



## WEEKLY UPDATE

11<sup>th</sup> JULY 2022

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	78,156	2.20%	-10.47%	-4.59%
MSCI World Ex-Aus. (Unhedged)	13,049	0.28%	-4.69%	-5.75%
MSCI World Ex-Aus. (Hedged)	2,179	2.01%	-10.88%	-11.18%
Bloomberg AusBond 0+ Composite	9,498	0.46%	-2.24%	-10.51%
BloombergBarclays Global Agg. (Hedged)	993	-0.57%	-2.86%	-9.68%
S&P/ASX300 Property	57,305	3.72%	-12.96%	-6.22%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,703	-0.20%	-14.55%	-12.35%
S&P Global Infrastructure (Hedged)	5,864	-0.92%	-5.43%	7.75%
Bloomberg All Hedge Fund Index	1,945	N/A	2.59%	-0.27%
VIX	24.6	-14.18%	1.11%	52.29%
Bloomberg Commodity Index (USD)	115.91	-0.97%	-7.96%	23.98%
Iron Ore Index (62% Fe Aus. Off. China, USD)	115.00	-2.13%	-26.75%	-47.49%
LME Copper Spot (USD)	7,790.00	-2.33%	-25.02%	-15.92%
Coal 1st Future (Newcastle Export, USD)	413.75	6.64%	41.89%	190.86%
Brent Crude 1st Future (USD)	107.02	-4.13%	4.13%	44.39%
LNG 1st Future (Japan/Korea)	39.39	1.88%	17.20%	204.48%
Gold in AUD	2,540	-4.47%	-2.74%	4.65%
AUDUSD	0.6861	0.69%	-8.00%	-7.65%
AUDEUR	0.6731	2.88%	-1.90%	6.80%
AUDNZD	1.1080	0.60%	1.73%	3.58%
AUDGBP	0.5698	1.12%	-0.40%	5.41%
AUDJPY	93.3080	1.20%	0.64%	12.58%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 10<sup>th</sup> July 2022

**The RBA raised interest rates by another +0.50% on Tuesday, and the June FOMC Minutes showed that the Federal Reserve was likely to stick to its path of rapidly rising rates later this month. Investors responded by pricing a faster slowdown in activity before Friday's US labour report provided an upside surprise on jobs and wages. A record-high trade surplus lifted the Australian dollar.**

**Politicians made headlines around the world. Japan mourns the violent loss of Shinzo Abe, and UK Prime Minister Boris Johnson announced that he would step down. Prime Minister Albanese joined the NSW Premier on a visit to flooded communities, while the Foreign Affairs Minister took a step forward to better relations with China.**

**Australian unemployment is expected to hit a new record low on Thursday this week, while the US expects another record-high inflation print. In addition, the US reporting season gets underway, and China is expected to publish disappointing Q2 GDP figures.**

Global equities advanced last week as the market expected softening economic data to stem the rise of interest rates.

The FOMC minutes revealed that the Federal Reserve expected to raise interest rates by +0.75% for a second time at the upcoming end of July meeting. The market responded negatively to the news as the risk of overtightening rises. The US Treasury yield curve once again inverted, which is seen as a reliable indicator of recession. The commodity index, oil and gold all traded lower as the US dollar strengthened on higher short-term rates.

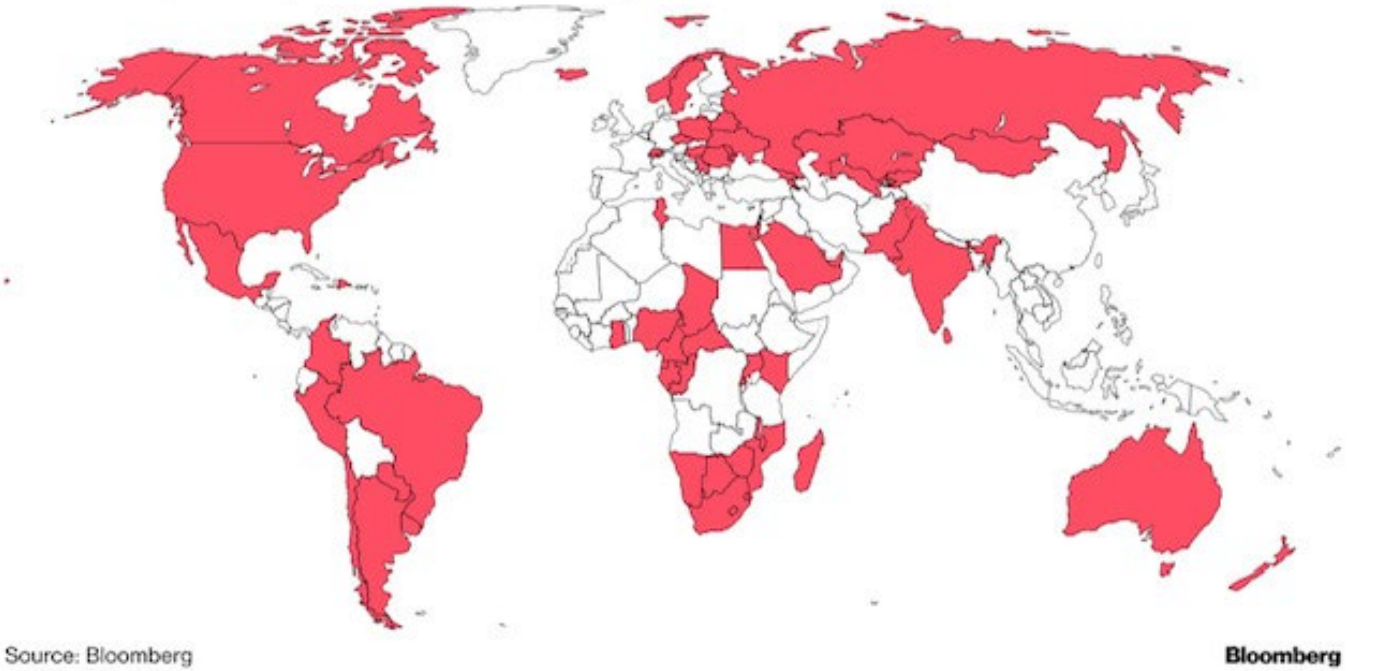
American job openings showed signs of slowing, and initial weekly claims rose slightly to 235k before Friday's surprisingly robust labour report pushed bond yields higher. Unemployment held at 3.6% as the economy added +372k new jobs in June, more than the forecast of +265k and enough to offset a -74k revision to previous readings. Underemployment fell from 7.1% to 6.7%, and average hourly earnings rose by +5.1% yoy. June CPI figures will be released on Wednesday this week, with the market expecting a monthly increase of +1.1%, taking the annual figure to a new high of +8.8%.

The RBA raised the cash rate by +0.50% for the second consecutive month on Tuesday to 1.35%, slightly higher than market pricing but in line with median economist forecasts. The statement referred to inflation falling in 2023 after peaking at the end of the year, keeping the market-implied December cash rate at 3.1%. A record high trade surplus of \$15.965 billion was then announced on Thursday. The Australian dollar rose, despite the strengthening greenback and a fall in local bond yields, which also lifted the share market and property trusts.

### Jumbo Jump

More than 60 central banks have hiked rates by a half point or more in one go in 2022

■ Hiked rates by 50 basis points or more in one move this year



The Prime Minister and NSW Premier visited flood-affected areas together on Wednesday. One-off payments of \$1,000 for adults and \$400 for children have been made available.

Foreign affairs minister, Penny Wong, said that Australia and China had taken the "first step towards stabilising the relationship" after the first face-to-face meeting between the two countries' foreign ministers since 2019. The meeting took place sidelines of the G20 summit in Bali on Friday. China has announced a plan to boost infrastructure spending to stimulate the economy, which will likely increase demand for iron ore.

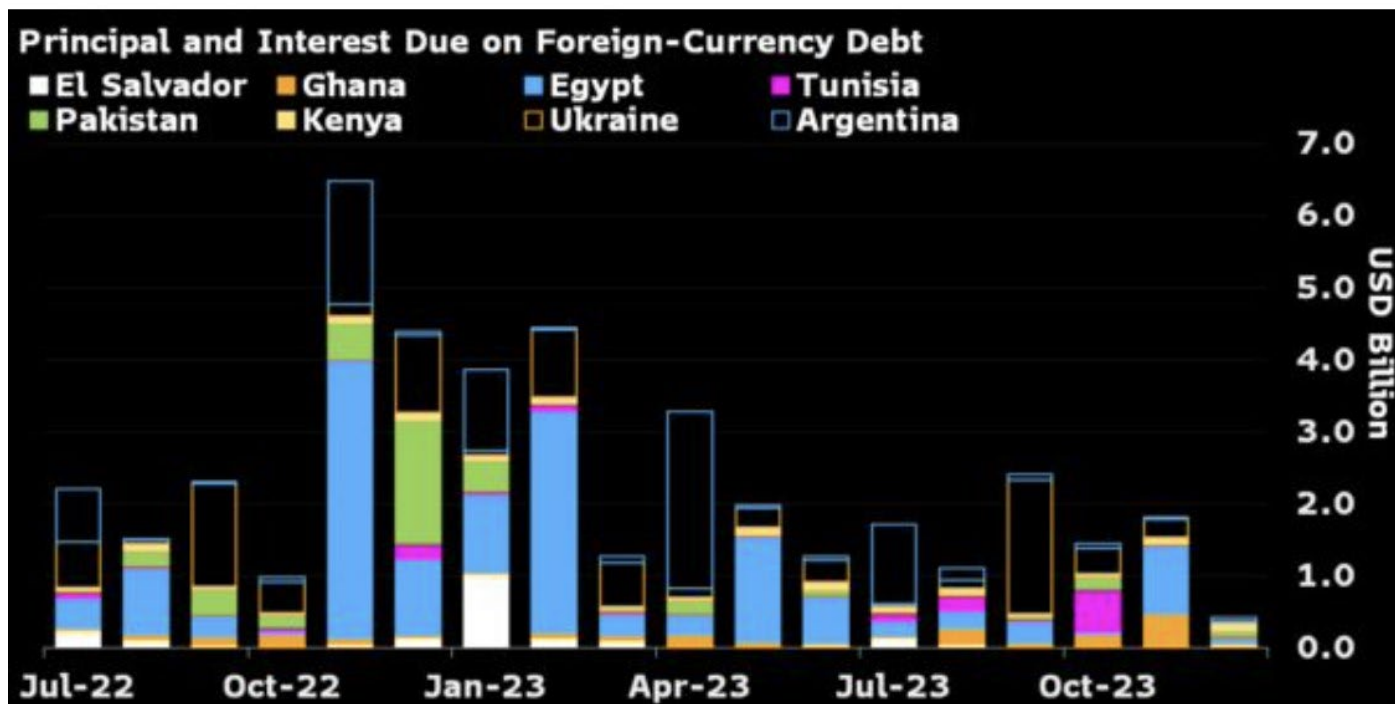
After months of talking tough on China, President Biden made steps towards lowering tariffs on Chinese goods to reduce inflation. However, some tariffs, such as on steel and aluminium, may remain in place.

On Friday, we learned that Japan's longest-serving prime minister, Shinzo Abe, was shockingly assassinated at an event in Nara. He was campaigning for the LDP party ahead of this weekend's upper house election. The ruling LDP-Komeito coalition may receive higher support after recently attracting criticism about rising living costs.

UK Prime Minister Boris Johnson was forced to announce his departure after the resignation of 50 ministers from his own party. He plans to fulfil a caretaker role until a Conservative replacement is appointed.

Sri Lanka's president will resign after protesters stormed the presidential palace over the weekend. Sri Lanka defaulted on its debt for the first time in its history in May. Australia's cricketers are also touring the island nation, currently playing in Galle.

Other developing nations to face potential defaults include, Pakistan, Ghana, Kenya, Egypt, Argentina, Ukraine and El Salvador.

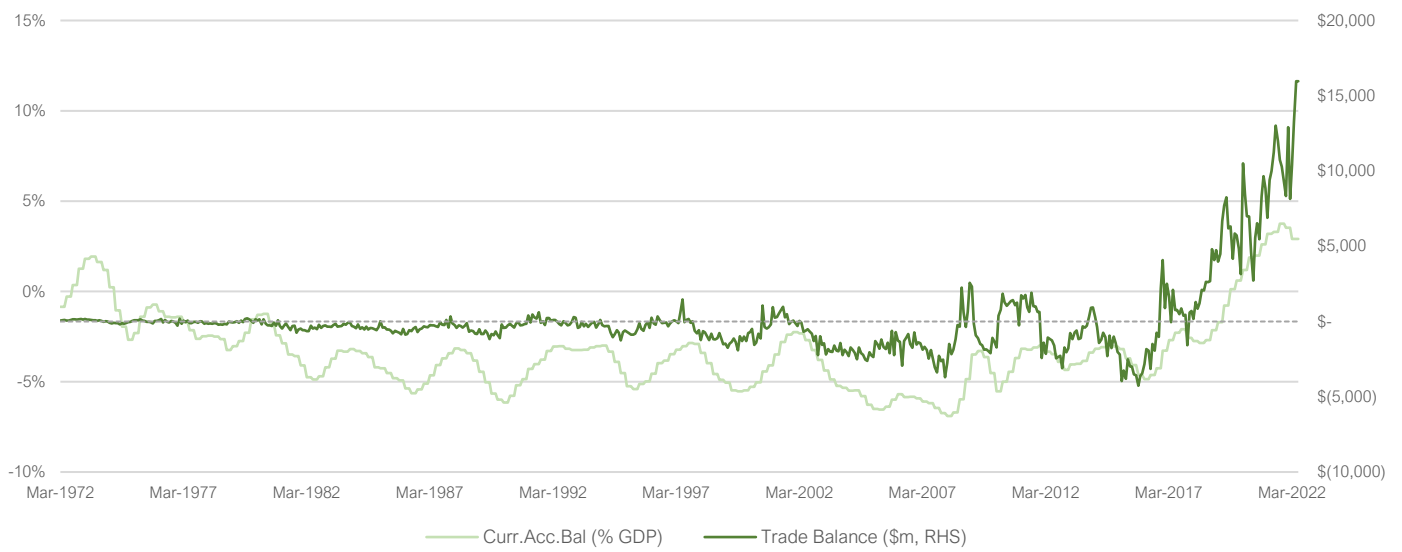


Elon Musk spectacularly withdrew his takeover bid for Twitter last week, citing “misleading representations” over the number of spam bots on the social network. Twitter intends to respond with legal action.

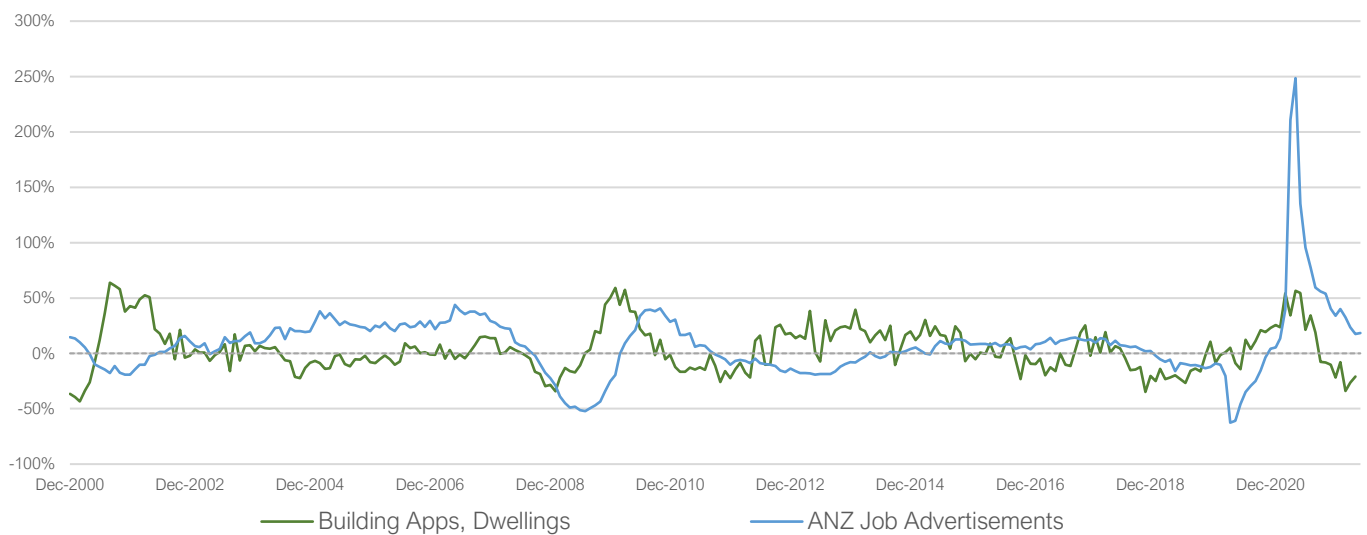
Coronavirus cases are on the rise again globally. In Australia, rising case numbers are below levels recorded in January and March. However, COVID has now killed more than 10k Australians, with 8k deaths occurring since the beginning of the year. Second booster shots will be available for over 30s from today, with the extra dose recommended by ATAGI for over 50s.

This week, Australian jobs numbers will be published on Thursday, with unemployment expected to fall to a new record low of 3.8%. The NAB Business and Westpac Consumer Confidence surveys will also be released on Tuesday. The US will see the latest inflation and industrial production figures, and Chinese data on Friday will include the second-quarter GDP estimate, which is expected to be down by -2.3% compared to Q1. The American Q2 reporting season also gets underway.

Australian Current Account Surplus & Trade Balance



Leading Australian Employment Indicators (% yoy)



US Job Openings (millions, SA)



Source: Bloomberg, ABS, ANZ, BLS, 10<sup>th</sup> July 2022

## Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
<b>Australia</b>		<b>NAB Business Survey;</b> <b>CBA Household Spending;</b> <b>Westpac Consumer Conf;</b>		<b>Employment;</b> <b>Melbourne Institute</b> Consumer Inflation Exp.;	
<b>US</b>		<b>NFIB Small Business Opt.;</b>	<b>CPI;</b> <b>Fed Beige Book;</b> <b>Monthly Budget Statement;</b> Real Ave. Earnings; MBA Mortgage Apps.	<b>PPI;</b> Weekly Jobless Claims	<b>Industrial Prod.;</b> <b>Retail Sales;</b> <b>Business Inventories;</b> <b>UMich. Cons. Sent.;</b> Empire Manuf. Survey; Import/Export Prices;
<b>Europe</b>	<b>Danish &amp; Norwegian CPI;</b> <b>Italian Ret. Sales;</b> [German WSale Prices]; Danish Curr. Acc.; Norwegian PPI;	<b>ZEW Survey;</b> [Swiss Family Home Price Index]; Finnish Curr. Acc.	<b>EZ &amp; UK Ind. Prod.;</b> <b>German, French &amp; Spanish CPI;</b> <b>German Curr. Acc.;</b> <b>UK Monthly GDP, Visible Trade, Constr. Output &amp; Index of Services;</b> Irish Prop. Prices	<b>Irish, Swedish &amp; Finnish CPI;</b> <b>Swedish Unempl.;</b> UK RICS House Prices; Swiss Producer & Import Prices	<b>EZ, Dutch &amp; Irish Trade;</b> <b>Italian CPI &amp; Govt. Debt.;</b> <b>Danish PPI;</b> EU27 New Car Reg.; Finnish GDP indic. & Ret. Sales; Spanish House Transactions
<b>Japan</b>	<b>M2 / M3 Money Stock;</b> Core Machine & Machine Tool Orders;	<b>PPI</b>		<b>Industrial Production;</b> Tertiary Industry Index;	Nationwide & Tokyo Dept. Store Sales;
<b>China</b>	<b>[CPI &amp; PPI;</b> <b>FDI;</b> <b>M0/M1/M2 Money Supply]</b>		<b>Trade;</b> <b>[1yr Med. Term Lending]</b>		<b>Q2 GDP;</b> <b>Industrial Prod.;</b> <b>Ret. Sales;</b> <b>Fixed Asset &amp; Property Inv.;</b> <b>Resi. Property Sales;</b> <b>Surveyed Jobless Rate</b>

US earnings season kicks off this week with Morgan Stanley reporting on the 14<sup>th</sup> ; Wells Fargo, Citigroup and Blackrock reporting on the 15<sup>th</sup>.

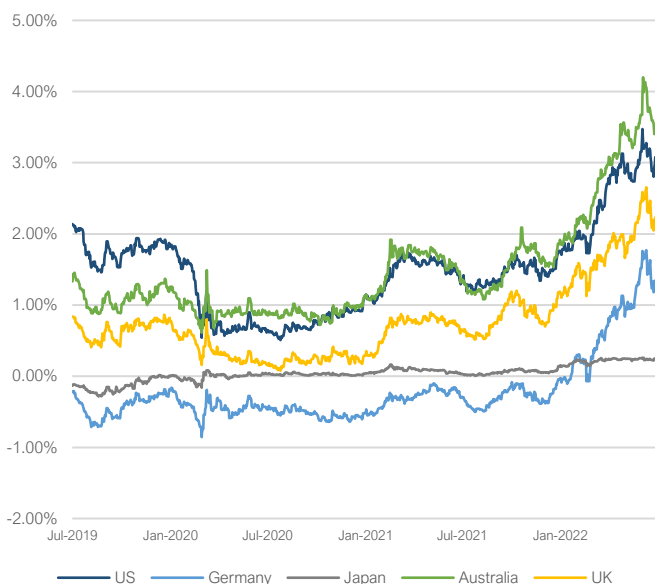
3Yr Equity Indices (Rebased to 100)



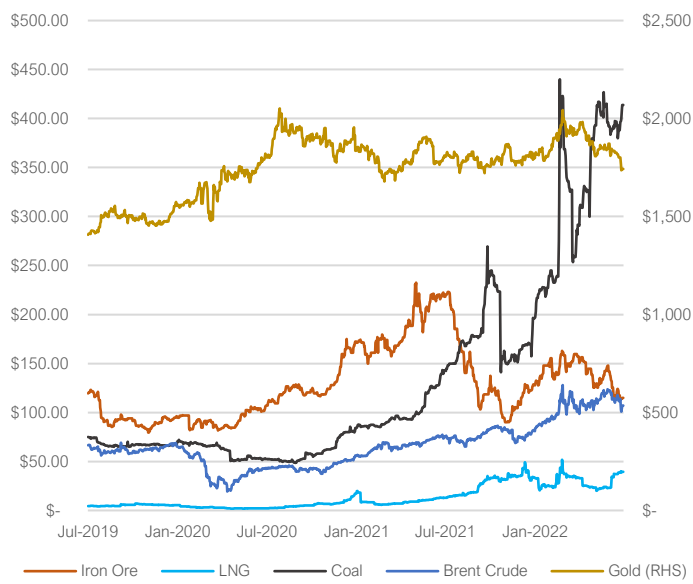
3Yr Prop. & Infrac. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 10<sup>th</sup> July 2022

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