



WEEKLY UPDATE

12th JUNE 2023

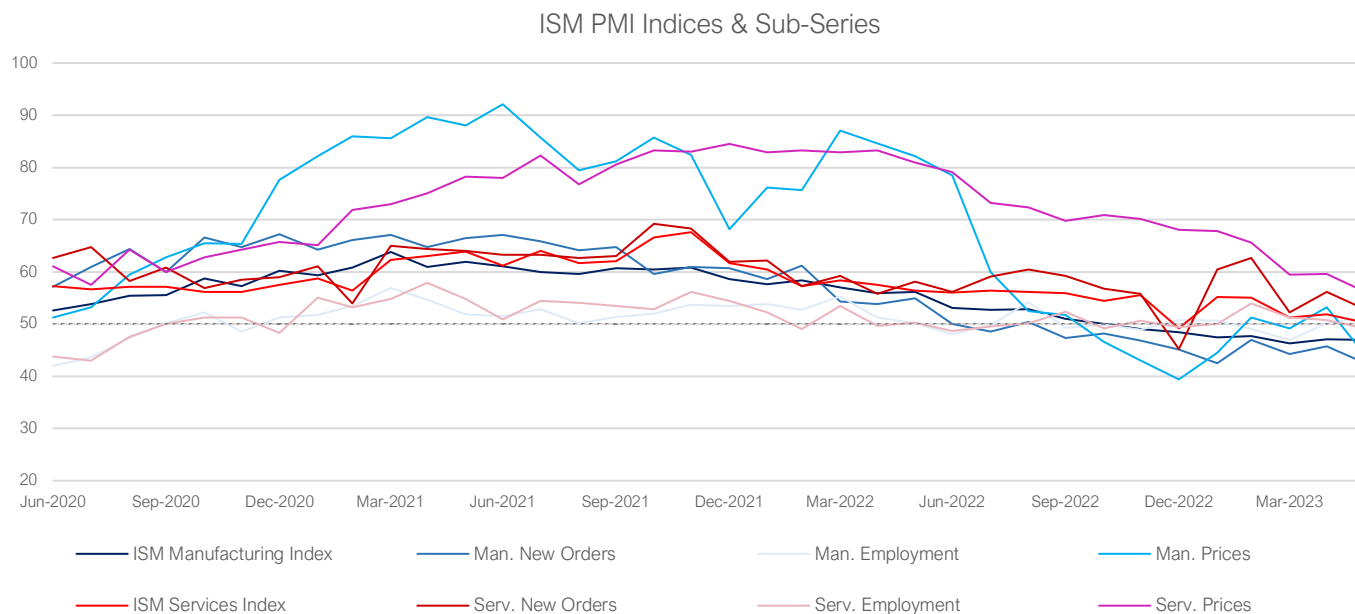
	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	86,729	-0.33%	0.20%	7.13%
MSCI World Ex-Aus. (Unhedged)	14,973	-1.53%	7.58%	16.33%
MSCI World Ex-Aus. (Hedged)	2,403	0.24%	9.15%	9.32%
Bloomberg AusBond 0+ Composite	9,553	-1.47%	-0.48%	1.38%
BloombergBarclays Global Agg. (Hedged)	980	-0.15%	0.82%	-1.14%
S&P/ASX300 Property	57,531	-2.81%	-2.98%	3.65%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,523	0.69%	2.53%	-8.28%
S&P Global Infrastructure (Hedged)	5,912	0.22%	0.95%	-2.92%
Bloomberg All Hedge Fund Index	2,111	N/A	3.42%	9.67%
VIX	13.8	-5.27%	-44.23%	-50.16%
Bloomberg Commodity Index (USD)	100.96	1.14%	-3.44%	-25.45%
Iron Ore Index (62% Fe Aus. Off. China, USD)	116.00	9.43%	-10.42%	-21.62%
LME Copper Spot (USD)	8,368.00	0.37%	-5.00%	-13.10%
Coal 1st Future (Newcastle Export, USD)	135.70	3.59%	-24.61%	-65.73%
Brent Crude 1st Future (USD)	74.79	-1.76%	-8.33%	-39.23%
LNG 1st Future (Japan/Korea)	9.25	-0.38%	-35.36%	-60.06%
Gold in AUD	2,909	-1.29%	4.69%	11.73%
AUDUSD	0.6742	2.00%	2.31%	-5.02%
AUDEUR	0.6271	1.59%	0.69%	-6.59%
AUDNZD	1.0998	0.97%	1.77%	-1.06%
AUDGBP	0.5359	1.00%	-3.12%	-5.99%
AUDJPY	93.9570	1.59%	4.51%	-1.50%

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

Global shares advanced last week despite challenging liquidity conditions as the US Treasury began issuing new paper. Equities also shrugged off lacklustre growth data and a Saudi oil production cut.

The Australian dollar strengthened, and bond yields rose after the RBA raised interest rates in a move that wasn't fully priced in before Tuesday's meeting. The Bank of Canada also caught traders off guard with an increase, while this week, it seems less likely that there will be any move at the meetings of the Federal Reserve, ECB or Bank of Japan.

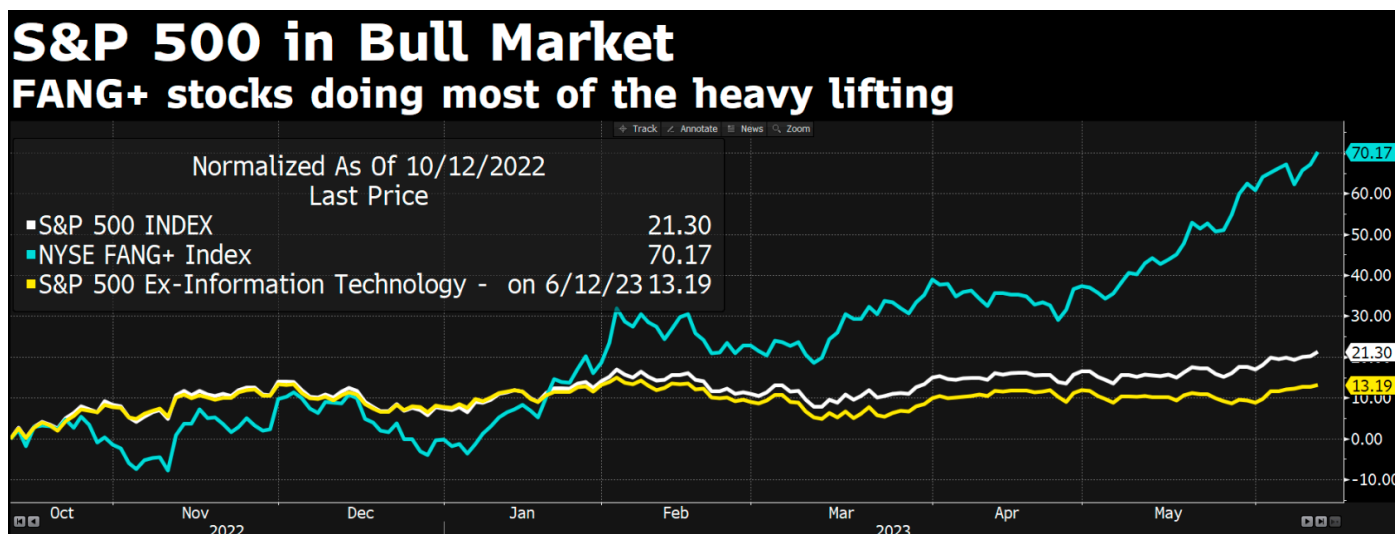
Important activity data will be published in the US, Europe and China this week, as well as American CPI figures. Australia will see the main business and consumer sentiment surveys updated tomorrow and employment figures on Thursday.



Source: Bloomberg, ISM, 10th June 2023

Following the raising of the debt ceiling, the US government began issuing new paper last week. Over US\$190 billion in new bills of less than one-year maturity were auctioned, contributing to bond yields remaining near recent highs.

The renewed government demand for dollars didn't prevent the US dollar from weakening slightly, nor did it stop the MSCI World stock index from reaching a new high for 2023. With the S&P500 having risen by more than +20% from the October lows, some commentators declared that stocks were back in a bull market. It remains to be seen whether the rally will continue this week. With another US\$ 206 billion in bills and US\$ 90 billion in bonds set for auction in the coming days, equities will be swimming against the liquidity tide.



Stock-specific news was generally supportive last week. For example, Tesla shares were up +12.0% over the week as Elon Musk jointly announced with General Motors CEO Mary Barra that the company would soon join Ford in using the Tesla charging network. According to Piper Sandler analysts cited by Bloomberg, the deal could be worth as much as US\$ 3 billion by 2030 to Tesla.

In contrast, macro news was more challenging. Global growth data was somewhat lacklustre last week in the US the ISM services survey added to the negative outlook indicated by the previous week's manufacturing data. At 50.3, the headline services index remained just within expansionary territory. (See chart above). American weekly jobless claims also jumped by + 28k to 261k in signs that the labour market is slowing.

Australia's first quarter GDP report made for an unpleasant read. Nominal growth rose by +2.1% (+9.2% yoy), propelled by higher prices. Real growth, adjusted for inflation, advanced by just +0.2% (+2.3% yoy) and declined by -0.2% per capita. In addition, the report contained plenty of evidence that household spending is increasingly constrained by both rising prices and interest rates, with the household savings ratio falling to the lowest level in fifteen years.

Despite the headwinds, the Reserve Bank remains resolute in its tough stance on inflation. The Australian dollar strengthened, and bond yields rose as the Board lifted the cash rate by +0.25% to 4.1% on Tuesday, against market expectations. In a similar surprise move, the Bank of Canada raised the interest rate by +0.25% to 4.75%.

In a speech on Thursday, the governor of the RBA appeared frustrated by the previous week's Fair Work Commission wage decision and the flow-on effects to expectations. He said: *"I want to make it clear, though, that the desire to preserve the gains in the labour market does not mean that the Board will tolerate higher inflation persisting. There is a limit to how long inflation can stay above the target band. The longer it stays there, the greater the risk that inflation expectations adjust and the harder, and more costly, it will be to get inflation back to target. If inflation stays high, this will damage the economy and all Australians will feel the effects."*

ANZ Indeed Job Advertisements, Total



Source: Bloomberg, ABS, ANZ Indeed, 10th June 2023

The RBA will likely be forced to push unemployment higher to cool wage and price pressures. On Thursday this week, May unemployment is expected to remain at 3.7%. But unemployment may soon rise as ANZ Indeed job advertisements are declining, and sectors linked to discretionary spending report tougher trading conditions.

This week the Federal Reserve, ECB and Bank of Japan will all hold meetings with any changes seen as unlikely. However, the American and European central banks are still likely to signal that further rate rises are expected and continue with quantitative tightening, further draining market liquidity. The Bank of Japan may soon follow by withdrawing its yield curve control policy, although the recently appointed governor appears in no hurry. With CPI running at just +0.2% yoy, the People's Bank of China is the only major central bank likely to ease policy in the coming weeks.

Saudi Arabia announced it would voluntarily cut its output from 10 million barrels daily to 9 million from July to support crude prices. There was also concern that the destruction of the Ukrainian dam and subsequent flooding might increase food prices later this year.

Nevertheless, outside of commodity markets, there was evidence of cooling prices. The prices paid series in the ISM surveys indicated that price pressures are easing, particularly in the manufacturing series. Receding global goods inflation was also evidenced by softer Chinese producer prices (-4.6% yoy).

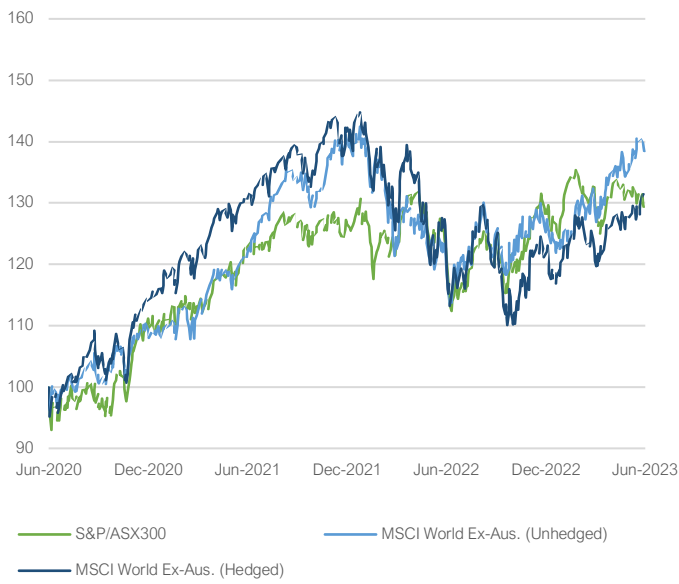
This week, the US CPI series is expected to drop to +4.1% yoy after the relatively strong +4.9% seen last month. Core CPI (ex-food and energy) is expected to fall from +5.5% yoy to +5.2% yoy.

Besides the central bank meetings, US CPI, and Australian employment announcements, the Australian NAB business survey will be published tomorrow, along with Westpac consumer confidence and the CBA report on household spending. There will be important production and activity data from the US, Europe, and China, as well as American retail sales.

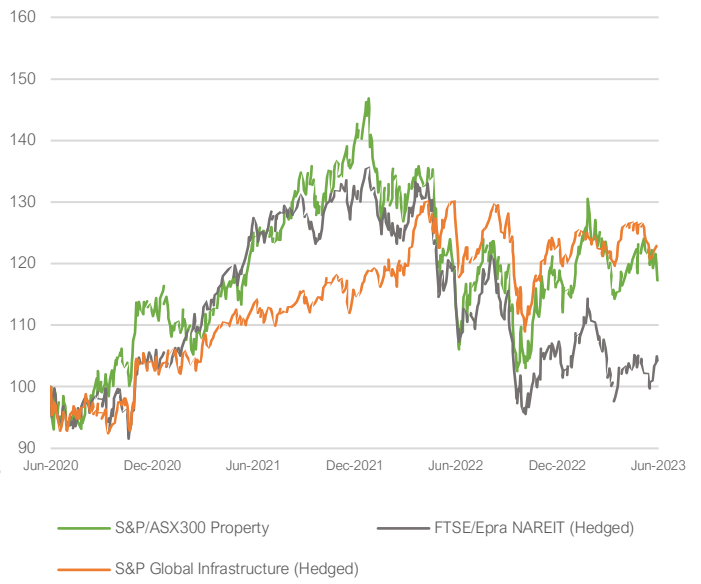
Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia	King's Birthday	NAB Bus. Conf.; Westpac Cons. Conf.; CBA Household Spending		Employment; Consumer Infl. Exp.	
US	Monthly Budget Statement	CPI; NFIB Small Bus. Opt.; Real Ave. Earnings	FOMC Meeting; PPI; MBA Mortgage Apps	Ind. Production; Ret. Sales; Empire Manuf. Survey; Philly Fed. Bus. Outlook; Bus. Inventories; Imp. & Exp. Prices; TIC Flows; Weekly Jobless Claims	U.Mich Cons. Sentiment; NY Fed Serv. Activity
Europe	Danish CPI; Spanish House Transactions; Swedish SEB House Prices	German & Spanish CPI; ZEW Survey; German Curr. Acc.; UK & Italian Unemployment; Norwegian Monthly GDP	EZ Ind. Production; UK Ind. Prod., Trade, Monthly GDP & Constr. Output; German WSale Prices; Swedish & Finnish CPI; Dutch Imp. & Exp.; Irish Prop. Prices	ECB Meeting; EZ, Spanish & Italian Trade; French CPI; Danish PPI; Dutch & Swedish PES Unempl.; Swiss SECO Eco. & KOF Forecasts, Imp & Producer. Prices; Italian Gen. Gov. Debt; Finnish GDP Indicator	Italian, Austrian & EZ (Final) CPI; EZ & Spanish Labour Costs; Italian Trade; French Quarterly Wages
Japan	PPI; Machine Tool Orders	BSI Survey		Trade; Core Machine Orders; Tertiary Industry Index	BoJ Meeting
China	[FDI]			1yr Med. Term Lending Facility; Ind. Production; Retail Sales; Surveyed Jobless Rate; Property Inv.; Fixed Asset Inv.; New Home Prices;	

3Yr Equity Indices (Rebased to 100)



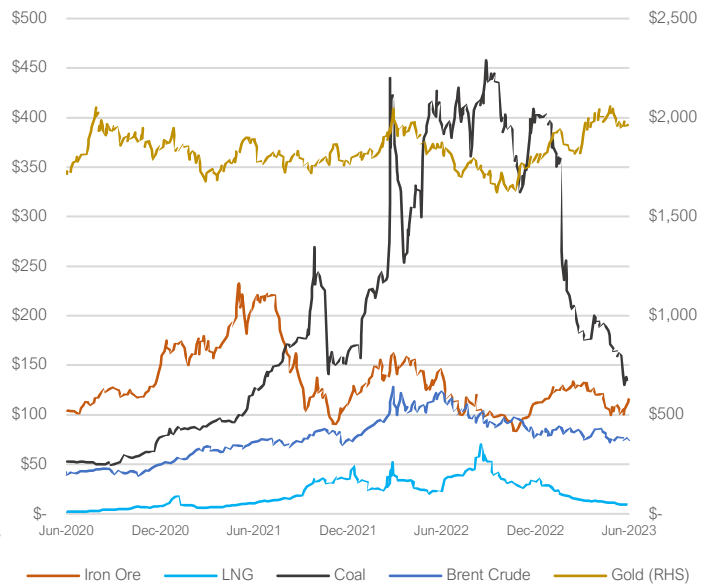
3Yr Prop. & Infrs. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



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

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