



WEEKLY UPDATE

3rd APRIL 2023

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	86,980	3.23%	4.67%	-0.52%
MSCI World Ex-Aus. (Unhedged)	14,508	2.94%	8.61%	3.89%
MSCI World Ex-Aus. (Hedged)	2,309	3.69%	7.01%	-7.88%
Bloomberg AusBond 0+ Composite	9,814	-0.25%	4.60%	0.35%
Bloomberg Barclays Global Agg. (Hedged)	984	-0.48%	1.95%	-5.31%
S&P/ASX300 Property	56,750	1.18%	0.91%	-14.21%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,499	4.85%	-0.27%	-22.47%
S&P Global Infrastructure (Hedged)	5,977	3.02%	3.03%	-3.03%
Bloomberg All Hedge Fund Index	2,042	N/A	1.07%	5.28%
VIX	18.7	-13.98%	-18.34%	-4.74%
Bloomberg Commodity Index (USD)	105.51	2.41%	-4.36%	-14.83%
Iron Ore Index (62% Fe Aus. Off. China, USD)	127.50	3.66%	8.05%	-19.56%
LME Copper Spot (USD)	8,935.00	0.09%	6.53%	-13.56%
Coal 1st Future (Newcastle Export, USD)	193.00	10.07%	-52.25%	-25.48%
Brent Crude 1st Future (USD)	79.89	6.53%	-7.01%	-25.97%
LNG 1st Future (Japan/Korea)	13.52	6.42%	-54.21%	-61.86%
Gold in AUD	2,946	-1.05%	9.85%	13.76%
AUDUSD	0.6685	0.60%	-1.72%	-10.65%
AUDEUR	0.6166	-0.16%	-3.42%	-9.67%
AUDNZD	1.0684	-0.28%	-0.80%	-0.89%
AUDGBP	0.5420	-0.22%	-4.19%	-5.08%
AUDJPY	88.7730	2.15%	-0.12%	-2.59%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 2nd April 2023

Market sentiment responded positively last week to lower inflation readings, higher liquidity, and signs that stress may have eased in the banking sector.

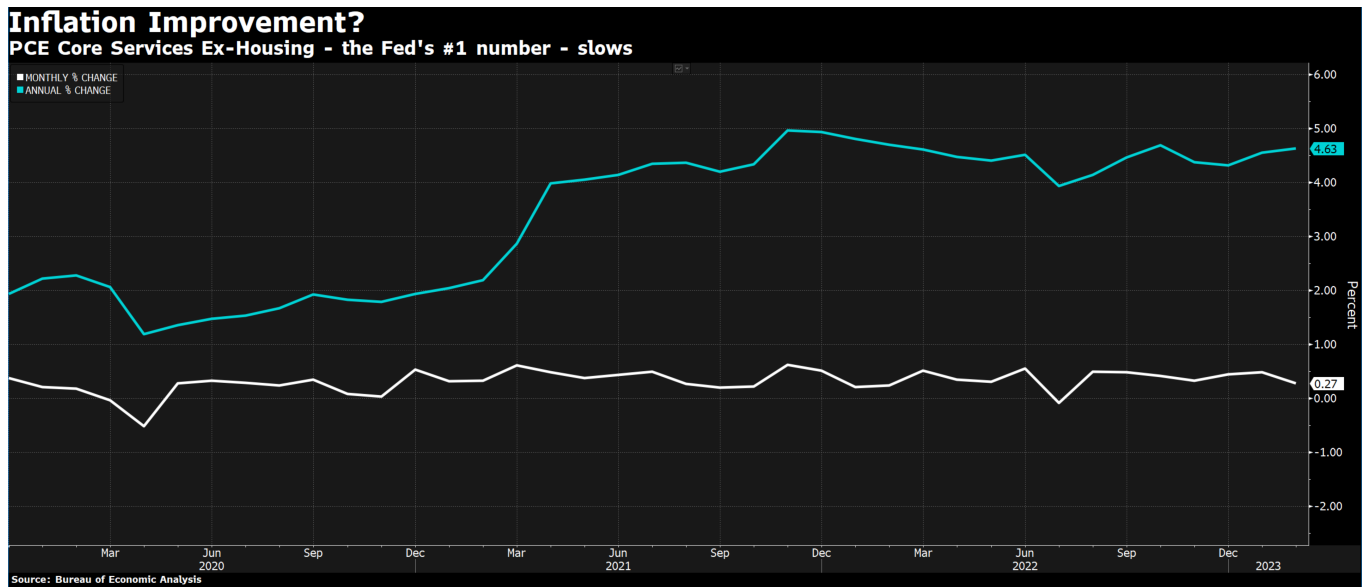
The Chinese PMI surveys signalled a pick-up in the domestic economy, despite weak export demand.

The RBA is expected to keep rates at 3.6% tomorrow. The American ISM surveys and labour report will also be published this week.

There were clear signs of an improvement in investor sentiment last week as fears of further bank collapses waned. First Citizens BancShares Inc. agreed to buy Silicon Valley Bank, while UBS announced that a veteran CEO would return to lead the bank following the Credit Suisse takeover. Sergio Emotti was CEO of UBS for nine years before stepping down in 2020. The Deutsche Bank share price also stabilised after Bloomberg reported that authorities were investigating whether the previous week's sudden spike in CDS prices might have been due to a single large trade in a less-liquid section of the market.

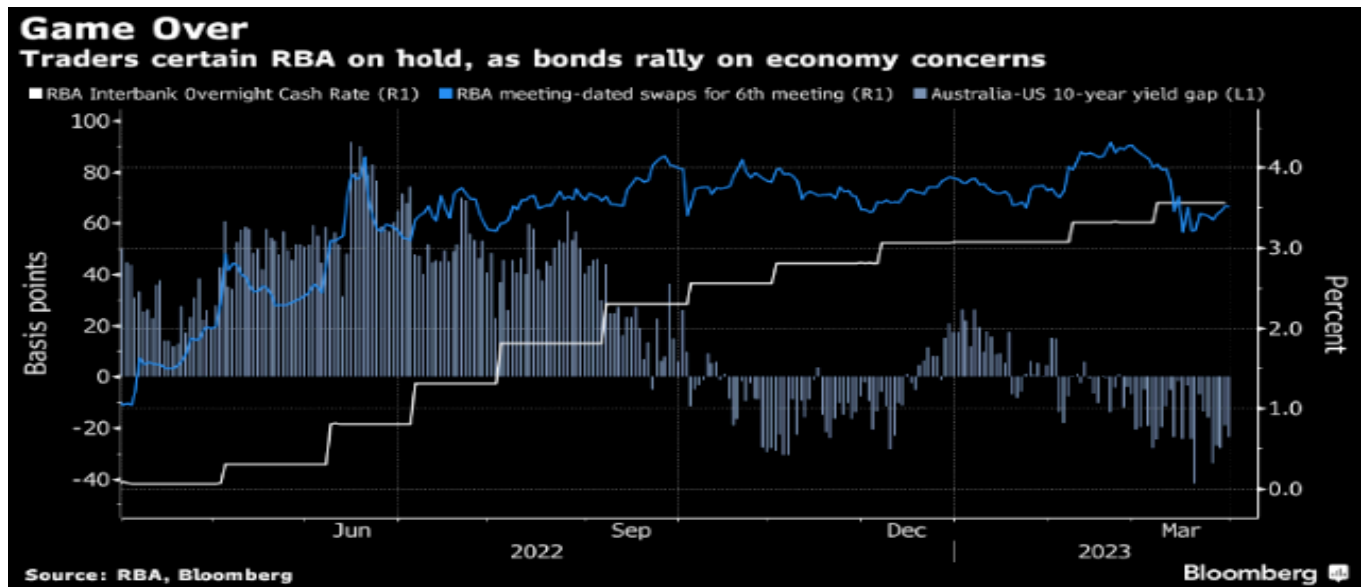
Global equity indices rallied back above key technical support levels, and even international real estate bounced off the recent lows. Industrial commodities firmed as the US dollar weakened, while safe-havens such as gold retreated.

Last week's inflation data also appear to have contributed to the relief, as markets began to price lower peaks in central bank policy rates. The Federal Reserve's preferred core PCE measure unexpectedly fell from +4.7% yoy in January to +4.6% in February.



In addition, the March eurozone estimate fell more than anticipated to +6.9% yoy, providing more confidence that inflationary pressures are receding. As a consequence, markets are pricing no more interest rises in the US this cycle, while the peak in anticipated eurozone rates has dropped from 3.75% three weeks ago to 3.5%.

The ABS' experimental monthly CPI indicator also fell by more than expected from +7.4% yoy in January to +6.8% last month. The RBA had previously stated that it would consider pausing rate rises when it meets tomorrow. Holding at 3.6% now seems to be the most likely outcome. However, the market has gone so far as to price out all future rate rises this year. This suggests that the softness in recent activity data will continue, leading to lower inflation.



Bond yields nevertheless rose over the week. Part of the rise is likely due to an unwinding of the dash for safe havens. But it may also be too soon to say that inflation is under control and inflation risks are likely more balanced than market pricing suggests. For example, Australian electricity prices are expected to rise again by an average of +20% from July. More broadly, there is still the risk that higher commodity prices could push inflation higher later this year as the reacceleration of the Chinese economy increases demand in supply-constrained markets. Last week's official Chinese PMIs indicated higher activity in the non-manufacturing sectors, suggesting that the domestic economy is beginning to respond to stimulus, despite manufacturing sectors still suffering from weaker export demand.

Furthermore, the recent policy actions have resulted in the Federal Reserve undoing approximately half of the balance sheet reduction that began almost a year ago. The Bank Term Funding Program (BTFP) has seen more liquidity channelled to the banks to satisfy high volumes of withdrawals. As customers invest those withdrawals in money market funds, some of the inflows are visibly finding their way back to the Fed's balance sheet as the funds seek to earn a return on the additional cash via the reverse repo facility. Since the policy measures are assumed to be temporary, they are not necessarily equivalent to a permanent increase in the money supply, which would be inflationary. However, the program could quickly become more permanent, particularly if the real economy slows due to tightening credit conditions.

The slowdown in the real economy isn't yet visible in hard data, despite the inverted yield curve and negative leading indicators. This week, the ISM surveys and the American labour report will provide an update on the US economy, as well as the JOLTS report and Challenger job cuts. The March unemployment rate is expected to remain at 3.6%.

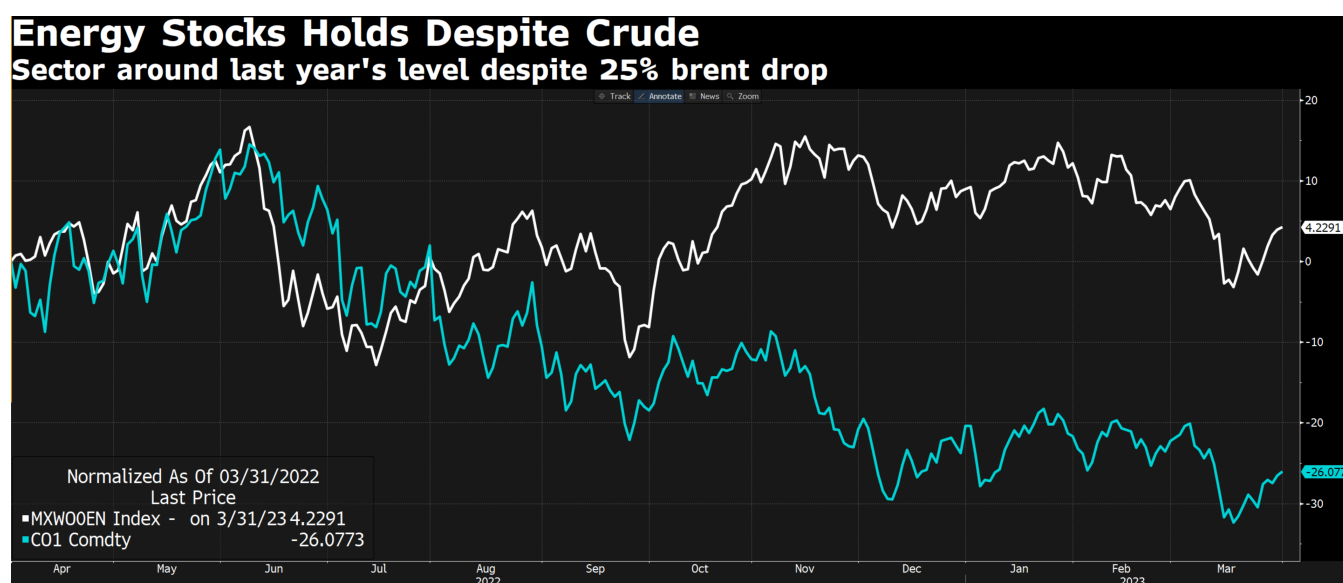
Investors may nevertheless be distracted as Donald Trump, the first former president to be indicted, surrenders to New York prosecutors on Tuesday.

Geopolitical tensions will likely remain elevated as Republican House leader Kevin McCarthy reportedly plans to meet Taiwanese president Tsai Ing-wen. China has promised to retaliate if the meeting takes place.

In a setback for Russia, Finland cleared the last significant hurdle in its task to join NATO. Membership will put another NATO member directly on Russia's border, implying that the war will have been a strategic failure for Putin, whatever the outcome in Ukraine.

The mood was more celebratory in Canberra last week as the government secured the support it needs to implement its central climate change commitment after reaching a deal with the Greens. The agreement will lead to emissions limits on the 215 largest-polluting facilities in the country.

OPEC+ unexpectedly announced a production cut of more than 1 million barrels of oil a day, reneging on previous assurances it would hold supply steady and posing a new risk for the global economy. Oil futures increased by up to 8% after the announcement. This adds to inflationary pressures globally, which may force Central Banks to keep interest rates higher for longer. The output cuts will commence from May. There will be about 1.6 million barrels a day less crude on the market than previously expected by July.



Country	Size of cut (b/d)
Saudi Arabia	500,000
Russia	500,000
Iraq	211,000
UAE	144,000
Kuwait	128,000
Kazakhstan	78,000
Algeria	48,000
Oman	40,000

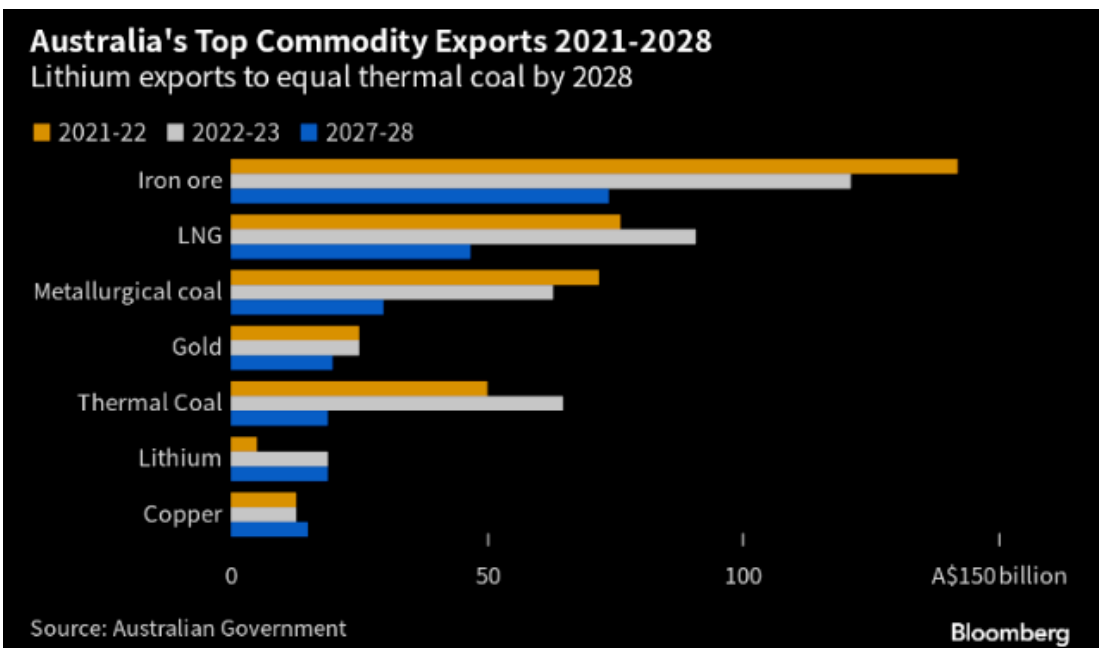
Source: Bloomberg

Goldman Sachs has raised Brent forecast to \$US95 by December on the back of the output cut.

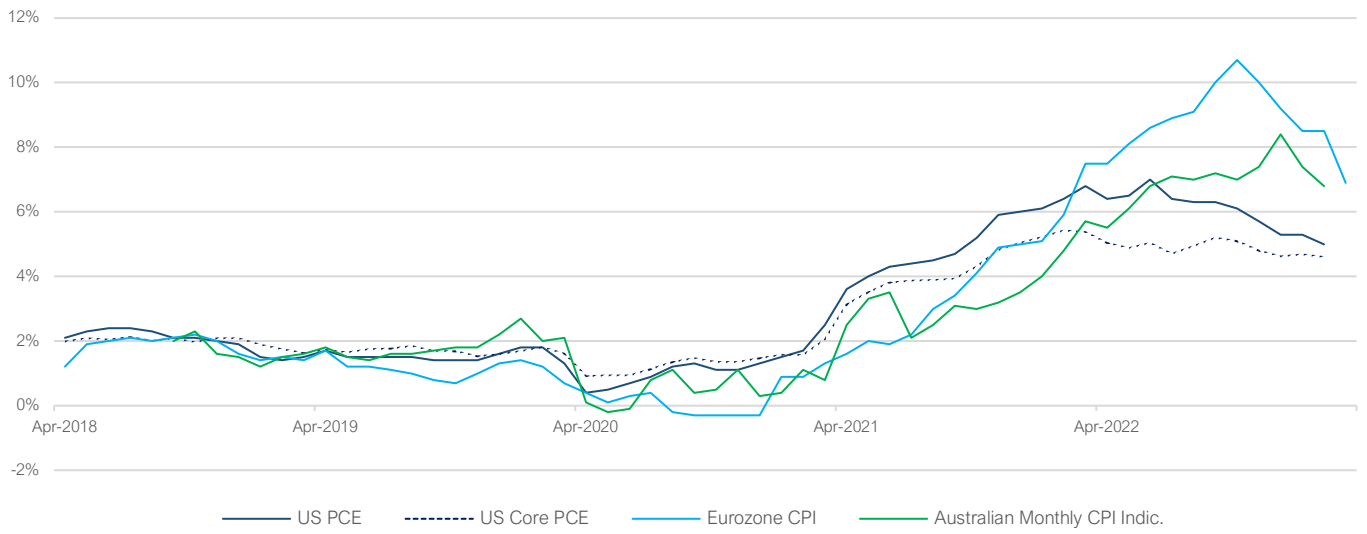
In company news US EV manufacturer Telsa (TSLA) announced a record delivery of 422,875 cars in the first quarter.



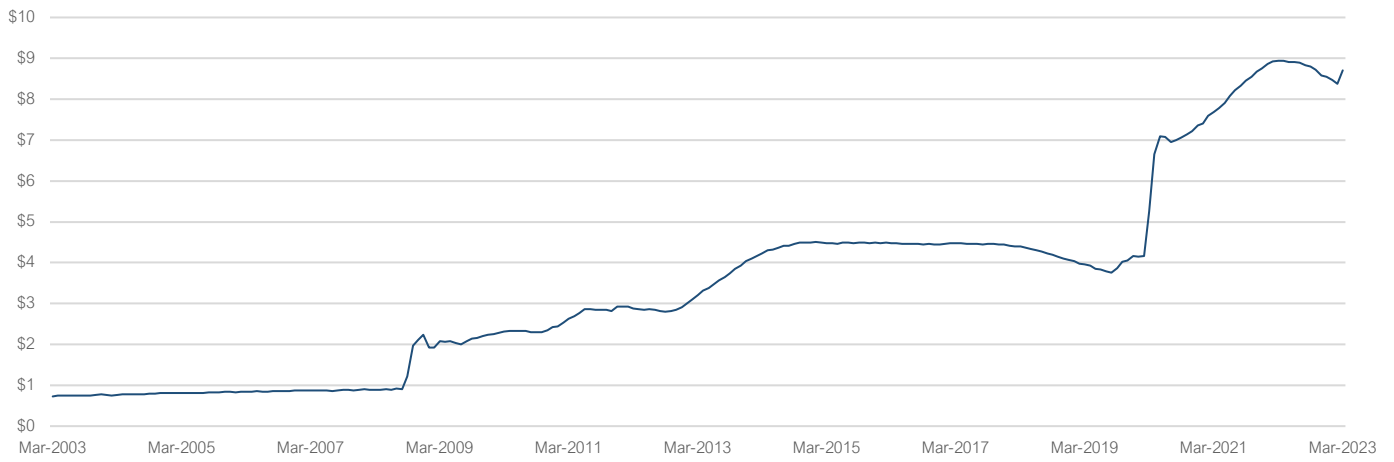
Australia sees Lithium exports matching thermal coal by 2028 (to \$19 billion) according to government projections. It also expects power station coal shipments to fall 71% over the same period.



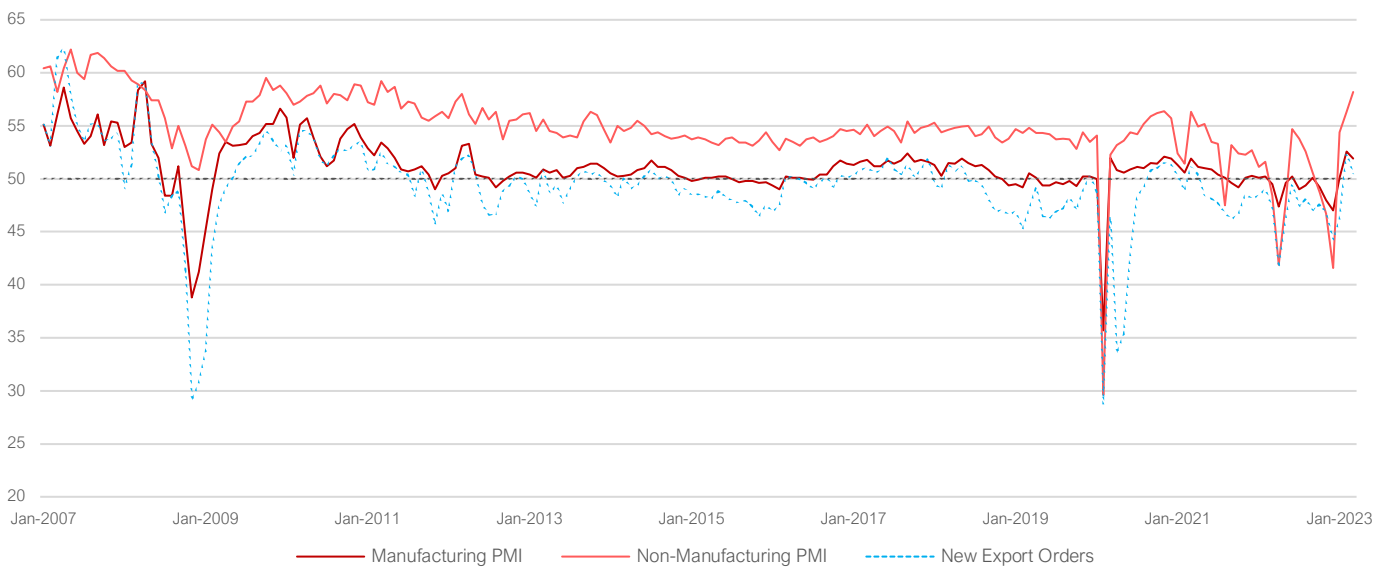
Year-On-Year Inflation Measures



Federal Reserve Balance Sheet (Trillions of US dollars)



Chinese Official PMI Series



Source: Bloomberg, BEA, Eurostat, ABS, Federal Reserve, CFLP, 2nd April 2023

Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia	Building Apps.; Priv. Sector Houses; CoreLogic House Prices; Home Loans; Melbourne Inst. Inflation; Judo Bank Mfg. PMI (Final)	RBA Meeting	Judo Bank Serv & Comp. PMI (Final)	Trade	Good Friday
US	ISM Mfg. Survey; Construction Spending; Wards Total Vehicle Sales; S&P Global Mfg. PMI (Final)	JOLTS Job Openings; Factory Orders; Durable Goods;	ISM Services; ADP Employment; Trade; S&P Global Serv & Comp. PMI (Final); MBA Mortgage Apps	Challenger Job Cuts; Weekly Jobless Claims	Labour Report
Europe	2nd Tier Mfg. PMIs; Swiss CPI; French & Italian Budget	EZ PPI; German Trade; Spanish Unempl.	2nd Tier Serv & Comp. PMIs; German Factory Orders; French, Spanish, Danish & Norwegian Ind. Prod.; Danish Current Acc.; Italian Deficit-to-GDP UK New Car. Reg.; Irish Unempl.	German, Finnish & Irish Ind. Prod.; Swiss Unempl.; Swedish Ind. Orders, Household Cons. & GDP Indicator; Dutch Cons. Spend.; UK & German Constr. PMI; Finnish Trade	French Trade & Curr. Acc; Austrian Ind. Prod.; Dutch Ind. Sales & Manuf. Prod.
Japan	Tankan Survey; Jibun Bank Mfg. PMI (Final)	Monetary Base	Jibun Bank Serv & Comp. PMI (Final)	Tokyo Office Vacancies	Leading & Coinc. Index; Labour & Real Cash Earnings; Household Spending
China	Caixin Mfg. PMI			Caixin Serv & Comp. PMI	[Money Supply]

Monday, April 3 - Science Applications (SAIC) and Digital Ally (DGLY).

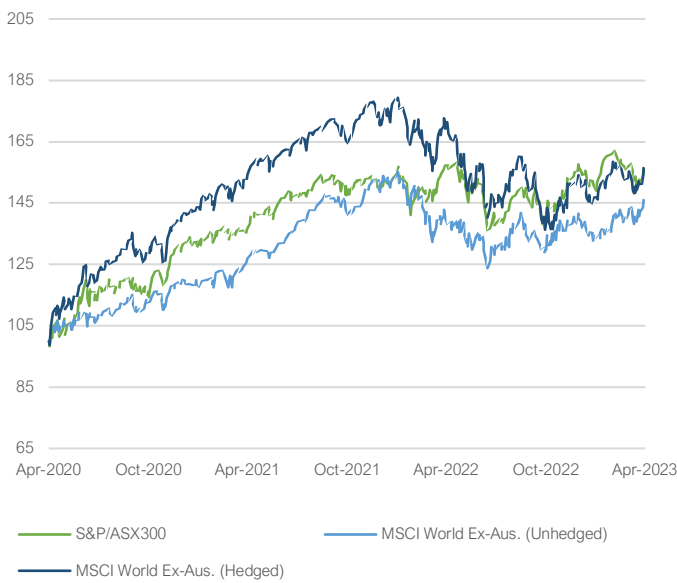
Tuesday, April 4 - MSC Industrial (MSM), DLocal Limited (DLO), SMART Global (SGH), and Lindsay (LNN).

Wednesday, April 5 - Conagra Brands (CAG), Simply Good Foods (SMPL), and Seadrill Limited (SDRL).

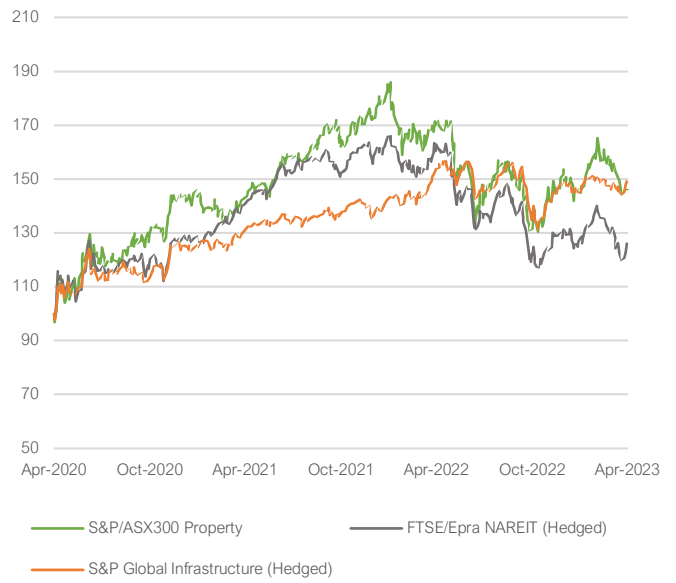
Thursday, April 6 - Constellation Brands (STZ), Lamb Weston (LW), and Levi Strauss (LEVI).

Chinese and Australian officials will meet in Beijing for trade talks related to the current trade dispute in an article by the Guardian.

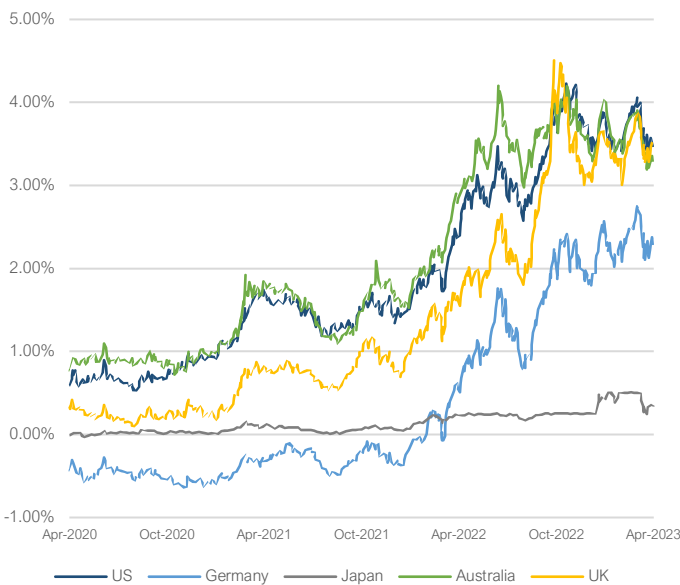
3Yr Equity Indices (Rebased to 100)



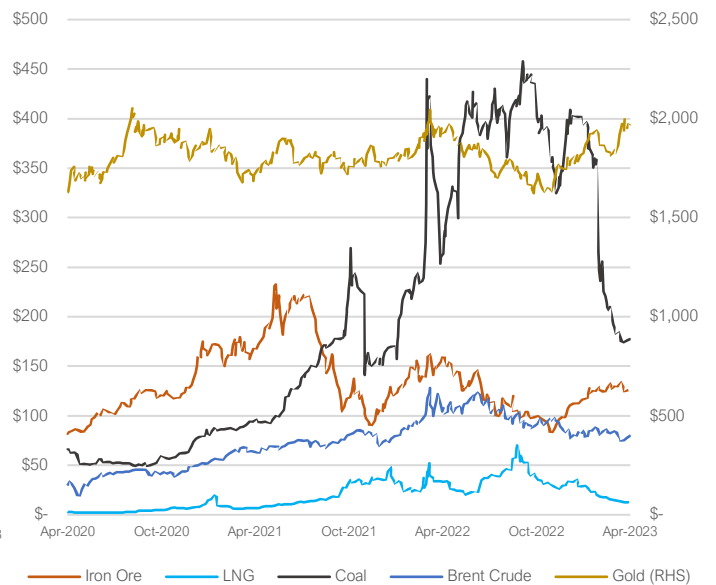
3Yr Prop. & Infrac. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 2nd April 2023

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