



WEEKLY UPDATE

5th JUNE 2023

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	87,019	-0.07%	-0.68%	2.85%
MSCI World Ex-Aus. (Unhedged)	15,204	0.03%	7.10%	15.19%
MSCI World Ex-Aus. (Hedged)	2,398	1.45%	4.64%	4.24%
Bloomberg AusBond 0+ Composite	9,695	0.36%	1.86%	2.32%
Bloomberg Barclays Global Agg. (Hedged)	981	0.93%	2.07%	-2.44%
S&P/ASX300 Property	59,194	0.57%	-0.32%	-1.41%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,506	2.69%	-4.04%	-13.07%
S&P Global Infrastructure (Hedged)	5,899	0.75%	-1.10%	-5.84%
Bloomberg All Hedge Fund Index	2,076	N/A	5.30%	5.39%
VIX	14.6	-23.72%	-21.04%	-41.11%
Bloomberg Commodity Index (USD)	99.82	0.53%	-7.84%	-25.41%
Iron Ore Index (62% Fe Aus. Off. China, USD)	106.00	3.41%	-18.15%	-25.61%
LME Copper Spot (USD)	8,337.00	5.24%	-6.28%	-14.16%
Coal 1st Future (Newcastle Export, USD)	131.00	-18.13%	-32.12%	-68.24%
Brent Crude 1st Future (USD)	76.13	-1.07%	-10.17%	-35.27%
LNG 1st Future (Japan/Korea)	9.29	-0.70%	-36.34%	-61.34%
Gold in AUD	2,947	-1.33%	8.03%	14.58%
AUDUSD	0.6610	1.43%	-1.78%	-9.02%
AUDEUR	0.6171	1.54%	-2.90%	-9.53%
AUDNZD	1.0891	1.10%	0.62%	-1.71%
AUDGBP	0.5306	0.50%	-6.19%	-8.87%
AUDJPY	92.4670	0.89%	0.45%	-2.04%

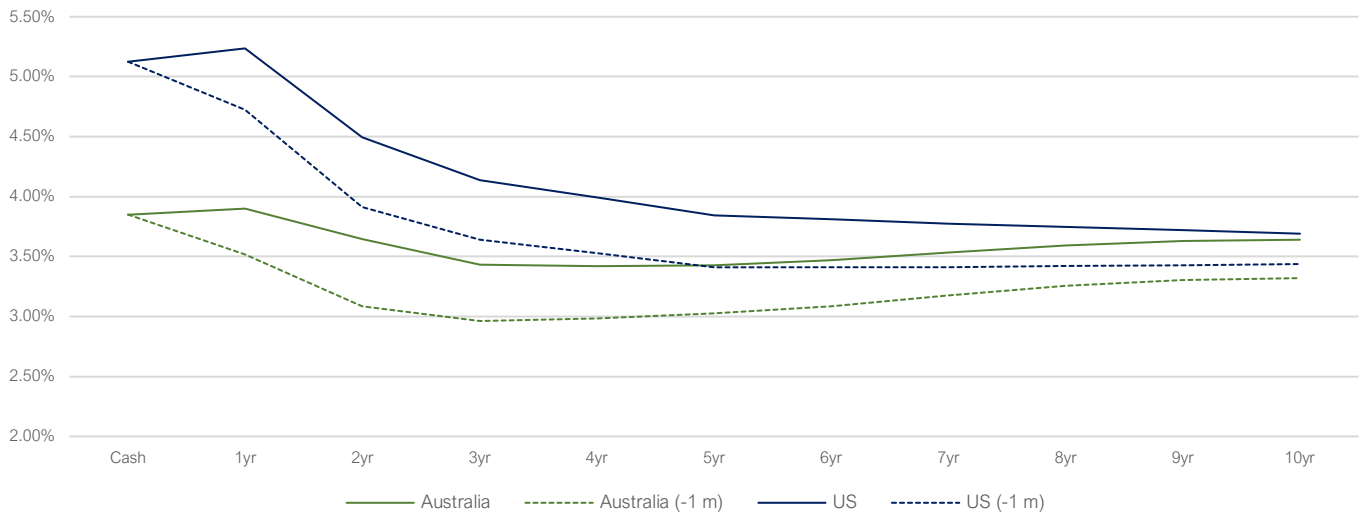
Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 4th June 2023

The raising of the debt ceiling, a solid non-farm payroll increase, and reports of forthcoming Chinese stimulus boosted investor sentiment last week. There were also significant increases in short-term interest rate expectations as a result of the data and comments from policymakers.

A surprise increase in the ABS monthly inflation indicator and a significant raise for lower wage earners suggest that the RBA may consider lifting the cash rate again tomorrow.

Australian GDP figures will follow on Wednesday, with the economy expected to have grown by +0.3% in Q1.

Australian & US Sovereign Yield Curves (Current vs 1 Month Ago 2023)

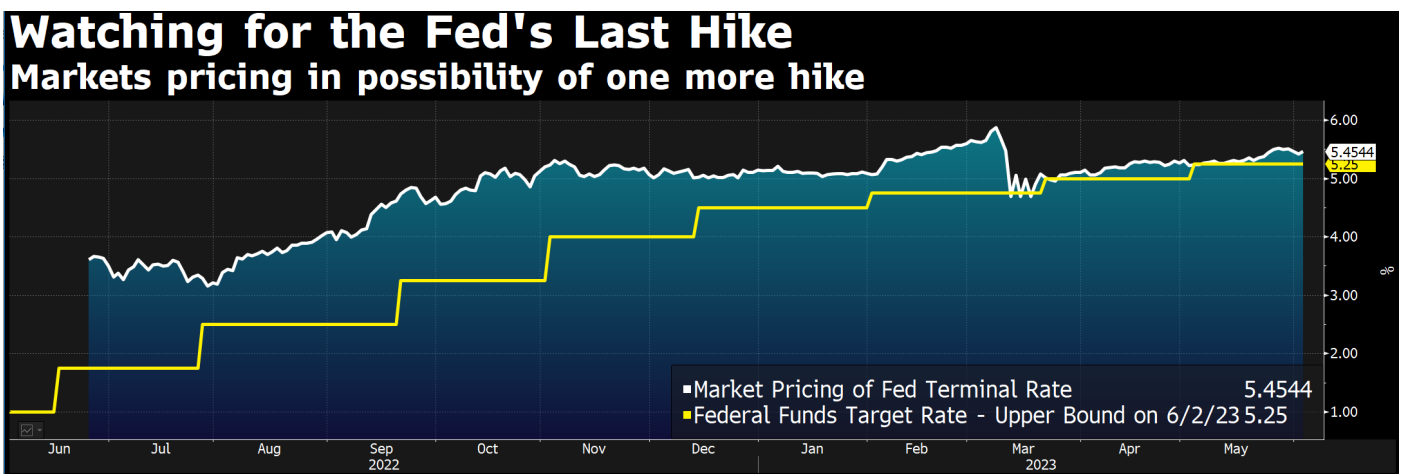


Source: Bloomberg, 4th June 2023

Several positive developments improved investor sentiment last week. The S&P 500 had been trading in bear-market territory for 244 days (the longest run since 15/05/1948), with the market up 20% since the lows in October 2022. The US Congress passed a bill to raise the [debt ceiling](#), the May non-farm payrolls saw a significant increase, and Bloomberg reported that Chinese authorities were preparing stimulus measures. As a result, international equity indices advanced, and Australia is expected to erase last week's slight decline in today's session. However, short-term interest rates made the most significant moves, adjusting to incoming data and comments from officials.

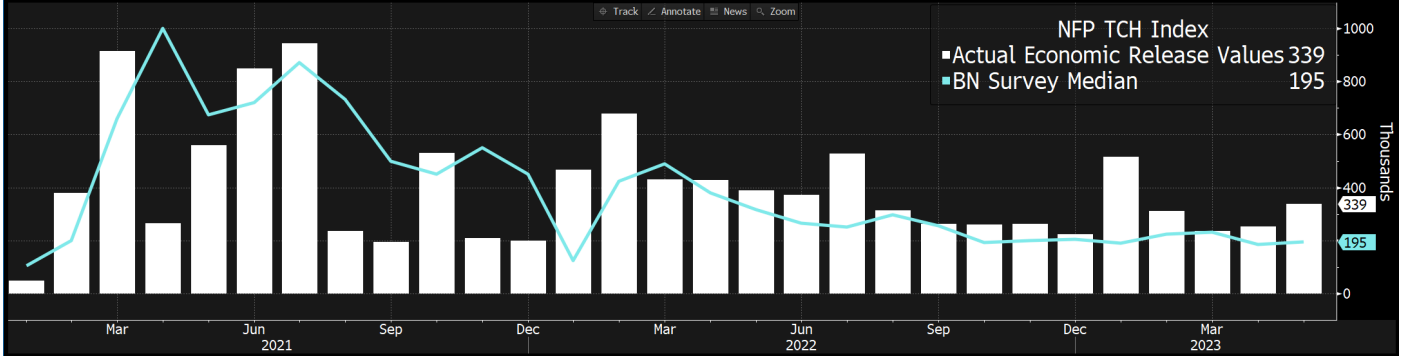
The deal reached between the Republicans and Democrats has suspended the debt limit until the first quarter of 2025, extending beyond the 2024 presidential elections. This move allows Congress to delay addressing the debt ceiling until a defined time, allowing debt to grow beyond the limit. The bill caps non-defence spending in fiscal 2024 but will increase it by 1% in 2025.

The FOMC's June meeting is scheduled for 13th and 14th of June. Traders now expect a pause for June with one more rate increase priced in for July. Early last week the market had priced in about a 64% chance of a 0.25% increase for June. By the end of the week, this had decreased to 31% for a June rate hike.



Friday's US labour report saw the [non-farm payrolls](#) add +339k new jobs, much more than the anticipated +195k, with the increase due to growth in government, professional services, and hospitality ahead of the summer season. There was also a further +93k added via prior revisions. Earlier in the week, the JOLTS job openings had surprised with a significant increase instead of a decline. Despite the apparent strengthening in labour demand, the unemployment rate jumped from 3.4% to 3.7%. Weekly hours and hourly earnings also declined slightly to 0.4%, suggesting some underlying [softening in broader conditions](#).

Nonfarm Payrolls on Beat Streak US data above forecasts for 14 straight months



The ISM manufacturing survey was similarly ambiguous. The employment series was in mildly expansionary territory (51.4), while the headline (46.9) and new orders series (42.6) indicated that manufacturing is in sharp contraction and that employment momentum not be sustained.

The ISM services data will be released tonight and, together with next week's CPI update, will likely have a significant bearing on the Federal Reserve's next move. Last week, influential FOMC members told investors to expect the Fed to "skip" a rate increase in June, allowing the Federal Reserve more time to assess the impact of prior increases. However, it was also clear that the Committee expects rates to rise further this year. The bond market subsequently moved to exclude all the interest rate cuts previously anticipated before December.

The Hang Seng index soared +4.0% on Friday after Bloomberg reported that a package of stimulus measures is under consideration in China to support the ailing property sector. The news came after the official PMI surveys missed forecasts and provided further evidence that the economic recovery continues to underwhelm.

Iron ore and copper prices firmed, and the Australian dollar strengthened on the news. However, there was further support for the currency as interest rate expectations rose over the week.

On Wednesday, the ABS monthly Australian CPI indicator revealed an increase from +6.3% yoy in March to +6.8% yoy in April. Economists had been expecting an annual increase of +6.4%. The trimmed mean measure of core inflation also rose

Australian Monthly Consumer Price Inflation Indicator



Source: Bloomberg, ABS, 4th June 2023

by +6.7% yoy, up from +6.5% yoy in March. The news suggests that inflation has peaked but is declining at a slower pace than anticipated.

However, the decision by the Fair Work Commission on Friday seems likely to add to inflationary pressure. The FWC increased the national minimum wage from \$21.38 to \$23.23 an hour, increasing the wages of roughly 180k Australians

by as much as +8.6%. It adopted a lower increase for the vast majority on award wages, with approximately 2.4 million workers seeing their earnings boosted by +5.75%.

Following the announcements, the market is now pricing a 36% probability that the RBA will increase the cash rate from 3.85% to 4.10% tomorrow. Previously, the RBA has tended to surprise on the hawkish side, and there is little data that would seem to support a pause. In any event, several economists have increased their forecasts for the peak rate, with two more hikes before September most favoured.

Besides tonight's ISM services survey and tomorrow's RBA meeting, Australian Q1 GDP will be released on Wednesday. The market expects growth of +0.3% during the quarter and +2.4% yoy.

Australian trade, European production, and Chinese inflation data will be released later the week before several states benefit from a long weekend for the King's official birthday.

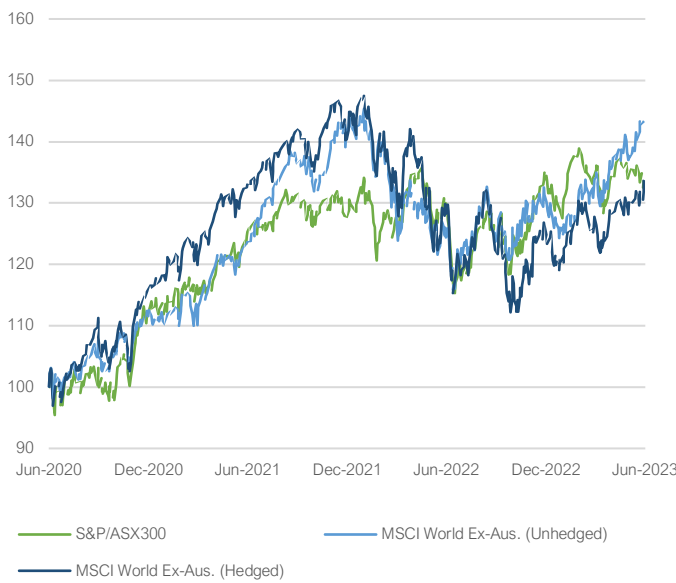
Over the weekend OPEC+ meeting took place. Saudi Arabia alone flagged a 1 million barrel per day output cut. Other members of the cartel agreed to extend their existing curbs by 12 months to the end of 2024. Oil had its best weekly performance since March.



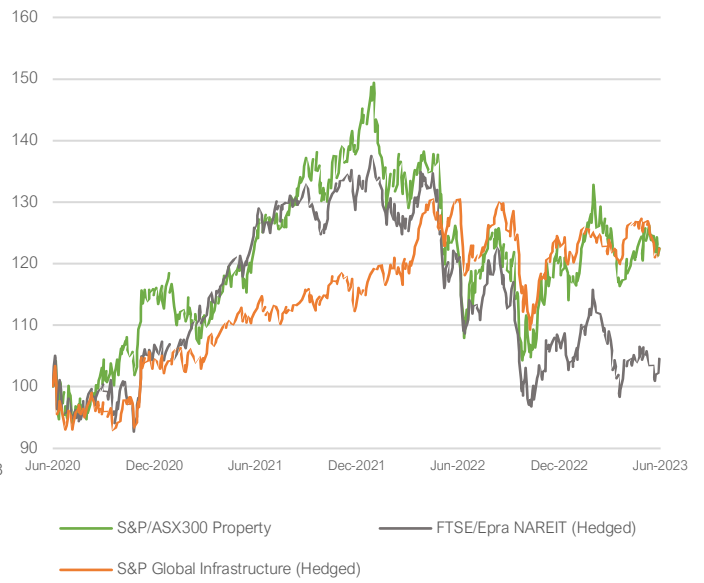
Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia	ANZ Indeed Job Ads; Melbourne Inst. Inflation; Q1 Inventories & Operating Profit; Judo Bank Serv. & Comp. PMIs (Final)	RBA Meeting; BoP Curr. Acc.; Q1 Net Exports	Q1 GDP	Trade Balance	
US	ISM Services; Durable Goods & Factory Orders; S&P Global Serv. & Comp. PMIs (Final); UK Official Reserves & New Car Reg		Trade Balance; Consumer Credit; MBA Mortgage Apps	WSale Trade & Inventories; Q1 Household Change in Net Worth; Weekly Jobless Claims	
Europe	EZ PPI; Swiss CPI; German Trade; HCOB & S&P Global Serv. & Comp. PMIs (Final)	EZ Ret. Sales; German Factory Orders; Spanish Ind. Prod.; Dutch CPI; German HCOB & UK S&P Global Construction PMIs; Finnish Trade	OECD Econ. Outlook; German, Danish, Irish & Norwegian Ind. Prod. Swiss Unemp.; French Trade; French & Norwegian Curr. Acc.; Italian Ret. Sales; Spanish INE House Prices; Dutch Consumer Spending	EZ Q1 GDP (Final); Irish CPI; UK RICS House Prices; French Payrolls	Italian, Austrian & Finnish Ind. Prod.; Dutch Manuf. Prod. & Ind. Sales; Swedish Household Consumption & GDP Indicator; Norwegian CPI & PPI; Danish Curr. Acc.; Belgian Budget Balance
Japan	Jibun Bank Serv. & Comp. PMI (Final)	Labour & Real Cash Earnings; Household Spending;	Leading & Coinc. Indicators	Trade & Curr. Account; Bank Lending; Eco. Watchers Survey; Tokyo Office Vacancies; Q1 GDP (Final)	M2 & M3 Money Stock
China	Caixin Serv. & Comp. PMIs		Trade Balance		CPI & PPI; M0, M1 & M2 Money Supply; FDI

3Yr Equity Indices (Rebased to 100)



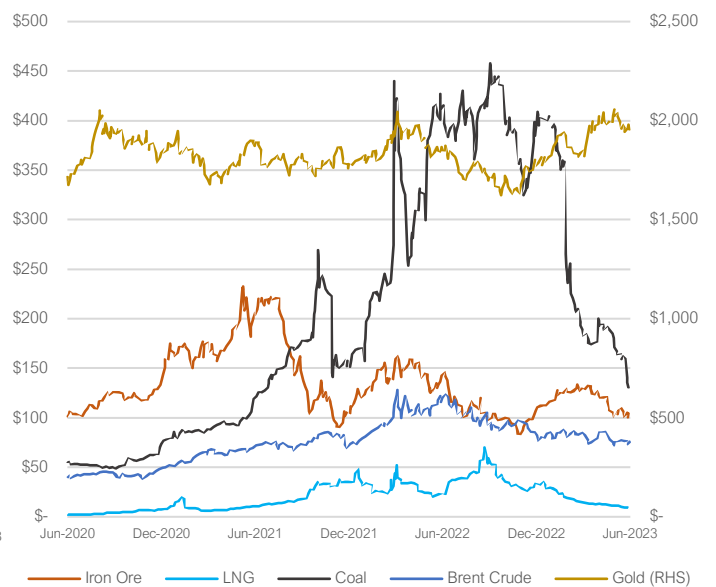
3Yr Prop. & Infrac. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 4th June 2023

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