing oil prices to fall to negative values in April. However, with the Federal Reserve's interest rate cuts and a gradual recovery of the global economy, crude oil prices rebounded in the second half of the year, and by 2021, prices continued to rise, reflecting market optimism about the recovery of the global economy.

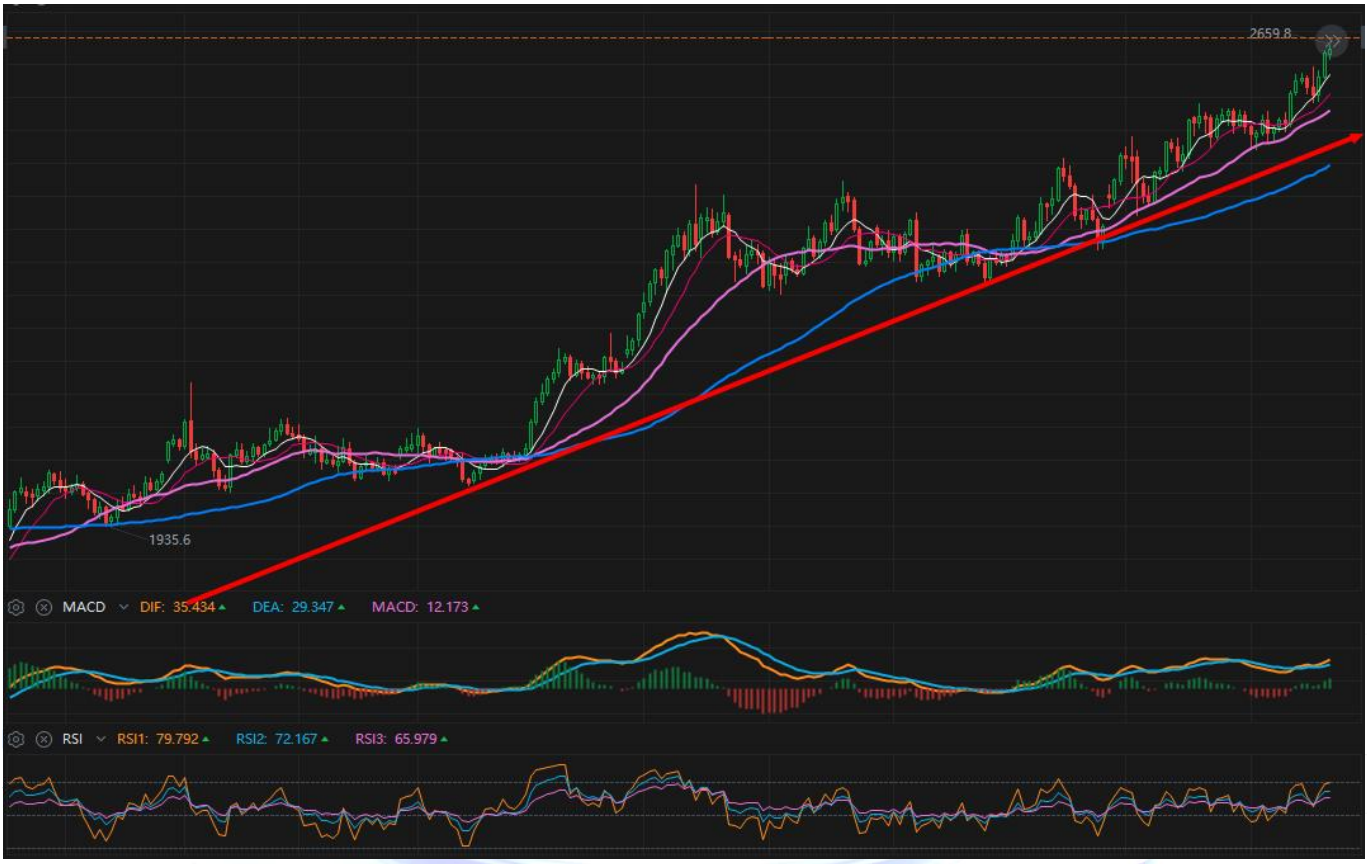
Let's take a look at the current daily candlestick chart of oil.

As shown in the chart, under the combined influence of the Fed's interest rate cut cycle and geopolitical tensions,crude oil prices have successfully broken above the 62-day moving average. Although MACD currently shows that DIF crosses DEA, forming a golden cross signal, this is more like a rebound stage. Whether it can be transformed into a strong upward momentum, it is need to pay attention to whether the price can effectively break through the 62-day blue lifeline in the short term. If the 25-day moving average cannot break above the 62-day life line soon, the strong resistance level will be around $80.

5.Gold: As a hedge against inflation and currency depreciation, gold has performed well after each US dollar rate cut cycle. The market is worried about future inflation and gold prices may continue to rise.

For example, during the COVID QE period, gold prices soared again, breaking historical highs in August 2020. The uncertainty caused by the pandemic and concerns about long-term inflation made gold the preferred choice for safe-haven investments.

Let's take a look at the current daily candlestick chart of gold.



As shown in the chart, the price of gold has risen strongly along the trend line, breaking through the historical highs repeatedly. The moving average system shows an obvious bullish trend, and MACD has also formed a golden cross pattern of DIF crossing DEA above the zero axis many times, further consolidating the upward momentum. Although the MACD is now above the zero axis and DIF is crossing DEA, with the continued tension in the geopolitical situation and the start of the US dollar interest rate cut cycle, gold is expected to continue to hit new highs in the future.

6.Government Bonds: Long-term government bond prices tend to rise during each dollar interest rate cut cycle, while yields decrease. The Fed's bond purchase program lowers long-term rates, driving up bond prices. Investors can benefit from low-risk and capital gains through government bonds.

For example: COVID QE has significantly depressed long-term Treasury yields, especially 10-year and 30-year Treasury bonds, with yields falling to historic lows in 2020. Treasury prices have soared, reflecting market expectations of long-term low interest rates.

Let's take a look at the current daily candlestick chart of Treasury bonds.

As shown in the chart, although the interest rate cut cycle has officially begun, the 30-year Treasury bond is still in a downward trend.Currently, the MACD shows that the DIF has crossed above the DEA below the zero line, which only reflects a minor rebound following the rate cut. To confirm a genuine upward trend, the key will be whether it can break above the 62-day moving average (the blue lifeline) in the short term. A successful breakthrough would signal the establishment of an upward trend.

7.Cryptocurrency (BTC): As liquidity increases and trust in traditional financial systems diminishes, cryptocurrencies have attracted significant capital inflows. Digital currencies like Bitcoin tend to perform especially well in low-interest-rate environments, and they are likely to benefit from excess liquidity and the risk appetite of investors in the future.
For example, the Fed's interest rate cuts and quantitative easing in 2020 greatly boosted the cryptocurrency market. Major cryptocurrencies like Bitcoin and Ethereum saw their prices soar, with Bitcoin surpassing $60,000 in early 2021. The low-interest-rate environment and a crisis of confidence in traditional financial systems led to significant capital inflows into the cryptocurrency market in search of high returns.

Let's take a look at the current daily candlestick chart of BTC:

As shown in the chart, Bitcoin (BTC) price remains above the 62-day moving average (the blue lifeline), which is showing signs of a bullish reversal. This indicates strengthening market sentiment. Meanwhile, the MACD indicator shows that the DIF line has crossed above the DEA line and is above the zero axis, suggesting that bullish momentum is gaining dominance. It's worth noting that it has been nearly six months since Bitcoin's fourth halving; if the current price effectively breaks through the key resistance level of $74,000, it will open up significant upside potential.

Looking back at 2020, the price of BTC rose from $3,200 to $70,000, a 2,187% increase, as the U.S. dollar entered a rate cut cycle and Bitcoin experienced its third halving. Looking forward to 2024, the U.S. dollar rate cut cycle will start again, and Bitcoin will also complete its fourth halving. The resonance of these two factors is very likely to trigger the rise of Bitcoin again. The future trend is very worth looking forward to. Regarding the specific performance in the future, we will share more in depth later.

Summary: Whenever the Federal Reserve initiates a rate-cutting cycle, the movements of asset prices almost always follow a clear pattern. First, the depreciation of the U.S. dollar is nearly inevitable. As liquidity floods the market, the global purchasing power of the U.S. dollar gradually weakens. Meanwhile, the stock and real estate markets quickly rebound, driven by a significant influx of capital, especially technology and growth stocks, which become the biggest winners in a low-interest-rate environment due to their strong growth potential.

Crude oil prices closely follow the global economic recovery, and rising demand drives prices up steadily. Gold shines under the demand for safe havens, becoming the first choice for investors to preserve value. At the same time, along with the Fed's purchase of long-term bonds, long-term Treasury prices will also show a clear upward trend, attracting conservative investors.

The crypto market is particularly noteworthy. Amid excessive liquidity and concerns over the devaluation of traditional currencies, digital assets like Bitcoin are experiencing explosive growth, reaching new heights. History has repeatedly shown that the Federal Reserve's accommodative policies are not only tools for crisis management but also powerful engines driving global asset prices to soar!

Well, we have a clear idea of the future trend of various assets. Now the core question is, how to find those investment targets that can double our assets or even achieve wealth freedom? If you still don't have a clue, you might as well study how much NVIDIA has risen in the past decade. More importantly, ask yourself, why didn't you seize this opportunity? Or, if you did buy NVIDIA, why didn't you achieve explosive growth in assets?

We will analyze the detailed reasons in depth next time. Please stay tuned and don't miss it!