



WEEKLY UPDATE

8th MAY 2023

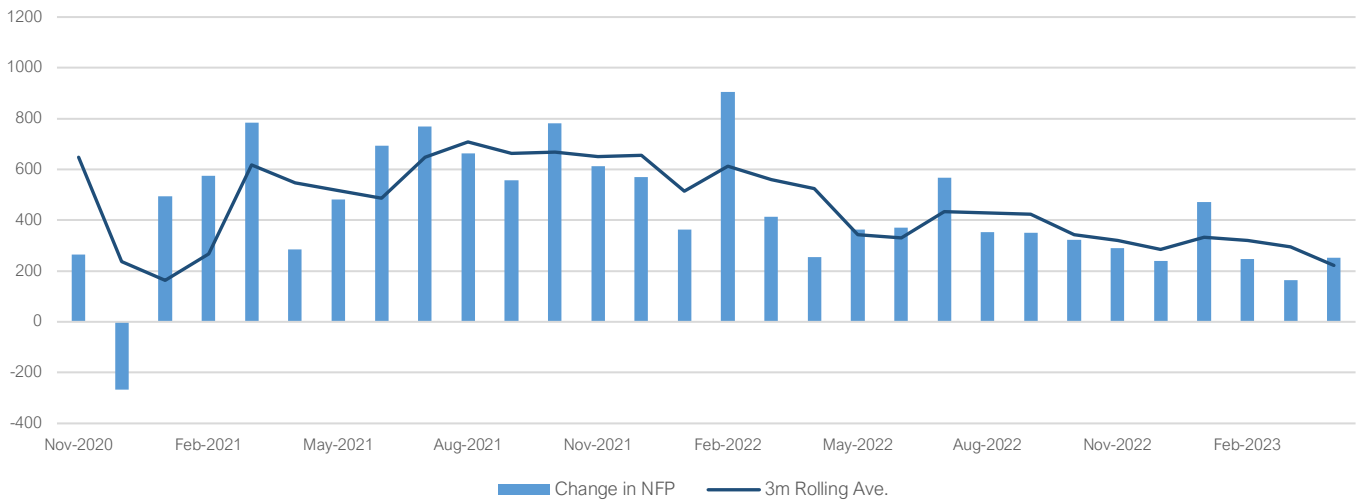
	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	87,551	-1.17%	-2.80%	4.21%
MSCI World Ex-Aus. (Unhedged)	14,600	-2.45%	4.41%	9.52%
MSCI World Ex-Aus. (Hedged)	2,333	-0.57%	0.87%	1.85%
Bloomberg AusBond 0+ Composite	9,848	0.15%	1.17%	3.63%
Bloomberg Barclays Global Agg. (Hedged)	988	-0.01%	0.95%	-1.29%
S&P/ASX300 Property	60,462	1.32%	-1.90%	-1.19%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,548	-0.09%	-5.87%	-12.82%
S&P Global Infrastructure (Hedged)	6,093	-0.46%	2.01%	0.09%
Bloomberg All Hedge Fund Index	2,044	N/A	3.63%	7.81%
VIX	17.2	8.94%	-12.43%	-43.06%
Bloomberg Commodity Index (USD)	102.96	-1.30%	-4.75%	-21.01%
Iron Ore Index (62% Fe Aus. Off. China, USD)	102.50	-2.84%	-17.67%	-24.91%
LME Copper Spot (USD)	8,488.00	0.27%	-6.31%	-11.04%
Coal 1st Future (Newcastle Export, USD)	169.65	-10.57%	-28.11%	-54.68%
Brent Crude 1st Future (USD)	75.30	-5.33%	-5.80%	-32.10%
LNG 1st Future (Japan/Korea)	11.32	-2.03%	-38.92%	-53.14%
Gold in AUD	2,988	-0.67%	10.14%	13.22%
AUDUSD	0.6749	2.03%	-1.95%	-5.10%
AUDEUR	0.6126	1.98%	-4.75%	-10.15%
AUDNZD	1.0721	0.23%	-1.83%	-3.20%
AUDGBP	0.5345	1.49%	-7.14%	-7.64%
AUDJPY	91.0450	0.96%	-0.28%	-1.70%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 7th May 2023

Equity markets looked past earnings results as banking sector issues remained in focus. A surprisingly good American employment report sent Wall Street higher on Friday, but not enough to push global indices into the black.

A surprise quarter-point hike from the RBA last Tuesday was followed by similar increases from the American and European central banks, and the Bank of England is expected to do the same this Thursday. However, tomorrow's Australian Budget and the US CPI report on Wednesday will be the most important events this week.

Monthly Change in US Non-Farm Payrolls (Thousands)



Source: Bloomberg, BLS, 7th May 2023

Equity markets fell last week even as top-weighted S&P500 stock Apple beat earnings forecasts on Thursday night, rising by +2.3% over the week.

Over the weekend, the fifth largest company by market capitalisation, Berkshire Hathaway, also beat estimates by a little over +10% for the quarter. However, chairman and CEO Warren Buffett said that he expects the earnings of businesses he owns to decline this year. Interestingly since 2018 Berkshire's share price has actually closely mirrored the performance of the S&P500. Buffet's commentary raised eyebrows as he sees an "incredible period" of growth for the US economy coming to an end and he is tactically reducing some exposure to equities, as the "majority of holding will report lower earnings this year", citing a 'very different climate to 6 months ago'.

Berkshire Lagging S&P 500 Total return since 2018

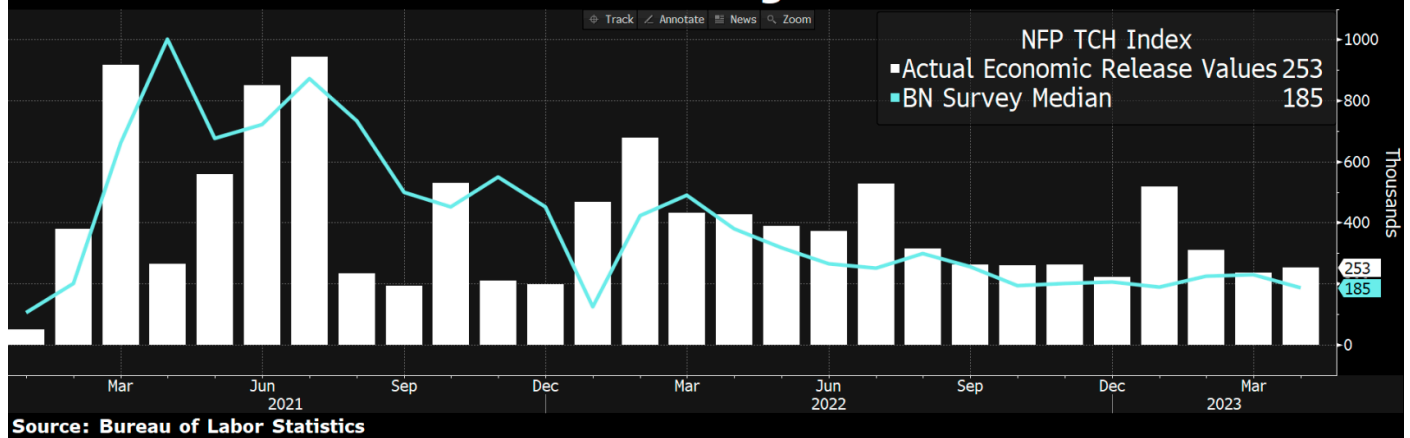


In Australia, Macquarie topped estimates on strong commodity trading results, while the NAB share price slipped -5.9% after a disappointing result. Qantas named CFO and 28-year veteran Vanessa Hudson to succeed CEO Alan Joyce in November.

Banking sector concerns continued to dominate US equity market trading last week. JP Morgan agreed to take over First Republic Bank and other regional banks came under attack from short sellers before rallying hard on Friday after a surprisingly strong employment report.

The US unemployment rate unexpectedly fell from 3.5% to 3.4% in April. The market had been expecting the headline rate to increase to 3.6%. Despite the positive surprise, there were significant negative two-month net prior revisions of -149k to the number of new non-farm payroll and, adjusted for revisions, the monthly jobs gains are clearly trending lower.

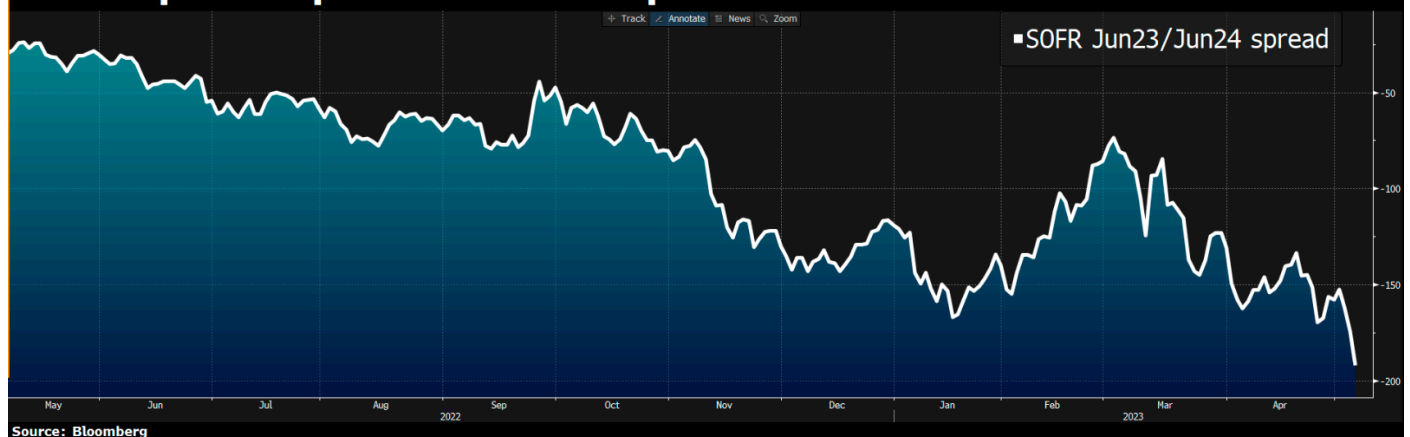
Nonfarm Payrolls Beat Estimates Again US data above forecasts for 13 straight months



Bond market volatility also remained elevated. Treasury Secretary Janet Yellen published a letter to House Republicans suggesting that the US may run out of money as soon as June unless the debt ceiling is increased. Republicans have already passed a bill in the House that increases the limit but also calls for roughly -\$4 trillion in spending cuts. This has been rejected by Democrats who have prepared a separate bill that could pass with the support of just seven Republicans, although the prospects of this passing soon appear remote.

The Chair of the Federal Reserve urged Congress to raise the debt ceiling at the press conference after Wednesday's meeting. As anticipated, the FOMC decided to increase interest rates by +0.25% to the 5.0% - 5.25% range, but he suggested that it could pause rate rises at the next meeting in June if incoming data warranted. However the market, as illustrated below, is still pricing in upto 200 basis points (2%) of cuts over the next 12 months which is counter to our internal Finx view which is for the Fed to pause rather than look to cut over the next 12 months.

Aggressive Fed Cuts Expected SOFR spreads price near 200bps of cuts over 12 months



This week, the April CPI figures are expected to show a slight increase in the monthly series, while core prices are forecast to soften slightly from +5.6% to +5.5% compared to last year. He also revealed that the Fed's Senior Loan Officer Survey, published later today, will show a further tightening in credit conditions.

According to Eurostat, core eurozone inflation softened from +5.7% to +5.6% yoy in April, while the headline figure remained at +6.9%. The release was followed by the ECB meeting, which decided to slow the pace of interest rate increases from +0.5% to +0.25%, bringing the main policy rate to 3.25%. However, the ECB also surprised the market by announcing that the pace of quantitative tightening could increase from €15bn per month to approximately €25bn per month as bond reinvestments might be discontinued.

RBA May 2023 Statement on Monetary Policy Key Forecasts (%), with changes:

	Year-ended					
	Dec 2022	June 2023	Dec 2023	June 2024	Dec 2024	June 2025
GDP growth	2.7	1¾	1¾	1½	1¾	2
(previous)	(2¾)	(2¼)	(1½)	(1½)	(1½)	(1¾)
Unemployment rate ^(b)	3.5	3½	4	4¼	4½	4½
(previous)		(3½)	(3¾)	(4)	(4¼)	(4½)
CPI inflation	7.8	6¼	4½	3½	3¼	3
(previous)		(6¾)	(4¾)	(3½)	(3¼)	(3)
Trimmed mean inflation	6.9	6	4	3¼	3	3
(previous)		(6¼)	(4¼)	(3¼)	(3)	(3)

Year-average

	2022	2022/23	2023	2023/24	2024	2024/25
GDP growth	3.7	3¼	1¾	1¼	1½	1¾
(previous)	(3¾)	(3½)	(2¼)	(1½)	(1½)	(1¾)

(a) Forecasts finalised 1 May. The forecasts are conditioned on a path for the cash rate broadly in line with expectations derived from surveys of professional economists and financial market pricing. The cash rate is assumed to peak at around 3¾ per cent before declining to around 3 per cent by mid-2025. Other forecast assumptions (assumptions as of February Statement in parenthesis): TWI at 60 (62); A\$ at US\$0.66 (US\$0.69); Brent crude oil price at US\$78/bbl (US\$82/bbl). The rate of population growth is assumed to be in line with forecasts from the Australian Government's Centre for Population. Forecasts are rounded to the nearest quarter point. Shading indicates historical data, shown to the first decimal point.

(b) Average rate in the quarter.

Sources: ABS; RBA

There was also a surprise +0.25% increase in Australian interest rates on Tuesday, although the decision to restart hiking after last month's pause was a close call. The RBA cash rate now stands at 3.85%, and the market is not expecting the rate to move any higher. However, the Governor reemphasised the commitment to bring inflation down to 2% while suggesting that wage growth, rent increases and "sticky" services inflation may prove more difficult to tame than previously expected. Rate risks are still skewed to the upside, and the Board may be emboldened by the updated economic outlook. The forecasts published in Friday's Statement on Monetary Policy showed that the Reserve Bank expects a slightly more pronounced economic slowdown in 2023 and a slightly faster reacceleration in late 2024. The Australian dollar strengthened significantly as bond yields rose, despite a fall in industrial commodity prices.

The Treasurer delivers the Federal Budget tomorrow evening. He has already confirmed that the budget will show a massive improvement in the deficit, which is not entirely due to higher-than-anticipated resource prices over the last year.

The budget will also contain changes to the gas industry profit tax. At the same time, as many as five million households and one million businesses will receive up to \$500 relief on their power bills under a \$1.5 billion package. There will also be an increase in indexation for funding for government and community services, including mental health, disability, domestic violence and homelessness services, the Medicare Benefits Schedule and community nursing.

Besides the Budget and American inflation figures, China there will also be inflation data out from China and several European countries. In addition, the NAB business and Westpac consumer confidence surveys will be updated, and the Bank of England will meet on Thursday when it is also expected to raise interest rates by +0.25% to 4.5%.

Monday, May 8 - PayPal Holdings (PYPL), Tyson Foods (TSN), KKR (KKR), Lucid Group (LCID) and Freshpet (FRPT)

Earnings spotlight: Tuesday, May 9 - Duke Energy (DUK), Airbnb (ABNB), Fox (FOX), Coupang (CPNG), Rackspace Technology (RXT), and Nikola (NKLA)

Earnings spotlight: Wednesday, May 10 - Disney (DIS), Trade Desk (TTD), Roblox (RBLX), Li Auto (LI), and Unity Software (U)

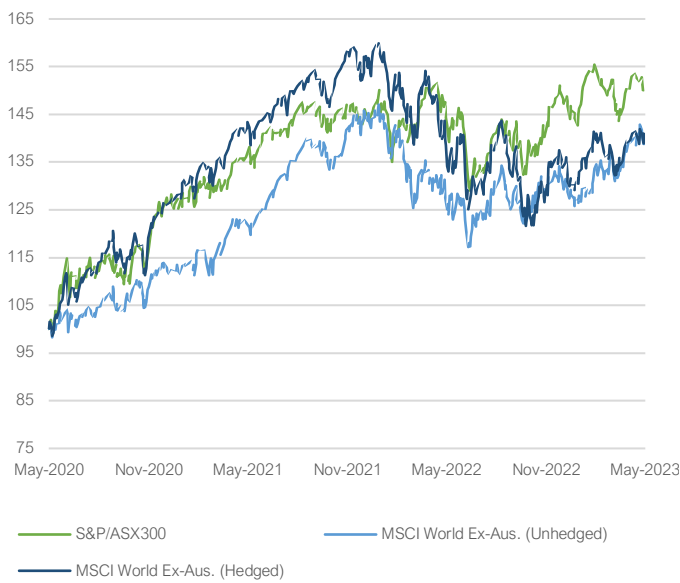
Earnings spotlight: Thursday, May 11 - [JD.com](https://www.jd.com) (JD), US Foods (USFD), and News Corporation (NWS)

Earnings spotlight: Friday, May 12 - Spectrum Brands (SPB) and Soho House (SHCO)

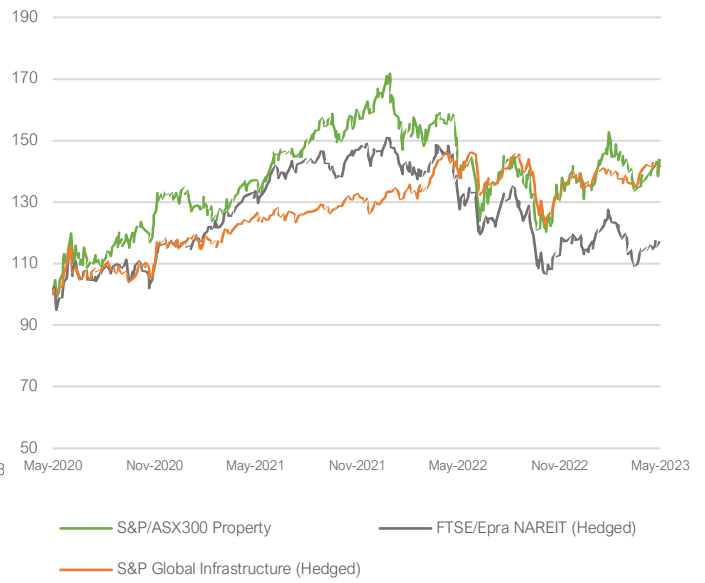
Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia	NAB Business Survey; Building Apps; Private Sector Houses	Federal Budget; Westpac Cons. Conf.; CBA Household Spending; Ret. Sales ex-Inflation			
US	Wsale Trade & Inventories	NFIB Small Business Opt.;	CPI; Real Ave. Earnings; Monthly Budget Statement; MBA Mortgage Apps	PPI; Weekly Jobless Claims	UMich Cons. Sentiment; Import & Export Prices
Europe	German & Danish Ind. Prod.; EZ Sentix Investor Sent.; SEB Swedish House Prices; Finnish Trade	French & Danish Trade & Curr. Acc.; Norwegian Ave. Monthly Earnings; Irish Ind. Prod. & New Vehicle Licenses;	German, Danish & Norwegian CPI; Norwegian PPI; Italian, Austrian & Finnish Ind. Prod.; Swedish Ind. Orders & Household Cons.; Dutch Trade, Ind. Sales & Manuf. Prod.;	Bank of England Meeting; Dutch & Irish CPI; UK RICS House Prices; Swedish PES Unempl.	Spanish & French CPI; UK & Norwegian Q1 GDP; UK Trade, Ind. Production & Constr. Output; German & Finnish Curr. Acc.
Japan	Jibun Serv. & Comp. PMIs (Final);	Labour & Real Cash Earnings; Household Spending	Leading & Coinc. Index	Trade & Current Acc.; Bank Lending; Eco. Watchers Survey; Tokyo Ave. Office Vacancies	M2 & M3 Money Supply
China		Trade; [M0 / M1 / M2 Money Supply]		CPI & PPI; [FDI]	Q1 Curr. Account

3Yr Equity Indices (Rebased to 100)



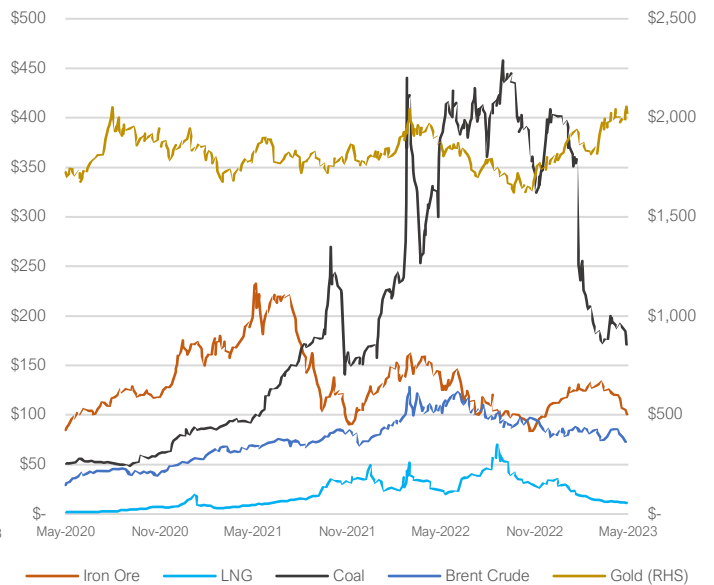
3Yr Prop. & Infrac. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 7th May 2023

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