



WEEKLY UPDATE

6th MARCH 2023

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	87,616	-0.03%	0.60%	6.00%
MSCI World Ex-Aus. (Unhedged)	14,196	1.64%	3.33%	5.44%
MSCI World Ex-Aus. (Hedged)	2,291	1.90%	3.58%	-3.32%
Bloomberg AusBond 0+ Composite	9,502	-0.22%	-1.54%	-6.38%
BloombergBarclays Global Agg. (Hedged)	961	-0.18%	-2.01%	-10.03%
S&P/ASX300 Property	59,386	-3.35%	2.72%	-6.27%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,612	0.55%	2.57%	-14.43%
S&P Global Infrastructure (Hedged)	5,965	0.81%	0.70%	3.19%
Bloomberg All Hedge Fund Index	1,971	N/A	-5.51%	-1.31%
VIX	18.5	-14.67%	-16.60%	-42.18%
Bloomberg Commodity Index (USD)	108.31	2.62%	-1.52%	-14.74%
Iron Ore Index (62% Fe Aus. Off. China, USD)	129.50	-0.38%	21.03%	-15.91%
LME Copper Spot (USD)	8,945.00	1.57%	7.23%	-14.57%
Coal 1st Future (Newcastle Export, USD)	188.90	-9.70%	-51.69%	-48.95%
Brent Crude 1st Future (USD)	85.83	3.21%	0.30%	-22.30%
LNG 1st Future (Japan/Korea)	14.33	-4.44%	-54.90%	-67.14%
Gold in AUD	2,742	1.84%	3.85%	3.81%
AUDUSD	0.6770	0.65%	1.07%	-7.63%
AUDEUR	0.6365	-0.20%	-0.30%	-4.05%
AUDNZD	1.0879	-0.36%	2.53%	0.93%
AUDGBP	0.5622	-0.19%	2.28%	2.33%
AUDJPY	91.9500	0.17%	0.36%	7.97%

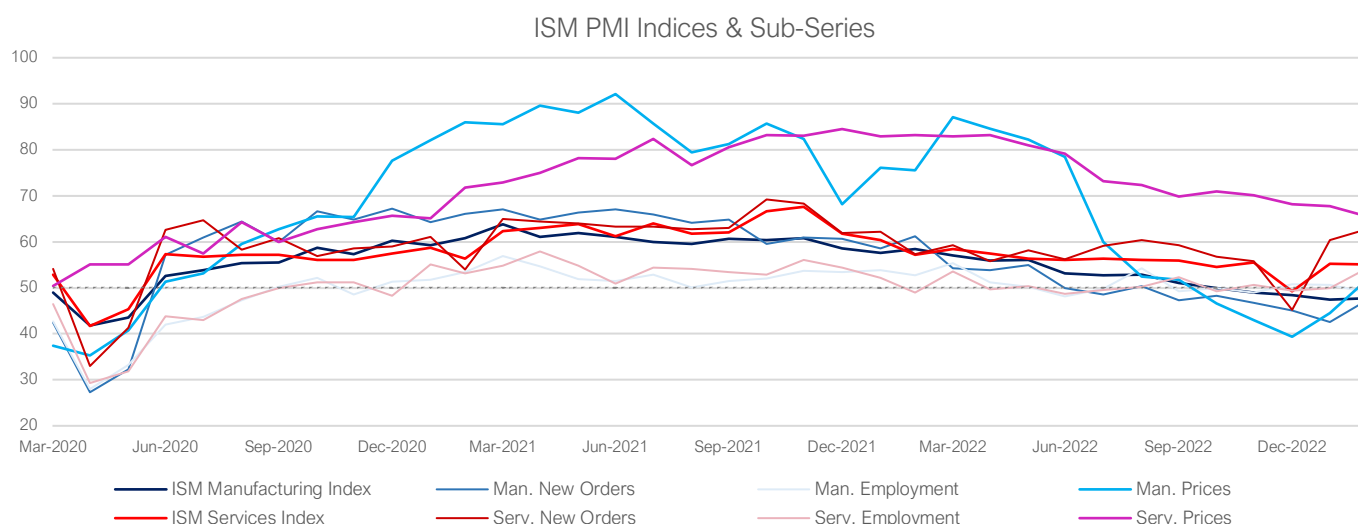
Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 4th March 2023

The G20 summit in India illustrated how the conflict in Ukraine dominates the geopolitical agenda. Tensions remain high between Russia, China, and the west.

Closely-linked inflationary pressures also dominate the economic and market outlook. Bond yields remained sensitive to any price data released last week, with short-term Treasury yields reaching new highs after the ISM Manufacturing survey revealed a slight price increase. Equities nevertheless rebounded on Friday, following a rise in services activity and stronger than expected Chinese PMIs.

The RBA is expected to raise the cash rate by +0.25% but may signal a lower future trajectory after a broad softening in Australian activity and a lower monthly CPI indicator.

Also this week, the Fed Chair will testify in Congress, the Bank of Japan meets, and the US labour report will be published on Friday.



Source: Bloomberg, ISM, 4th March 2023

Last week, continued concerns over inflation and interest rates pushed bond yields higher. But sentiment improved towards the end of the week on more positive data, prompting yields to retrace and American stock indices to rebound off key support levels. All of the week's equity gains came in Friday's session, with the Australian market expected to rise by +0.9% later this morning.

US activity data was generally weaker than expected. The MNI Chicago PMI fell to 43.6, and wholesale inventories contracted by -0.4% against forecasts of a +0.1% rise. Consumer confidence dropped sharply as future expectations deteriorated.

Unfortunately, the soft activity was accompanied by disappointing price data. The ISM Manufacturing survey indicated a rebound in goods prices, prompting a further rise in yields along the curve. The 2yr Treasury yield surged beyond the 2022 highs, while the 10yr and 30yr yields moved above 4%. However, buyers of both bonds and stocks remerged on Friday as the ISM Services survey revealed a continued easing in non-manufacturing price pressures coupled with a significant reacceleration in new orders.

The responses from Fed speakers were mixed, with comments that rate rises could either pause or reaccelerate, depending on how the data evolves. Federal Reserve Chair Jerome Powell will testify before both chambers of Congress this week. He is expected to reiterate that bringing inflation down is the priority and that interest rates will likely need to rise further. Equity bulls will be looking for any suggestion that the FOMC may be close to pausing rate hikes. But there is also a chance that he may open the door to returning to a +0.50% increase later this month.

European consumer price inflation echoed the recent US data by falling less quickly than anticipated. Economists had been expecting a decline from +8.6% in December to +8.3% in January. However, the CPI only receded to +8.5%. At the same time, the ECB minutes indicated disagreement in the governing council on whether to continue with +0.50% interest rate rises after the expected half-point rise at this month's meeting or to slow the pace of increases to +0.25% increments.

In contrast, Australian data suggested that price pressures may ease earlier than anticipated. Q4 GDP growth was just +0.5% for the quarter (+2.7% yoy), driven by buoyant net exports while the domestic economy slowed. Retail sales rebounded by +1.9% in January following the disappointing -4.0% (revised from -3.9%) in December. However, the rebound hasn't been as strong as anticipated. Building Approvals also fell by -30% in January, indicating that interest rate rises may be beginning to bite in the construction sector. The softer activity data, combined with a drop in the ABS' Monthly CPI indicator from +8.4% yoy in December to +7.4% yoy in January, implies that the RBA may be nearer the peak in interest rates than previously thought. The market expects the RBA to raise the cash rate by +0.25% tomorrow to 3.6%. The high point is still priced at around 4.2% later this year. But that figure has fallen by -0.20% in recent days and could fall faster if the RBA softens its hawkish tone tomorrow.

The outlook for Australian exports and the dollar were boosted by China's official and Caixin PMIs indicating that the Chinese economy was rebounding faster than anticipated. The official Manufacturing survey rose from 50.1 in January to

Australian Building Approvals (Monthly % Change)



Source: Bloomberg, ABS, 4th March 2023

52.6 in February, while the non-manufacturing survey rose from 54.4 to 56.3. Energy commodities and metals prices were higher following the release of the surveys. The news came ahead of China’s “Two Sessions”, which began over the weekend. The 2023 GDP growth target was set at a relatively modest +5%. In the next two weeks, Xi Jinping is expected to be named as President for an unprecedented third term.

A tense G20 meeting also took place in India at the end of the week. The conflict in Ukraine dominated the agenda, with only the Chinese not calling for an immediate withdrawal of Russian troops. The US and NATO allies warned Beijing that sanctions might follow if it decides to provide arms to Russia. American Secretary of State Anthony Blinken also met his Russian counterpart Sergei Lavrov briefly on the sidelines, with no evidence of any breakthrough. In a public interview, laughter greeted Mr Lavrov as he continued advancing the view that the war resulted from NATO rather than Russian aggression. He went on to accuse the Americans of pressuring smaller nations to back the US position.

More positively, the UK and EU announced new trade rules for Northern Ireland. Dissatisfaction with the previous protocol has grown since the main Brexit accord was reached. However, leaders on both sides are optimistic that the new arrangements will be workable and support the Northern Ireland peace agreements.

The Australian government announced a significant change to superannuation taxation, doubling the tax payable on the portion of accumulation balances above \$3 million. However, the effective tax rate will likely be lower due to imputation credits earned.

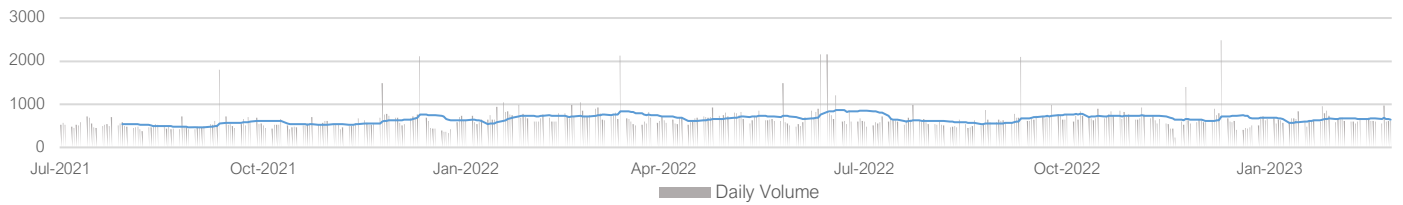
Sky News reported that Macquarie is considering a £5 billion-plus (\$8.9 billion) takeover bid of the UK-listed fund manager and insurer M&G plc. The 6000-employee company has only been listed since 2019, after it was spun out of the Prudential group. The Times newspaper added that Schrodgers had previously considered bidding for the company but ultimately declined. However, further interest from other fund managers is expected.

In the US, shares in Tesla dropped - 5.9% as investors were left disappointed by the vision presented by Chief Executive Elon Musk and his colleagues. However, Salesforce bucked the trend of technology disappointments, surging +11% after the CRM software provider said it expects widening profit margins and more revenue than analysts had forecast.

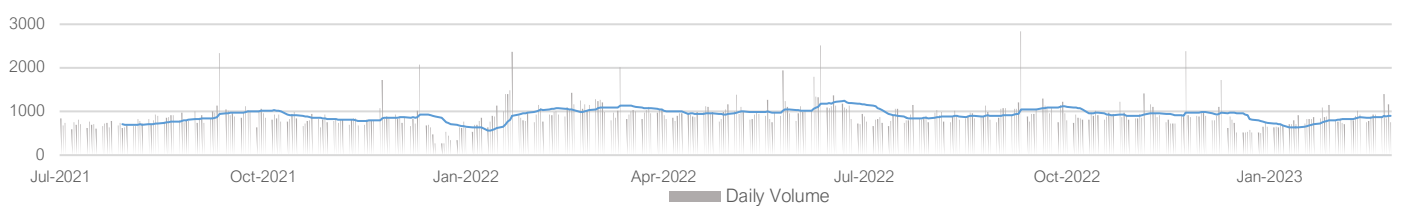
Since the northern hemisphere winter is all but over this week, we will retire the coronavirus charts featured below in this report. While coronavirus is likely to continue to affect hours worked to a certain extent, the number of reported cases, hospitalisations, and deaths has thankfully declined to low levels. Most importantly, the risk of further lockdowns has dissipated due to better healthcare outcomes and waning political appetite.

Besides Chair Powell’s testimony and the RBA meeting tomorrow, the Bank of Japan will also meet on Friday. No change is expected as the new governor does not assume responsibilities until next month. There will also be a raft of European activity and American jobs data. The JOLTS report will be followed by the labour report on Friday night, with American unemployment expected to remain at 3.4%, with forecasts of +215k new payrolls to be added. Economists will also pay close attention to prior revisions following last month’s surprisingly strong +517k increase.

S&P500 Index



S&P/ASX 300 Index



Source: Bloomberg, S&P Dow Jones, 4th March 2023

Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia	Melbourne Institute Inflation	RBA Meeting; Trade			
US	Factory Orders; Durable Goods (Final)	Wsale Trade & Inventories; Consumer Credit	JOLTS Job Openings; ADP Employment; Trade; MBA Mortgage Apps	Challenger Job Cuts; Household Change in Net Worth; Weekly Jobless Claims	Labour Report; Monthly Budget Statement;
Europe	EZ Ret. Sales; EZ Sentix Inv. Conf.; Swiss CPI; S&P Global UK & German Constr. PMI; Swedish Curr. Acc.;	German Factory Orders; Spanish, Norwegian, Danish & Irish Ind. Prod.; Swiss Unempl.; Austrian Wsale Prices	EZ Unemployment; EZ Q4 GDP (Final); German Ind. Prod.; German & Italian Ret. Sales; Dutch Cons. Spending; Spanish INE House Prices; Finnish Trade	Swedish Jan. GDP, Ind. Orders, Production & Household Consumption; French Priv. Payrolls; UK RICS House Prices	UK Monthly GDP; UK, Austrian, Dutch & Finnish Ind. Prod.; UK & French Trade; Danish & Norwegian CPI; Norwegian & Italian PPI; Spanish Ret. Sales; UK Constr. Output & Index of Serv.; French & Finnish & Curr. Acc.;
Japan		Real & Labour Cash Earnings	Leading & Coinc. Index; Trade & Curr. Account; Bank Lending; Eco. Watchers Survey	M2 & M3 Money Supply; Machine Tool Orders; Q4 GDP (Final Est.) Tokyo Ave. Office Vacancies	BoJ Policy Meeting; PPI; Household Spending
China		Trade		CPI & PPI; [Money Supply]	

US Earnings for the week

Monday, March 6 - Trip.com (TCOM), Guidewire Software (NYSE:GWRE), and Lordstown Motors (RIDE).

Tuesday, March 7 - DICK'S Sporting Goods (DKS), CrowdStrike (CRWD), Sea Limited (NYSE:SE).

Wednesday, March 8 -United Natural Foods (UNFI), Campbell Soup (NYSE:CPB), and MongoDB (MDB)

Thursday, March 9 - JD.com (JD), Gap (GPS), Ulta Beauty (ULTA), DocuSign (DOCU), and Oracle (ORCL)

Friday, March 10 - Buckle (BKE)

A Summary of US reporting season (S&P 500)

EARNINGS BY THE NUMBERS | Q4.22

332

Mentions



HOT TOPIC

Inflation

The term "inflation" was mentioned at least once during the earnings conference calls of 332 S&P 500 companies from Dec. 15 through Feb. 27.

57%

TOP GROWTH SECTOR

Energy

The Energy sector reported the highest earnings growth of all 11 sectors in the S&P 500 at 57%.



GAAP VS. NON-GAAP

For the 21 DJIA companies reporting non-GAAP EPS, the median difference between non-GAAP and GAAP was 22.8%.

67%

GUIDANCE

67% of S&P 500 companies provided negative EPS guidance for Q4 – above the five-year average of 59%.

- 4.9%

Earnings

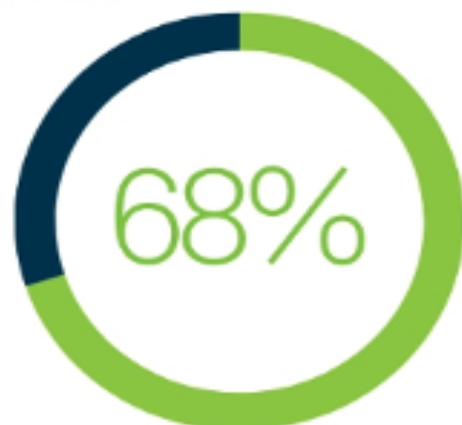


KEY TAKEAWAY

The S&P 500 reported a decline in earnings of -4.9% – the first decline since Q3 2020.

68% of S&P 500 Companies Exceed EPS Estimates

68% of S&P 500 companies reported actual EPS above estimated EPS – below the five-year average of 77%.

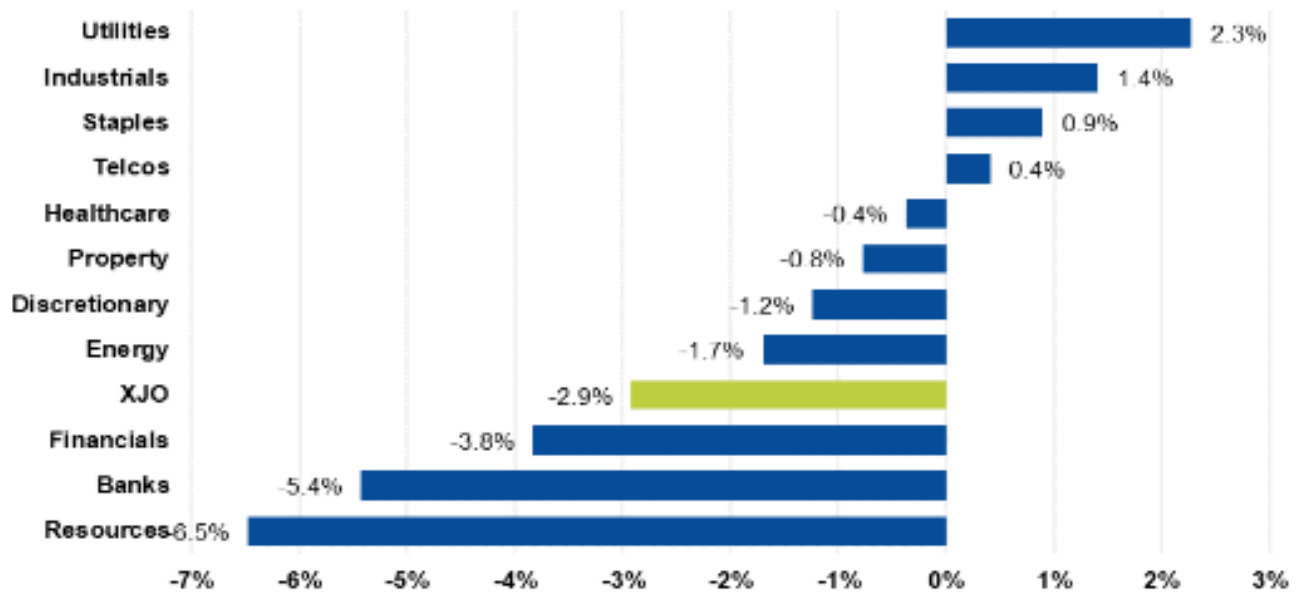


FACTSET

Source: Factset

Australian corporate reporting season and performance

February performance to date by Sector



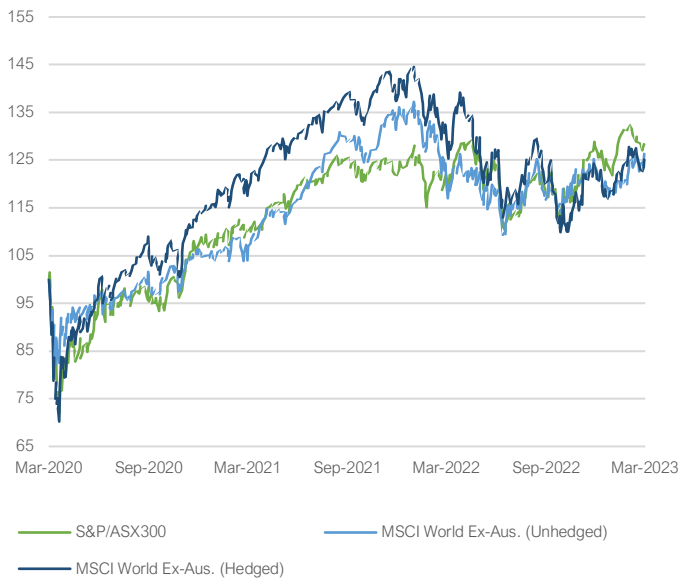
Source: Morgans Financial

Summary

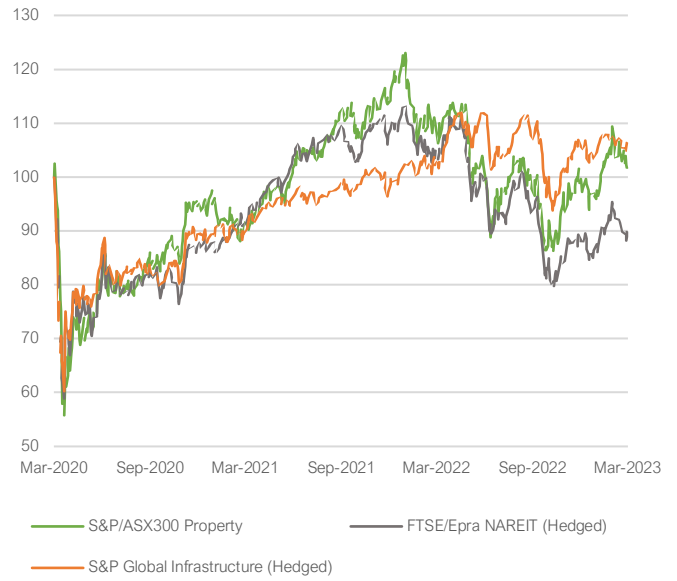
About 41% of the 158 companies in the ASX-200 that reported half-year results in February posted negative earnings surprises (Bloomberg), an increase of 28% from a year ago.



3Yr Equity Indices (Rebased to 100)



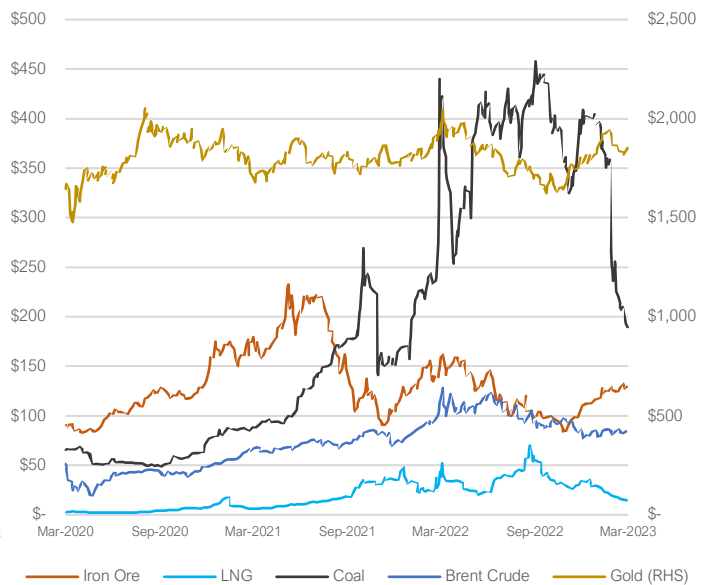
3Yr Prop. & Infrac. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 5th March 2023

Disclaimer

The contents of this communication is prepared by Brerona Capital Asset Management Pty Ltd (A.C.N. 627 650 293; AFSL 520526). The information contained in this communication is general in nature and does not take into consideration any investors personal objectives, goals, needs and financial situation. You should not rely on the information contained in this document to make any investment decisions without first consulting an investment professional such as your financial adviser. Any unauthorised use of this document is prohibited. This document (including any attachments) is intended only for the addressee, it may contain information of a privileged and confidential nature. If you are not the addressee of this communication, you must not copy, reproduce, disseminate or use this email and its contents. If this communication has been received in error by you, please inform us immediately and securely delete. Sharing, transmitting, copying, disseminating all or part of the contents of this document may result in a breach of the Federal Privacy Legislation and or copyright and trademark infringement of Brerona Capital Asset Management Pty Ltd and its related entities.