



WEEKLY UPDATE

11th APRIL 2023

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	87,488	1.37%	2.80%	0.78%
MSCI World Ex-Aus. (Unhedged)	14,573	0.45%	8.42%	5.35%
MSCI World Ex-Aus. (Hedged)	2,305	-0.47%	4.35%	-6.99%
Bloomberg AusBond 0+ Composite	9,891	0.79%	4.44%	1.75%
BloombergBarclays Global Agg. (Hedged)	988	0.15%	1.57%	-3.74%
S&P/ASX300 Property	57,195	1.36%	1.10%	-13.42%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,492	-0.31%	-1.81%	-21.79%
S&P Global Infrastructure (Hedged)	6,076	1.67%	1.81%	-2.66%
Bloomberg All Hedge Fund Index	2,042	N/A	1.07%	5.28%
VIX	18.4	-3.26%	-12.92%	-14.62%
Bloomberg Commodity Index (USD)	106.12	0.58%	-1.84%	-15.05%
Iron Ore Index (62% Fe Aus. Off. China, USD)	120.00	-5.88%	0.84%	-23.57%
LME Copper Spot (USD)	8,836.00	-2.24%	5.66%	-14.63%
Coal 1st Future (Newcastle Export, USD)	193.75	9.62%	-51.09%	-32.37%
Brent Crude 1st Future (USD)	85.00	6.56%	6.12%	-17.30%
LNG 1st Future (Japan/Korea)	12.63	-6.59%	-55.62%	-61.86%
Gold in AUD	2,991	2.25%	9.76%	13.54%
AUDUSD	0.6662	-1.83%	-3.30%	-10.18%
AUDEUR	0.6112	-1.82%	-5.06%	-11.52%
AUDNZD	1.0689	-0.81%	-1.17%	-1.66%
AUDGBP	0.5369	-1.79%	-5.61%	-6.04%
AUDJPY	88.4030	-1.65%	-3.10%	-5.21%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 10th April 2023

The week leading up to Easter may have been short, but it was still eventful. Data was generally weaker, apart from further signs of accelerating Chinese services, and OPEC+ cut oil production, lifting energy prices.

The RBA left rates unchanged but maintained a hawkish outlook, in line with other G10 central banks.

Policymakers will gather in Washington at the G7, IMF, and World Bank meetings this week. Setting the tone in her opening speech, IMF Managing Director Kristalina Georgieva warned of the lowest economic growth outlook for thirty years.

The latest US CPI and Australian employment data will also be released this week.

Bonds, Australian equities and property, and global infrastructure all made gains last week. However, it may be difficult to draw too many conclusions from the price action in a thinly traded week leading up to Easter. For example, the US 2yr Treasury yield jumped by as much as +0.16% on Good Friday following the US labour report. Hedge funds and traders would likely have trimmed positions ahead of the long weekend, so this week's price movements may give a better indication of market sentiment.

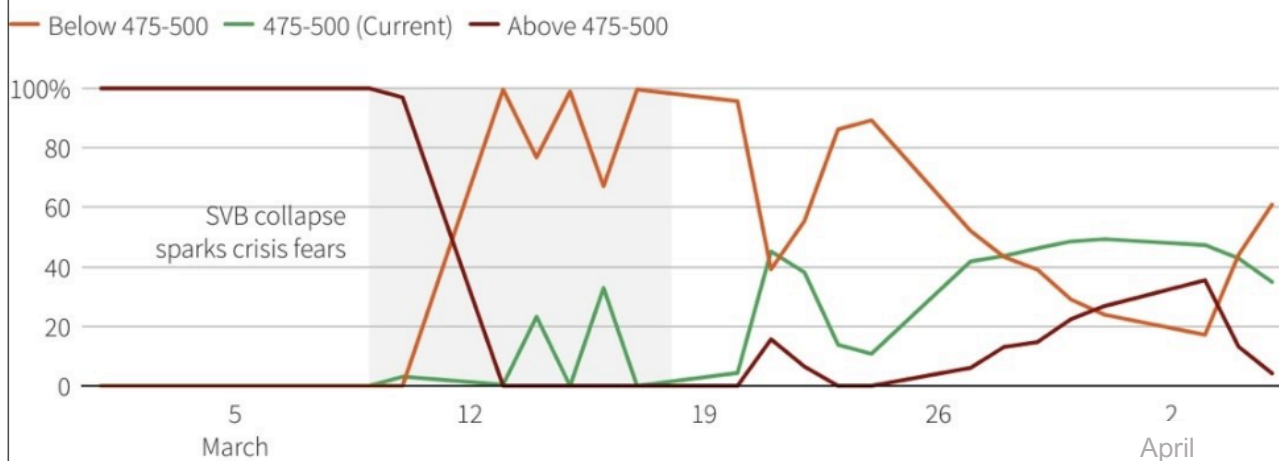
On Monday, OPEC+ surprised the market with a cut of more than 1 million barrels a day, causing energy prices to lead the commodity index higher.

Last week's significant economic data was generally on the weaker side. The Australian trade surplus grew in February to +\$13.87 billion dollars as imports fell more than exports and the ISM surveys showed that the recent uplift in services activity may have been short-lived, as the indicators for both manufacturing and services activity and prices moved lower.

In addition, the first real signs of a [softening in the US labour market](#) began to appear. The ISM Employment sub-series weakened in both services and manufacturing sectors. The February JOLTS Job advertisements also dropped by more than the market had been expecting, although the level of job advertisements remains high compared to before the pandemic in absolute terms and relative to the number of unemployed. The Bureau of Labour Statistics revised its seasonal adjustment methodology, resulting in an increase of roughly +50k to the early April figures, suggesting that the jobs market may not have been as tight as previously thought. Friday's labour report nevertheless included a drop in unemployment from 3.6% in February to 3.5% in March as +236k jobs were added to the economy. However, it should be remembered that the survey was taken before the collapse of Silicon Valley Bank, which likely prompted a tightening in credit conditions.

Traders bet on Fed rate cut by July meeting

With growing signs of a slowing economy, interest rate futures now imply 61% odds that the Fed's target rate will be lower following its July meeting than it is today



Source: CME FedWatch tool
Created by Thomson Reuters / Noel Randewich

In contrast to the softer US data, the Chinese Caixin PMIs confirmed the acceleration in services activity apparent in the previous week's official surveys. The services series increased from 55.0 to 57.8, indicating a reasonable pace of growth, while the manufacturing PMI decreased from 51.6 in February to 50.0, the neutral level that shows neither expansion nor contraction.

As expected, the [RBA left the cash rate unchanged](#) on Tuesday at 3.6% ending the run of ten consecutive monthly hikes. However, the following day, Governor Lowe gave a speech in which the tightening bias was again emphasised. The Board expects to raise rates further but decided to pause to "[provide] the Board with more time to assess the state of the economy and the outlook". The uncertain path of the global economy was again cited. But the Governor also added that ongoing supply shocks might require tighter monetary policy to bring demand more in line with supply.

The tightening bias was retained by other central banks too. For example, the Reserve Bank of New Zealand surprised the market with a larger-than-anticipated +0.5% hike to 5.25%. At the same time, several Federal Reserve speakers suggested that American interest rates may need to continue to rise above 5%.

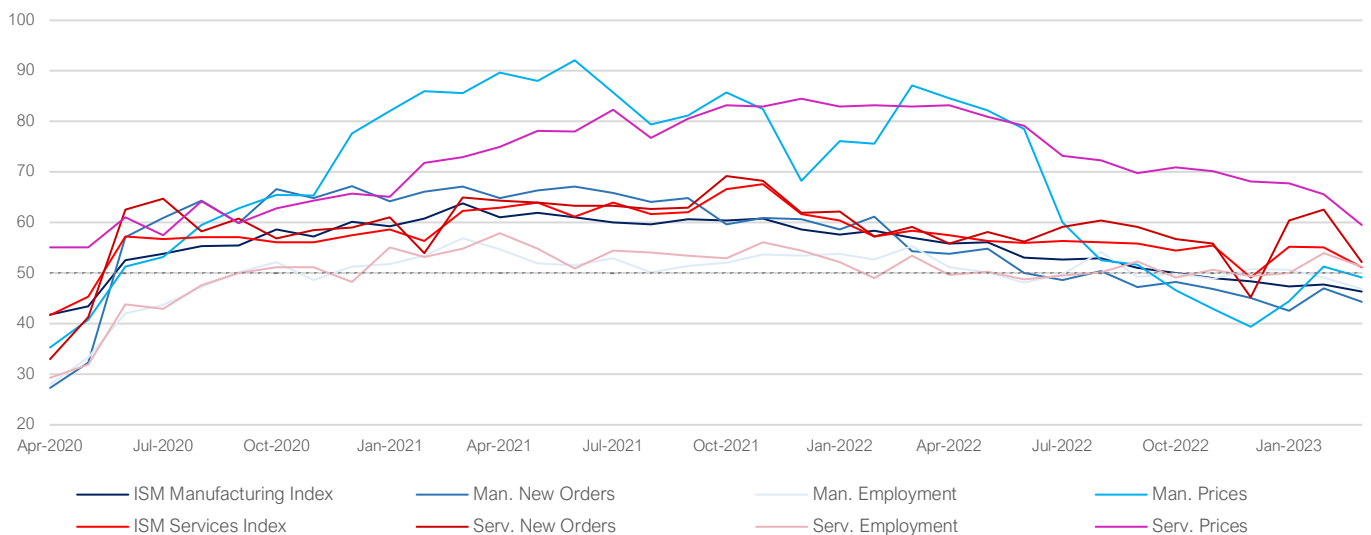
There will be several [inflation updates this week](#), including US consumer prices on Wednesday night. The headline CPI series is expected to drop from +6.0%yoy to +5.1%, while the annual core (ex-food and energy) price changes are expected to accelerate from +5.5% to +5.6%.

Ahead of the G7, IMF and World Bank meetings that will take place in Washington, IMF Managing Director Kristalina Georgieva acknowledged the difficult task facing central banks, saying: *“So long as financial pressures remain limited, we expect central banks to stay the course in the fight against inflation—holding a tight stance to prevent a de-anchoring of inflation expectations. At the same time, they should address financial stability risks when they emerge—through appropriate provision of liquidity. The key is to carefully monitor risks in banks and non-bank financial institutions, as well as weaknesses in sectors such as commercial real estate. In other words, central banks should continue to use interest rates to fight inflation, while using financial policies to ensure financial stability.”*

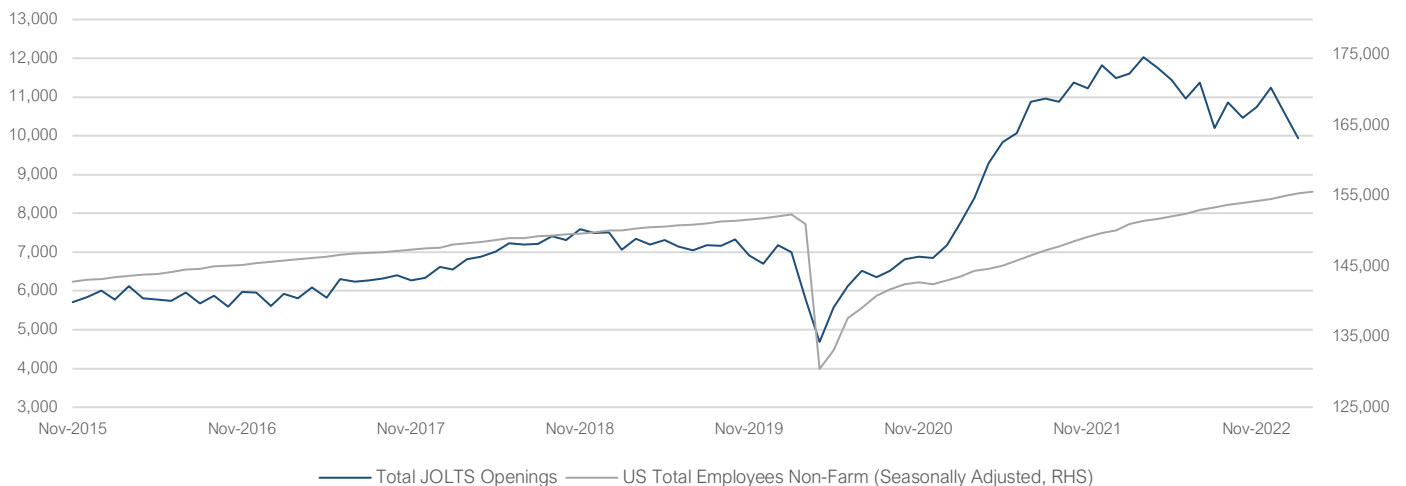
She also warned, *“We project [global growth to remain around 3 percent over the next five years—our lowest medium-term growth forecast since 1990, and well below the average of 3.8 percent from the past two decades.](#)”*

Also this week, Australian unemployment is expected to increase from 3.5% to 3.6% when released on Thursday, and the first company reports from the March quarter will reveal the extent to which the US bank crisis has impacted earnings.

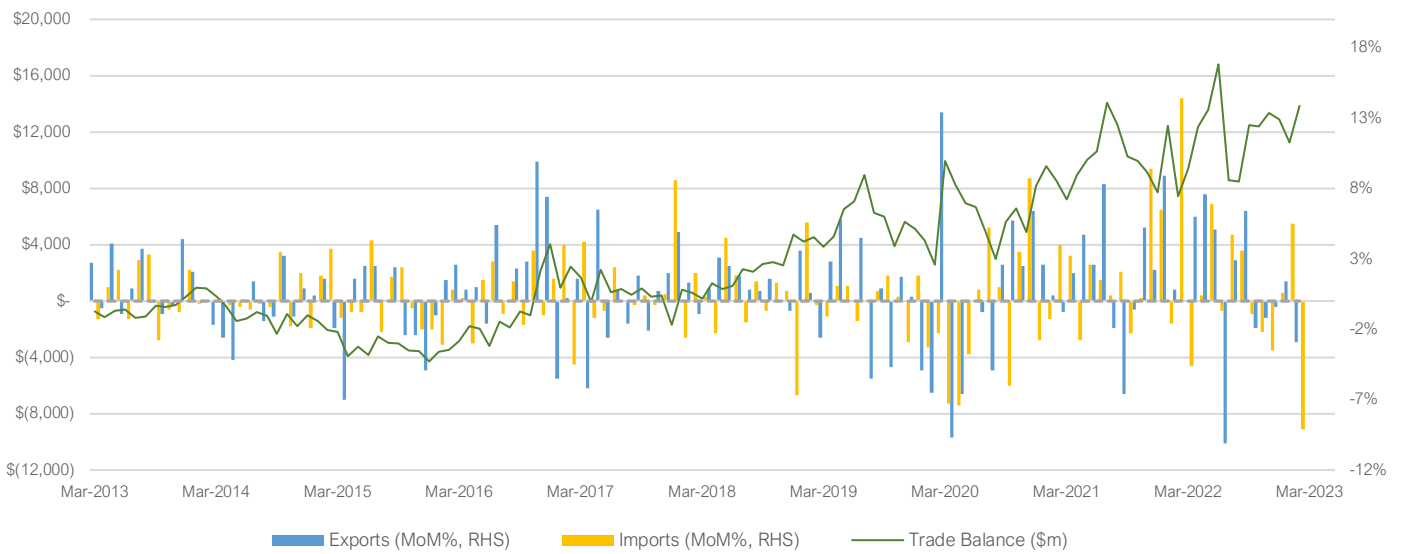
ISM PMI Indices & Sub-Series



US Job Openings vs Total Non-Farm Employees



Australian Trade Balance



Source: Bloomberg, ISM, BLS, ABS, 10th April 2023

A big week on the corporate calendar as **US reporting season** kicks off. Of the big names watch for JP Morgan, Citi and Wells Fargo on Friday 14th.

Monday, April 10 - Tilray Brands (NASDAQ:TLRY), PriceSmart (PSMT) and Greenbrier Companies (NYSE:GBX)

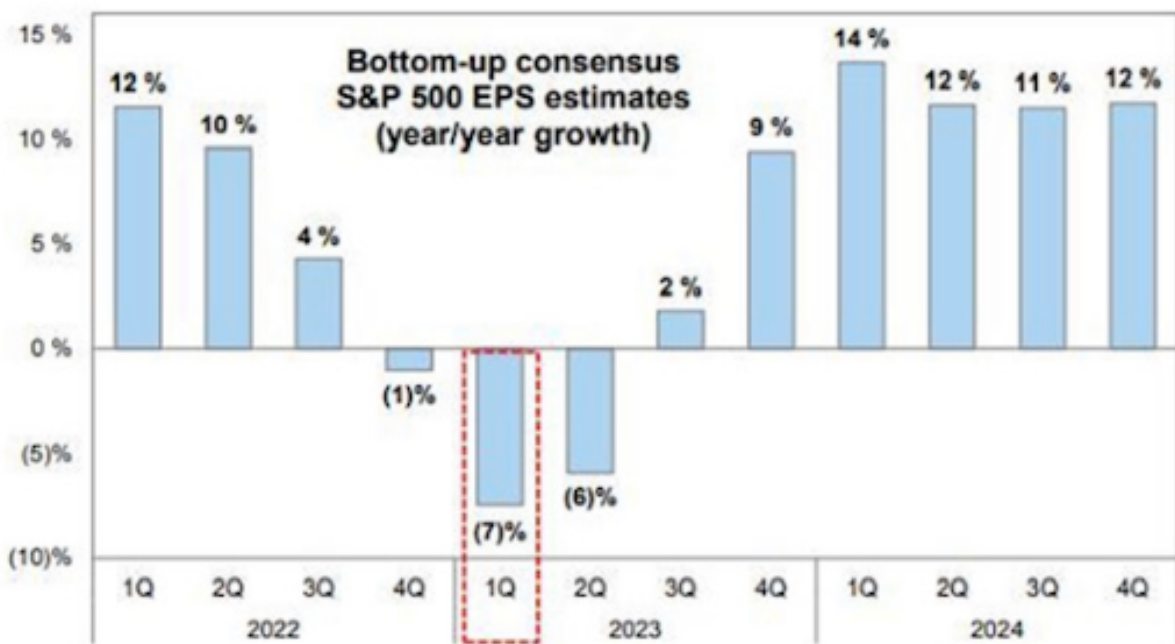
Tuesday, April 11 - CarMax (NYSE:KMX), ING Groep (ING), and Albertsons Companies (ACI)

Wednesday, April 12 - Rent the Runway (RENT) and Sportsman's Warehouse Holdings (SPWH)

Thursday, April 13 - Delta Air Lines (DAL), Progressive Corp. (PGR), and Fastenal (FAST)

Friday, April 14 - UnitedHealth Group (NYSE:UNH), BlackRock (BLK), Wells Fargo (WFC), JP Morgan (JPM), and Citi (C)

According to Factset, Analysts estimates are for a 6.8% EPS decline in Q1 2023).

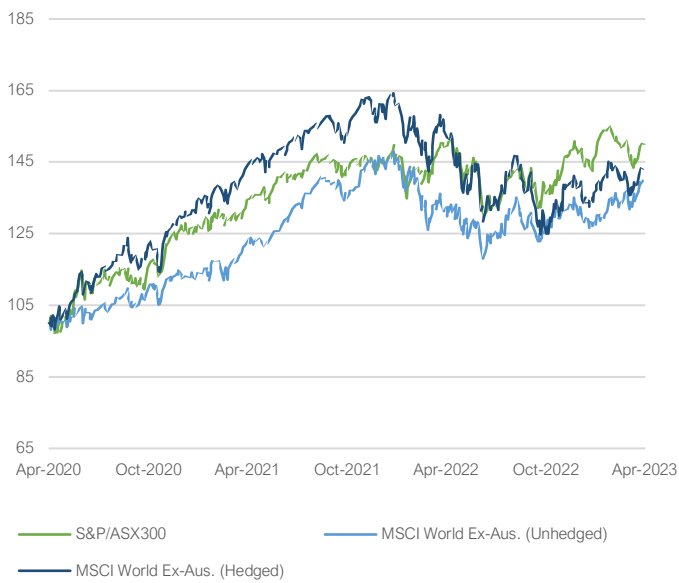


Source: FactSet, Goldman Sachs Global Investment Research

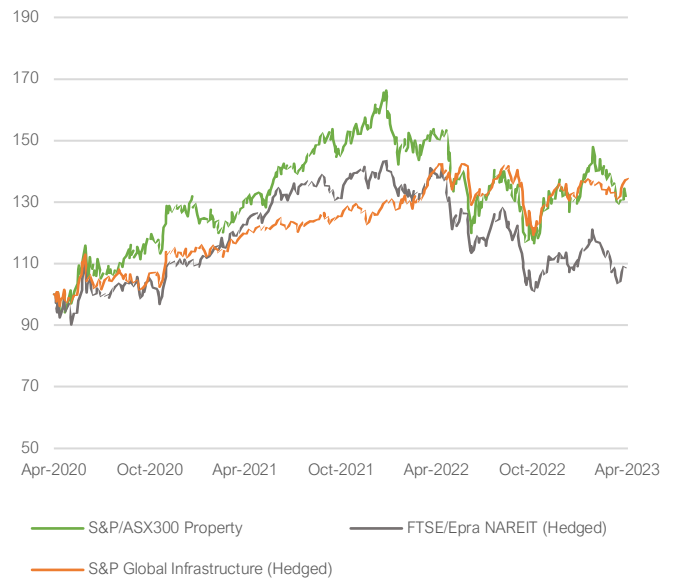
Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia	Easter Monday	NAB Bus. Survey; Westpac Cons. Conf.;		Employment	
US	NFIB Small. Bus. Optimism; Wsale Trade & Inventories		CPI; FOMC Minutes; Monthly Budget Statement; Real Average Earnings; MBA Mortgage Apps	PPI; Weekly Jobless Claims	Retail Sales; Industrial Prod.; UMich Cons. Sent.; Imp./Exp. Prices; Business Inv.
Europe	Easter Monday	EZ Ret. Sales; Danish & Norwegian CPI; Norwegian PPI	Norwegian Feb. GDP; Dutch Trade; Finnish Curr. Acc.; Irish New Vehicle Licences	EZ, UK & Italian Ind.Prod.; German, Dutch & Irish CPI; German Curr. Acc.; UK Monthly GDP, Trade, Constr. Output & RICS House Prices; Swedish PES Unemp.	French, Spanish & Swedish CPI; Italian Gen. Gov. Debt; Swiss Prod.& Import Prices; Finnish GDP Indicator
Japan	BoP Trade & Curr. Acc.; Cons.Conf.; Eco Watchers Survey	Machine Tool Orders	PPI; Core Machine Orders; Bank Lending	M2 & M3 Money Supply	Dept. Store Sales
China	[Money Supply; FDI]	CPI & PPI		Trade	[New Home Prices]

3Yr Equity Indices (Rebased to 100)



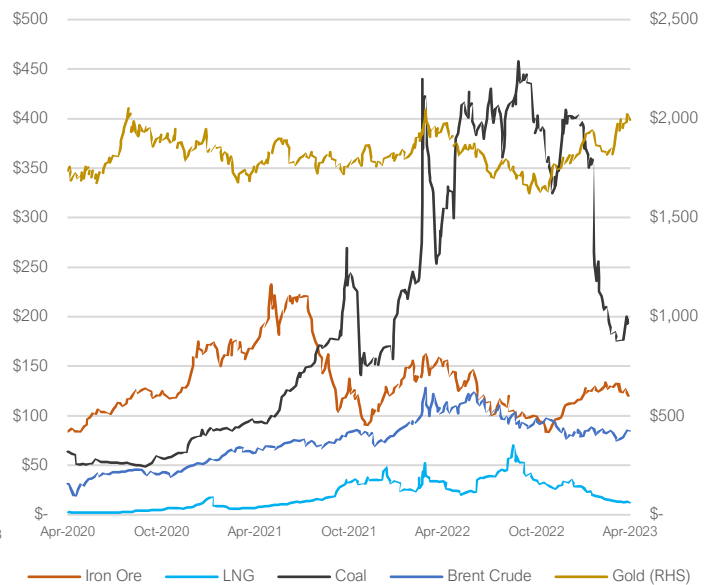
3Yr Prop. & Infrac. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 10th April 2023

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