

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	80,439	-0.17%	4.08%	-4.55%
MSCI World Ex-Aus. (Unhedged)	13,156	0.91%	1.06%	-7.76%
MSCI World Ex-Aus. (Hedged)	2,014	-1.51%	-6.63%	-20.02%
Bloomberg AusBond 0+ Composite	9,326	-0.74%	-2.07%	-10.91%
BloombergBarclays Global Agg. (Hedged)	943	-0.93%	-5.74%	-13.76%
S&P/ASX300 Property	51,449	-1.76%	-10.10%	-20.24%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,318	-1.31%	-13.88%	-25.58%
S&P Global Infrastructure (Hedged)	5,315	-1.61%	-9.03%	-5.48%
Bloomberg All Hedge Fund Index	2,057	N/A	6.43%	3.62%
VIX	32.0	2.10%	32.15%	96.44%
Bloomberg Commodity Index (USD)	113.67	-2.96%	0.17%	8.53%
Iron Ore Index (62% Fe Aus. Off. China, USD)	95.50	-4.50%	-8.61%	-21.07%
LME Copper Spot (USD)	7,688.00	1.49%	6.54%	-22.90%
Coal 1st Future (Newcastle Export, USD)	392.50	1.74%	-5.73%	60.20%
Brent Crude 1st Future (USD)	91.63	-6.42%	-7.54%	9.08%
LNG 1st Future (Japan/Korea)	32.25	-6.41%	-17.76%	-3.17%
Gold in AUD	2,653	-0.22%	4.72%	9.55%
AUDUSD	0.6199	-2.76%	-8.16%	-16.41%
AUDEUR	0.6379	-2.49%	-5.57%	-0.25%
AUDNZD	1.1148	-2.00%	1.22%	5.45%
AUDGBP	0.5548	-3.51%	-2.88%	2.24%
AUDJPY	92.2390	-0.35%	-1.65%	8.61%

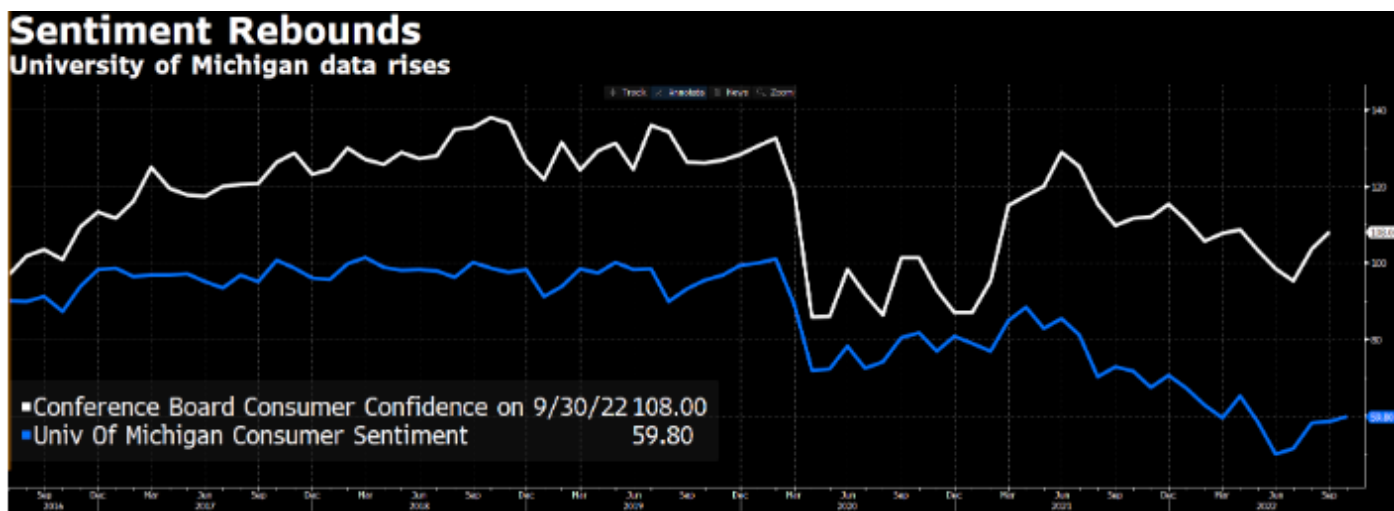
Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 15th October 2022

The rapid replacement of the British Chancellor could not quell market volatility last week after the IMF downgraded growth forecasts and American inflation figures paved the way for more Federal Reserve rate rises.

The Chinese Communist Party Congress began yesterday and will continue this week. China will be the first major economy to report Q3 GDP on Tuesday. There will also be Eurozone and UK inflation figures, while Australian unemployment is expected to remain at 3.5% when published on Thursday. The latest RBA minutes are also due on Tuesday, which may offer more clarity on the future path of Australian cash rates.

Sentiment remained subdued last week as global markets struggled to digest an array of troubling data and updates. The US dollar continued to strengthen, and only unhedged international shares produced positive returns. Oil traded weaker, as the New York Times reported that President Biden had vowed to “re-evaluate” the relationship with Saudi Arabia after it worked with Russia to cut oil production.

Consumer sentiment however was showing some early signs of rebounding of recent lows however the emphasis will be on whether this trend can continue in coming months.



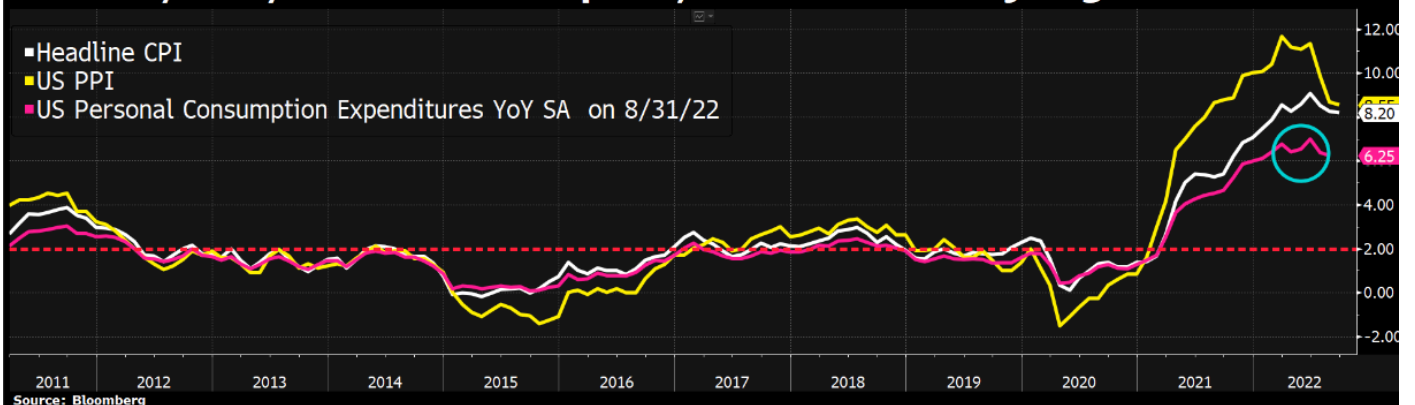
The American earnings season got underway with mixed results from the banks as trading and investment banking revenues disappointed. JP Morgan beat estimates but increased provisions for bad debts by more than expected. Bank CEOs collectively indicated a rising probability that the American economy would fall into recession next year.

Having been at the centre of recent bond and FX market volatility, UK Chancellor of the Exchequer Kwasi Kwarteng left the International Monetary Fund meetings early to hand in his resignation on Friday. In another embarrassing impasse for Prime Minister Liz Truss's 42-day-old government, the corporation tax cut was abandoned, and Jeremy Hunt was installed as replacement Chancellor. A former Health Secretary, he was the runner-up to Boris Johnson in the 2019 Conservative leadership election. His appointment is significant since he espouses very little of Ms Truss's economic vision, and the move appears to be aimed at resisting a leadership spill. However, the volatility is likely not over, as British political commentators expect her government to fall within weeks, if not days.

The British U-turn could not prevent a resumption of the bond and equity selling on Friday after a puzzlingly strong session on Thursday. US core CPI inflation hit a forty-year high of +6.6% year-on-year, following a slightly higher monthly producer price reading on Wednesday. On Friday, the University of Michigan survey followed with another increase in consumer inflation expectations and relatively robust retail sales.

The FOMC minutes revealed that the Federal Reserve is more concerned about the risks of doing too little on inflation rather than too much. The week's data not only solidified the case for a further +0.75% interest rate rise (to the 3.75% - 4.0% range) but also opened the door to much higher 2023 rates than were previously contemplated. The Fed Funds rate is now priced to hit 5% as soon as March. The current inflation numbers (represented by the headline CPI, PPI and personal consumption) are outlined in the chart below. Clearly the trend is remaining high with some signs of PPI starting to ease.

Peaked But Not Down US PPI, CPI, PCE came off peak, but remain very high



The latest World Economic Outlook saw the IMF cut growth forecasts and emphasise negative risks. As the executive summary stated:

“Risks to the outlook remain unusually large and to the downside. Monetary policy could miscalculate the right stance to reduce inflation. Policy paths in the largest economies could continue to diverge, leading to further US dollar appreciation and cross-border tensions. More energy and food price shocks might cause inflation to persist for longer. Global tightening in financing conditions could trigger widespread emerging market debt distress. Halting gas supplies by Russia could depress output in Europe. A resurgence of COVID-19 or new global health scares might further stunt growth. A worsening of China’s property sector crisis could spill over to the domestic banking sector and weigh heavily on the country’s growth, with negative cross-border effects. And geopolitical fragmentation could impede trade and capital flows, further hindering climate policy cooperation. The balance of risks is tilted firmly to the downside, with about a 25 percent chance of one-year-ahead global growth falling below 2.0 percent—in the 10th percentile of global growth outturns since 1970.”

Nevertheless, the IMF was not suggesting that central banks are on the wrong path:

“Warding off these risks starts with monetary policy staying the course to restore price stability [...] front-loaded and aggressive monetary tightening is critical to avoid inflation de-anchoring as a result of households and businesses basing their wage and price expectations on their recent inflation experience.”

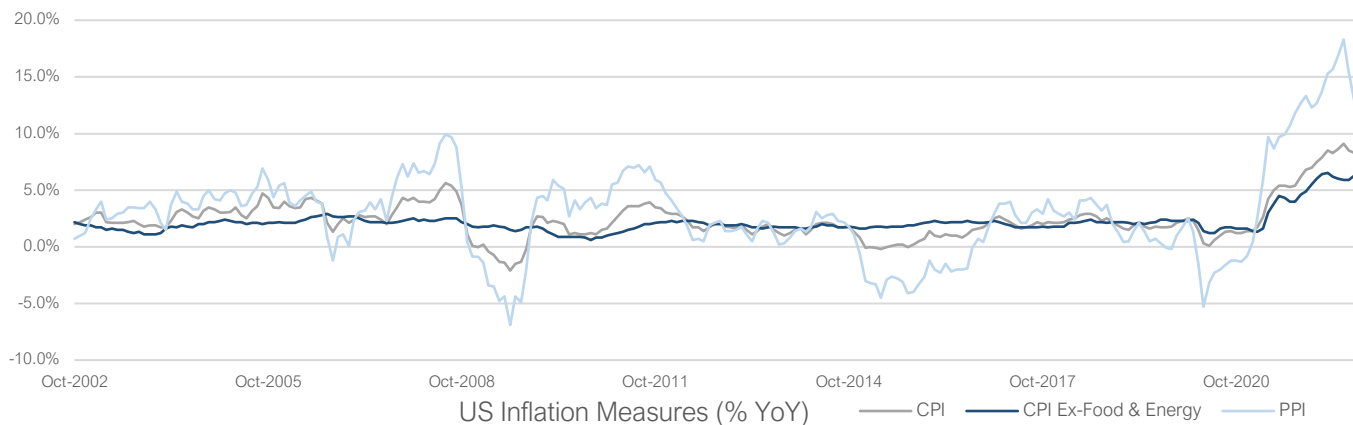
Growth from China, which has been the mainstay for global growth throughout the Covid period, has started to show significant signs of slowing since around March with estimates now at their lowest point for decades.

Economists Slash China 2022 Growth Forecasts Latest survey sees another sharp drop

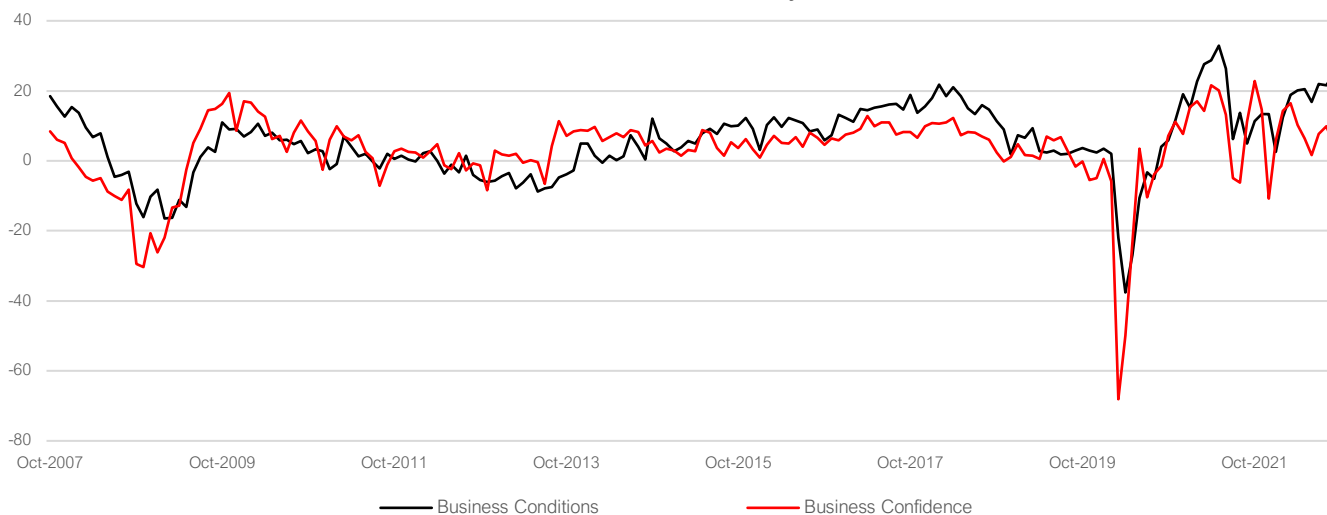


In contrast to the global gloom, there was better news in Australia as consumer and business confidence showed signs of improvement. Qantas also released a much better-than-expected trading outlook for the financial year. This week, unemployment is expected to remain at 3.5%, just above the fifty-year low of 3.4%, and the market will read the latest RBA minutes with interest following the decision to raise rates by just +0.25% earlier this month. Interest rate pricing ticked up slightly last week, with the cash rate now priced to reach 4% by the end of 2023.

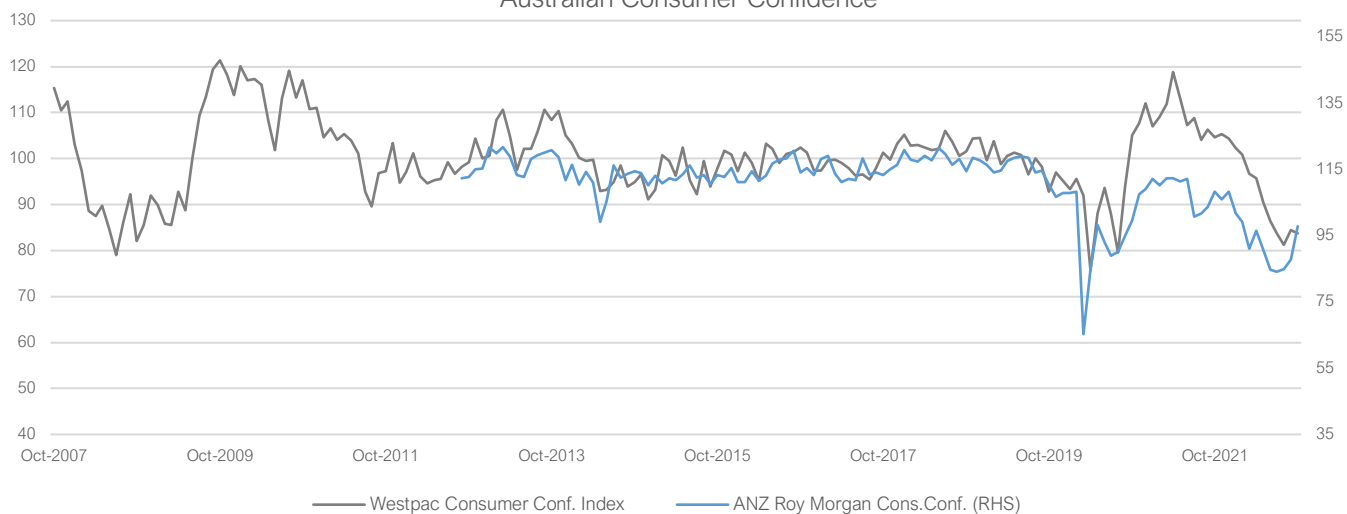
The Chinese Communist Party Congress continues this week, with Xi Jinping expected to be awarded an unprecedented third term as leader. Chinese Q3 GDP is expected to have accelerated to 3.4% yoy when published on Tuesday, and September industrial production is expected to increase to +4.9% yoy while retail sales might slow. Also this week, Eurozone CPI is expected to reach 10% when released on Wednesday night.



NAB Business Surveys



Australian Consumer Confidence



Source: Bloomberg, BLS, NAB, Westpac, ANZ Roy Morgan, 15th October 2022

Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	PROJECTIONS		
	2021	2022	2023
World Output	6.0	3.2	2.7
Advanced Economies	5.2	2.4	1.1
United States	5.7	1.6	1.0
Euro Area	5.2	3.1	0.5
Germany	2.6	1.5	-0.3
France	6.8	2.5	0.7
Italy	6.6	3.2	-0.2
Spain	5.1	4.3	1.2
Japan	1.7	1.7	1.6
United Kingdom	7.4	3.6	0.3
Canada	4.5	3.3	1.5
Other Advanced Economies	5.3	2.8	2.3
Emerging Market and Developing Economies	6.6	3.7	3.7
Emerging and Developing Asia	7.2	4.4	4.9
China	8.1	3.2	4.4
India	8.7	6.8	6.1
ASEAN-5	3.4	5.3	4.9
Emerging and Developing Europe	6.8	0.0	0.6
Russia	4.7	-3.4	-2.3
Latin America and the Caribbean	6.9	3.5	1.7
Brazil	4.6	2.8	1.0
Mexico	4.8	2.1	1.2
Middle East and Central Asia	4.5	5.0	3.6
Saudi Arabia	3.2	7.6	3.7
Sub-Saharan Africa	4.7	3.6	3.7
Nigeria	3.6	3.2	3.0
South Africa	4.9	2.1	1.1
<i>Memorandum</i>			
Emerging Market and Middle-Income Economies	6.8	3.6	3.6
Low-Income Developing Countries	4.1	4.8	4.9

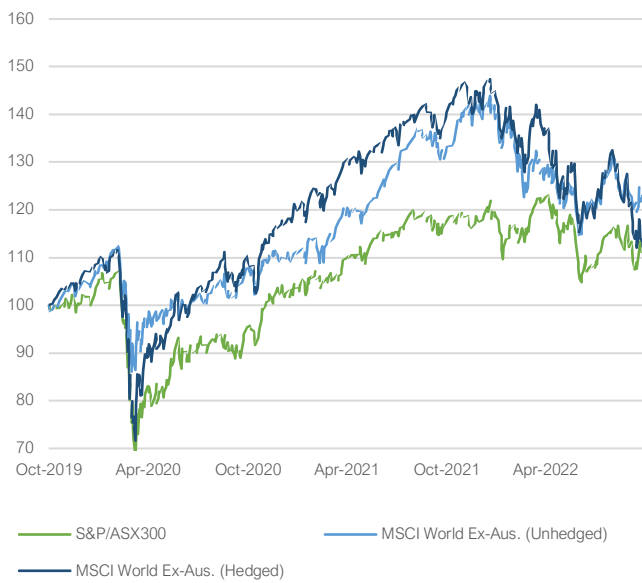
Source: IMF, *World Economic Outlook*, October 2022

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2021/2022 starting in April 2021. For the October 2022 WEO, India's growth projections are 6.9 percent in 2022 and 5.4 percent in 2023 based on calendar year.

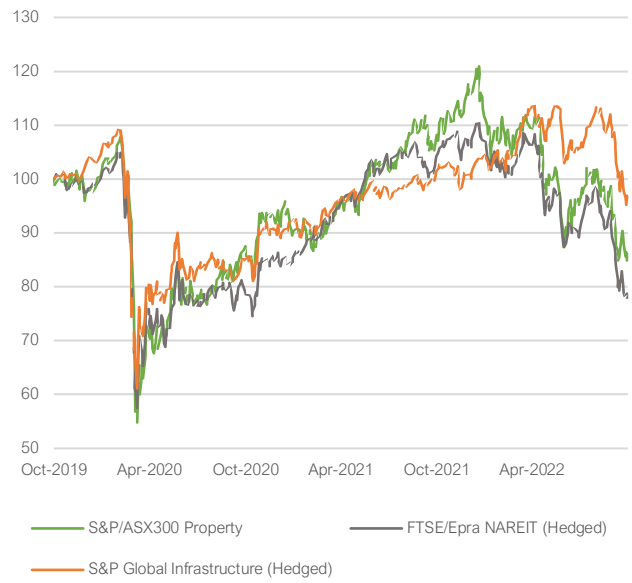
Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia		RBA Minutes	Westpac Leading Index	Employment; NAB Q3 Bus. Conf.;	
US	Empire Manuf.;	Ind. Production; NAHB Housing Mkt. Index; TIC flows	Fed. Beige Book; Housing Starts; Building Permits; MBA Mortgage Apps	Leading Index; Philly Fed.; Existing Home Sales; Weekly Jobless Claims	
Europe	Italian CPI; Danish PPI; UK Rightmove House Prices; Norwegian & Irish Trade	ZEW Survey; Spanish & Italian Trade; EU27 Ne Car Reg.	EZ, Austrian & UK CPI; UK PPI & House Price Index; EZ Constr. Output; Irish Cons. Conf.	German PPI; ECB & Italian Curr. Acc.; Swiss Trade; Dutch Unempl., Cons. Spending & Conf.; French Bus. & Manuf. Conf.; Norwegian Ind. Conf.	EZ Cons. Conf. & Debt/GDP; UK Ret. Sales, GfK Cons. Conf. & PSNBR; Swedish Unempl.; Swiss M3 Money Supply; Irish PPI Danish & Irish Cons. Conf.;
Japan	Ind. Production; Tertiary Index			Trade	Natl. CPI
China	1yr Med. Term Lending; [Trade & FDI]	Q3 GDP; Ind. Production; Ret. Sales; Fixed Asset & Property Inv.; Surveyed Jobless Rate; New Home Prices; Resi. Property Sales	1yr & 5yr Prime Loan Rate		

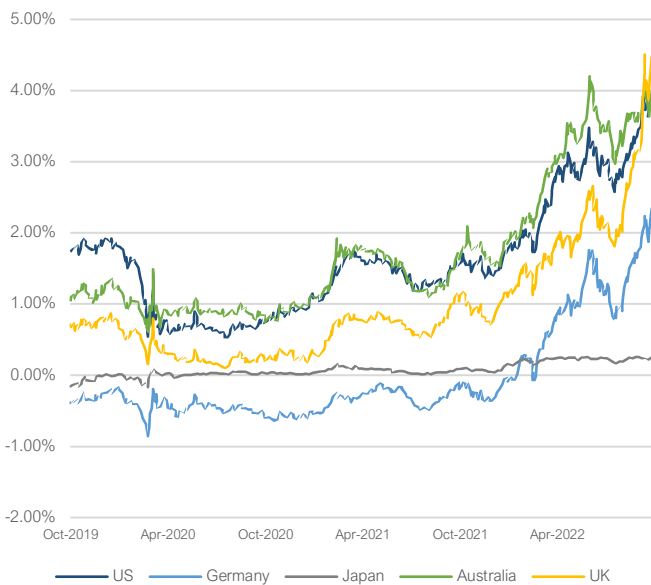
3Yr Equity Indices (Rebased to 100)



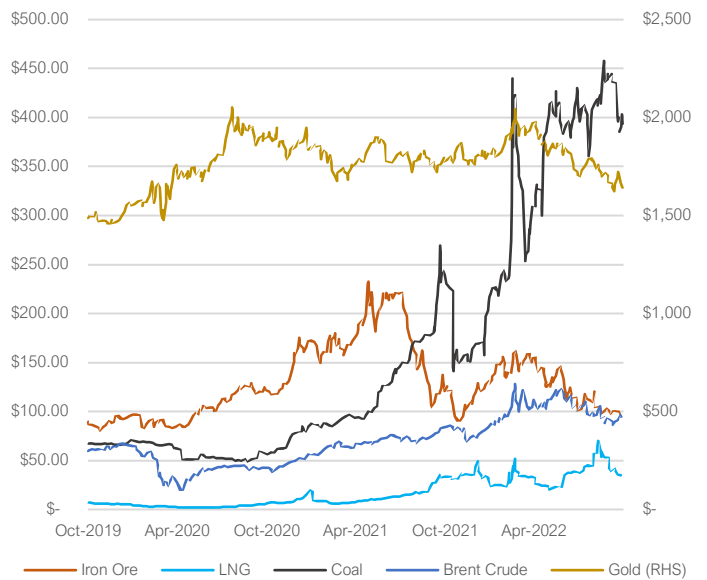
3Yr Prop. & Infrac. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 15th October 2022

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