



WEEKLY UPDATE

17th APRIL 2023

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	89,238	1.74%	0.90%	1.63%
MSCI World Ex-Aus. (Unhedged)	14,651	0.53%	8.16%	7.25%
MSCI World Ex-Aus. (Hedged)	2,332	1.17%	3.57%	-4.37%
Bloomberg AusBond 0+ Composite	9,828	-0.64%	2.38%	0.88%
Bloomberg Barclays Global Agg. (Hedged)	982	-0.60%	0.10%	-3.77%
S&P/ASX300 Property	58,022	0.05%	-3.72%	-11.05%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,479	-0.53%	-5.94%	-21.81%
S&P Global Infrastructure (Hedged)	6,075	-0.03%	0.17%	-3.08%
Bloomberg All Hedge Fund Index	2,041	N/A	3.49%	7.66%
VIX	17.1	-7.23%	-11.83%	-24.80%
Bloomberg Commodity Index (USD)	107.82	1.49%	-3.75%	-18.58%
Iron Ore Index (62% Fe Aus. Off. China, USD)	120.50	0.42%	-5.49%	-21.24%
LME Copper Spot (USD)	9,082.00	3.44%	-0.27%	-11.63%
Coal 1st Future (Newcastle Export, USD)	188.00	-2.97%	-49.22%	-39.18%
Brent Crude 1st Future (USD)	86.31	1.40%	1.21%	-22.73%
LNG 1st Future (Japan/Korea)	12.68	-0.25%	-52.70%	-61.49%
Gold in AUD	2,988	-0.71%	8.47%	12.32%
AUDUSD	0.6707	0.52%	-3.57%	-9.60%
AUDEUR	0.6103	-0.25%	-5.31%	-12.21%
AUDNZD	1.0804	1.27%	-0.88%	-1.18%
AUDGBP	0.5404	0.59%	-5.53%	-5.00%
AUDJPY	89.7570	1.78%	0.39%	-4.03%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 16th April 2023

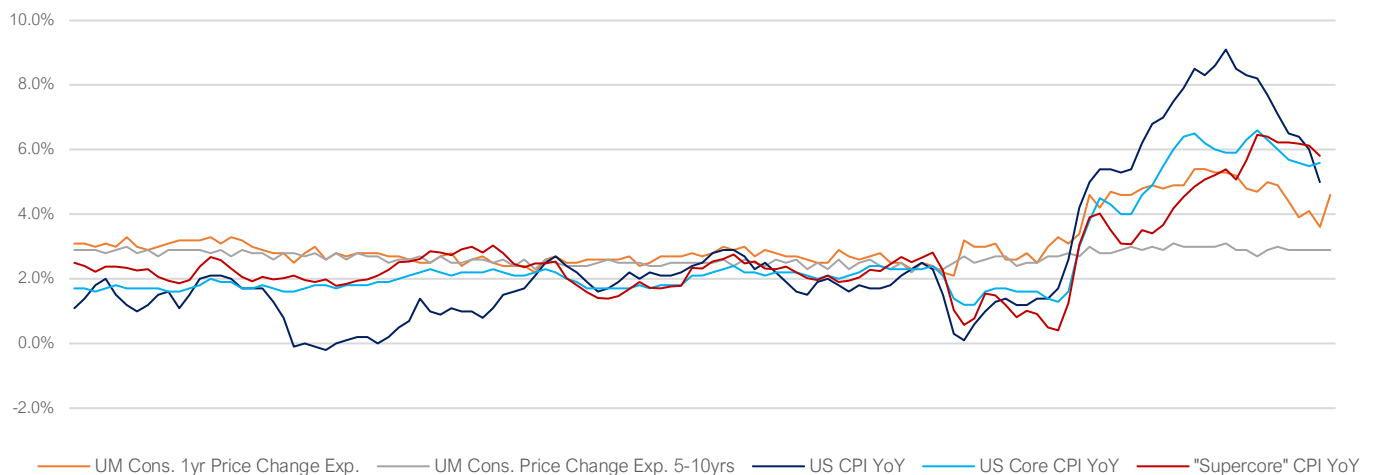
Equities traded higher last week despite financial stability warnings from the IMF, Federal Reserve recession predictions, and rising bond yields.

The first major US bank earnings reports allayed fears of a severe financial crisis, while concerns remain regarding the smaller regional banks and their exposure to troubled commercial real estate.

Bond investors initially responded positively to the American consumer and producer price reports before a surprise surge in US inflation expectations sent yields sharply higher on Friday.

This week's key data points will be Eurozone and Japanese CPI figures, the Fed's Beige Book, and Friday's flash PMI surveys. In addition, the Q1 earnings season continues this week.

CPI & University of Michigan Consumer Inflation Expectations



Source: Bloomberg, BLS, University of Michigan, 16th April 2023

Equities made gains last week as the first quarter earnings season got underway, despite a relatively gloomy outlook painted by official institutions.

The minutes of the March FOMC meeting revealed that Federal Reserve staff expected the US to experience a “*mild*” recession later this year, while the International Monetary Fund (IMF) warned of a “*hard landing*” for the global economy if inflation keeps interest rates higher for longer, amplifying financial risks.

There is a growing concern that commercial real estate defaults could cause further bank solvency issues, particularly among the regional US banks. On Friday, solid earnings reports from J.P. Morgan, Wells Fargo and Citigroup allayed some fears. However, California’s First Republic Bank was forced to suspend dividends on preferred shares to preserve cash. The share price has fallen by over -90% since the end of January. IMF Chief Economist Pierre-Olivier Gourinchas said: “*Below the surface . . . turbulence is building, and the situation is quite fragile.*”

The IMF commented that lower food and energy prices have brought down inflation and may be providing a false sense of security that inflation has been defeated. Just over one year since the Russian invasion of Ukraine prompted a spike in commodity prices, base effects are leading to lower inflation readings in year-over-year comparisons.

On Wednesday, the American March inflation data showed that headline consumer prices are declining quickly and will likely continue to fall as the highly-weighted shelter component slows. But core consumer prices, ex-food and energy, are not falling as quickly as the Federal Reserve would like. Jerome Powell’s “supercore” measure of core services ex-housing shows that certain price categories are still “sticky”. Nevertheless, the bond market initially responded positively to what appeared to be a step in the right direction. However, a nasty surprise in Friday night’s University of Michigan Consumer Sentiment report suggested that inflation expectations may be becoming unanchored. One-year expectations rose from +3.6% to +4.6%, while longer-term expectations are stubbornly high at +2.9%. Bond yields surged, with the US 2yr Treasury yield rising by +0.13% to 4.1%, and expectations of a further +0.25% increase in the Federal Funds rate became cemented in market pricing, which is highlighted in the chart below.

Fed's Last Hike?

Eco data has market pricing in a full 25bps hike

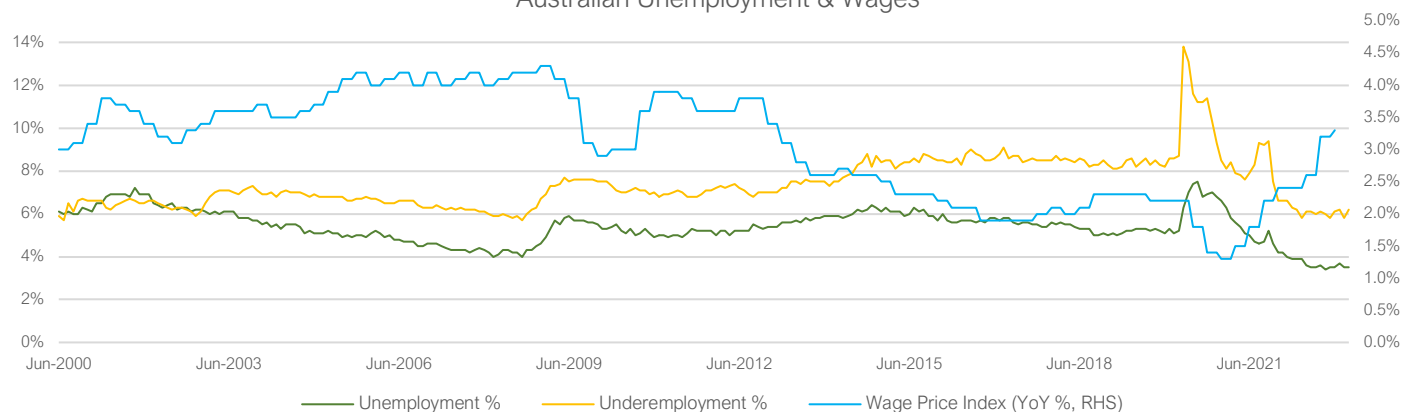


Even though short-term inflation readings are all but certain to fall, ongoing supply constraints and the reacceleration of the Chinese economy could lead to a reacceleration in inflation towards the end of 2023 that isn't yet reflected in market pricing.

So far, the Chinese recovery has not lived up to the optimism at the start of the year. However, last week's data suggested that the recovery is underway but is taking longer than expected. Moreover, subdued consumer (+0.7% yoy) and producer (-2.5% yoy) price inflation show that the Chinese authorities still have plenty of scope to add further stimulus to reach the 5% growth target. First quarter GDP and other key figures will be published tomorrow, with economic growth expected to be +3.9% higher and retail sales expected to be +8.0% higher than the same period last year.

Australian data revealed stable business conditions and confidence, coupled with a noticeable pick-up in consumer

Australian Unemployment & Wages



Source: Bloomberg, ABS, 16th April 2023

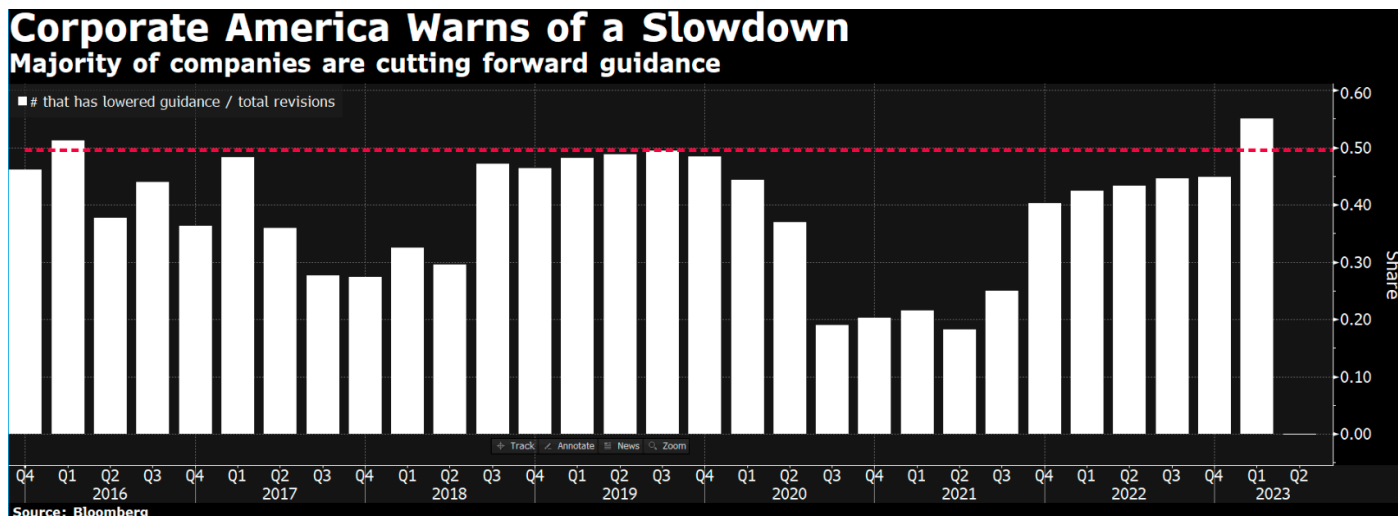
confidence. Some of the improvement may be linked to healthy employment prospects. Thursday's labour market data showed that the unemployment rate, after revisions, has been fairly steady at around 3.5% since September last year.

At the same time, the labour force continues to expand. This is in part due to immigration and in part due to rising female participation. Consequently, economic growth is likely to continue to rise, but without necessarily being accompanied by a high degree of further upward pressure on wages.

The IMF forecasts that Australian GDP will rise by +1.6% in 2023. This may be enough to avoid a recession. However, since population growth is expected to exceed +1.6%, some economists, such as Barrenjoey's Jo Masters, are calling a "per capita recession" this year.

Besides Chinese activity data, this week will also see the RBA's April minutes released, likely to confirm the hawkish bias apparent in the Governor's subsequent speech. There will also be CPI data published for the Eurozone and Japan, UK unemployment figures, the Federal Reserve Beige Book, and the latest global flash PMI surveys.

Earnings season will continue, with results expected from Goldman Sachs, Morgan Stanley, Bank of America, ASML, and Netflix. Interestingly the number of companies in the US that are cutting their forward earnings guidance has increased to the highest in over 7 years, indicating that the next 6-12 months may be more difficult for corporate America.



Latest World Economic Outlook Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2022	2023	2024
World Output	3.4	2.8	3.0
Advanced Economies	2.7	1.3	1.4
United States	2.1	1.6	1.1
Euro Area	3.5	0.8	1.4
Germany	1.8	-0.1	1.1
France	2.6	0.7	1.3
Italy	3.7	0.7	0.8
Spain	5.5	1.5	2.0
Japan	1.1	1.3	1.0
United Kingdom	4.0	-0.3	1.0
Canada	3.4	1.5	1.5
Other Advanced Economies	2.6	1.8	2.2
Emerging Market and Developing Economies	4.0	3.9	4.2
Emerging and Developing Asia	4.4	5.3	5.1
China	3.0	5.2	4.5
India	6.8	5.9	6.3
Emerging and Developing Europe	0.8	1.2	2.5
Russia	-2.1	0.7	1.3
Latin America and the Caribbean	4.0	1.6	2.2
Brazil	2.9	0.9	1.5
Mexico	3.1	1.8	1.6
Middle East and Central Asia	5.3	2.9	3.5
Saudi Arabia	8.7	3.1	3.1
Sub-Saharan Africa	3.9	3.6	4.2
Nigeria	3.3	3.2	3.0
South Africa	2.0	0.1	1.8
Memorandum			
Emerging Market and Middle-Income Economies	3.9	3.9	4.0
Low-Income Developing Countries	5.0	4.7	5.4

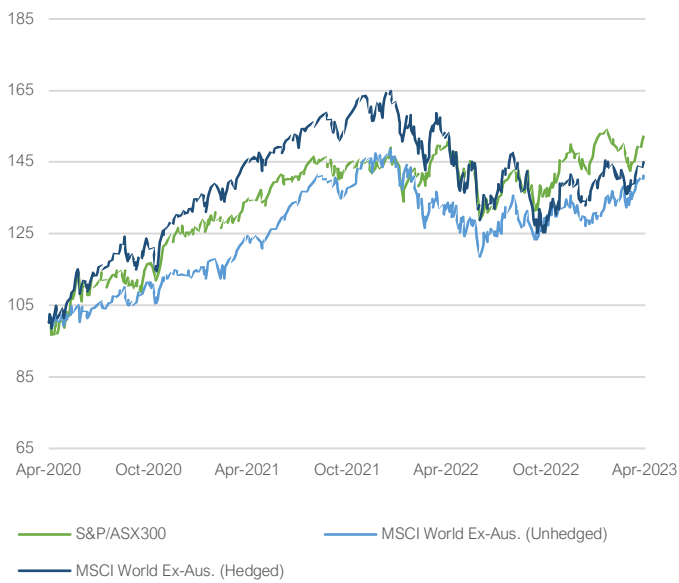
Source: IMF, *World Economic Outlook*, April 2023

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2022/2023 (starting in April 2022) shown in the 2022 column. India's growth projections are 5.4 percent in 2023 and 6.3 percent in 2024 based on calendar year.

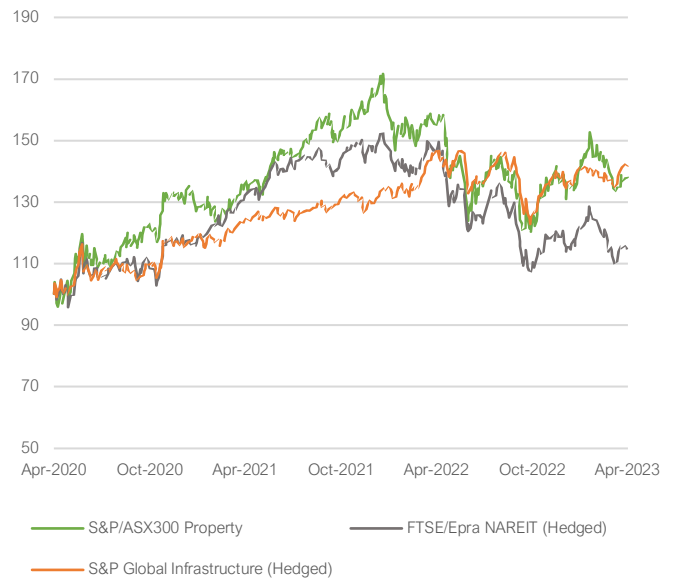
Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia		RBA Minutes; CBA Household Spending	Westpac Leading Index	NAB Q1 Bus. Conf.	Judo Bank Flash PMIs
US	Empire Manuf. Survey; NAHB Housing Market Index; TIC Flows	Housing Starts; Building Permits; NY Fed Serv. Activity	Fed.Beige Book; MBA Mortgage Apps	Leading Index; Philly Fed. Bus. Outlook; Existing Home Sales; Weekly Jobless Claims	S&P Global Flash PMIs
Europe	Italian CPI; Danish PPI; Norwegian Trade	ZEW Survey; UK Unempl.; EZ, Irish & Italian Trade	EZ, UK & Austrian CPI; UK PPI; EZ Constr. Output; Italian Curr. Acc.; UK House Price Index; EU27 New Car Reg.	German PPI; Danish, Dutch, Irish, Belgian Cons. Conf.; French Ret. Sales, Manuf. & Bus.Conf.; Norwegian Indus. Conf.; Spanish Trade & House Transactions; Dutch Unempl.	S&P Global Flash PMIs; EZ Cons. Conf. & Gov. Debt/GDP; UK Ret. Sales & GfK Cons.Conf; Irish PPI Swiss M3 Money Supply
Japan		Tokyo Condos for Sale	Ind.Prod.;	Trade; Tertiary Ind. Index; Machine Tool Orders	Natl. CPI; Jibun Bank Flash PMIs
China	1yr Medium Term Lending Facility; [FDI]	Q1 GDP; Ind.Prod.; Retail Sales; Surveyed Jobless Rate; Fixed Asset Inv; Property Invest.; Resi.Prop. Sales		1yr & 5yr Prime Loan Rate	

3Yr Equity Indices (Rebased to 100)



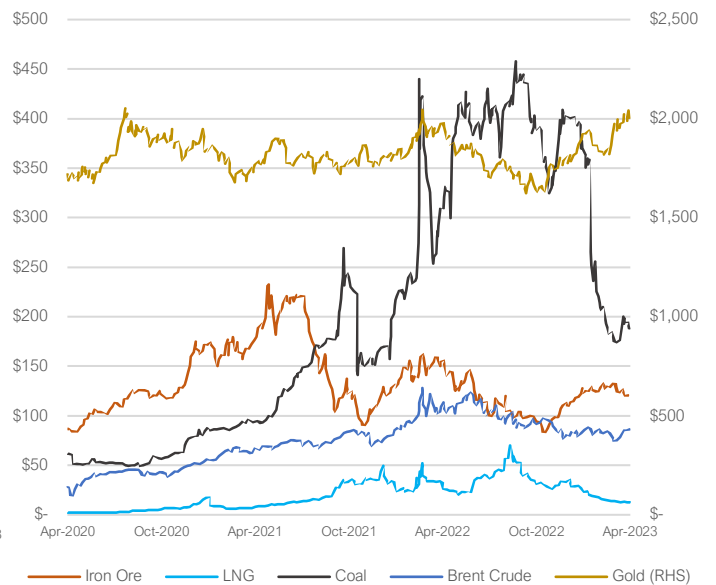
3Yr Prop. & Infrac. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 16th April 2023

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