

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	77,285	-1.11%	-11.98%	-6.63%
MSCI World Ex-Aus. (Unhedged)	13,018	-0.24%	-5.25%	-6.03%
MSCI World Ex-Aus. (Hedged)	2,157	-1.01%	-11.39%	-11.35%
Bloomberg AusBond 0+ Composite	9,529	0.33%	-2.18%	-10.42%
Bloomberg Barclays Global Agg. (Hedged)	1,000	0.72%	-1.84%	-9.31%
S&P/ASX300 Property	57,231	-0.13%	-12.26%	-6.05%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,692	-0.42%	-14.88%	-13.12%
S&P Global Infrastructure (Hedged)	5,842	-0.37%	-6.61%	7.75%
Bloomberg All Hedge Fund Index	1,936	N/A	2.12%	-0.73%
VIX	24.2	-1.66%	9.29%	31.33%
Bloomberg Commodity Index (USD)	113.47	-2.11%	-15.95%	20.16%
Iron Ore Index (62% Fe Aus. Off. China, USD)	100.00	-13.04%	-36.10%	-54.85%
LME Copper Spot (USD)	7,000.00	-10.14%	-31.89%	-25.11%
Coal 1st Future (Newcastle Export, USD)	406.55	-1.74%	31.53%	178.46%
Brent Crude 1st Future (USD)	101.16	-5.48%	-9.44%	37.69%
LNG 1st Future (Japan/Korea)	36.28	-7.88%	10.17%	179.66%
Gold in AUD	2,515	-1.05%	-6.00%	2.03%
AUDUSD	0.6793	-0.93%	-8.14%	-8.49%
AUDEUR	0.6734	0.04%	-1.54%	6.67%
AUDNZD	1.1020	-0.54%	0.77%	3.50%
AUDGBP	0.5724	0.45%	1.09%	6.22%
AUDJPY	94.0830	0.82%	0.60%	13.33%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 16th July 2022

Data surprises pulled in different directions last week. US CPI and retail sales exceeded forecasts, and Australian unemployment dropped to a near fifty-year low. On the other hand, Chinese data leaned to the weaker side, pulling down commodity prices.

The US yield curve indicates that investors still expect growth to weaken as further monetary tightening occurs. However, moderating inflation expectations prevented interest rate expectations from further accelerating last week.

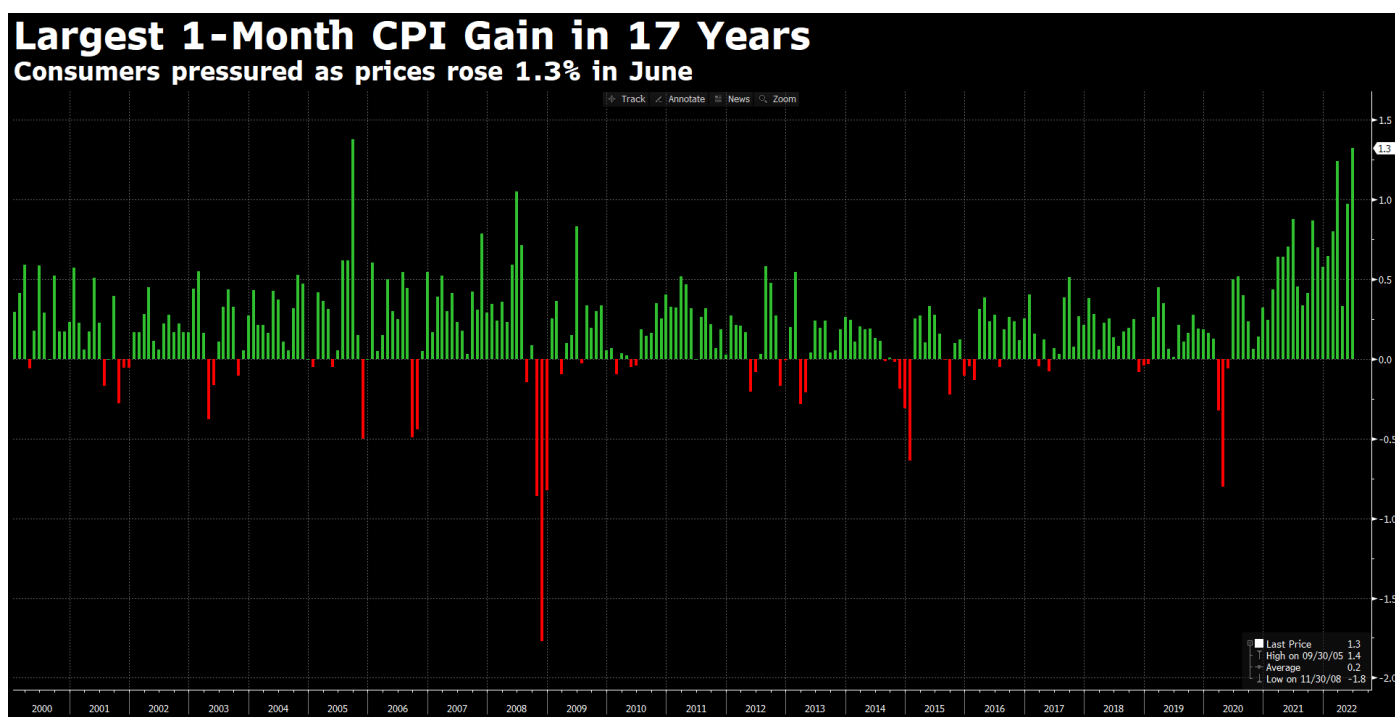
This week, the US reporting season continues, the ECB is expected to raise rates for the first time in more than a decade, and the latest flash PMIs will be published on Friday.

Bonds outperformed other asset classes, and the US dollar strength continued before equities saw a stronger finish to the week on Wall Street. The Australian index is expected to open +0.9% higher later today.

Chinese GDP of +0.4% was below forecasts of a +1.2% rise as lockdowns took their toll in the second quarter. But June unemployment (5.5%) and retail sales (+3.1% yoy) beat forecasts. Industrial production (+3.9%) was more or less in line, while exports (+17.9% yoy) were more than +5% higher than expected. However, property investment (-5.4% ytd yoy) and residential sales (-31.8% ytd yoy) deteriorated further. In response, Iron ore declined to \$100 as both iron ore and copper prices saw double-digit declines over the last five days.

Oil prices also traded lower, despite OPEC reporting that undersupply is likely to continue into 2023 by as much as 1 million barrels per day.

US CPI figures showed inflation making a new 40yr high of +9.1% yoy in June, higher than forecasts and up from the previous month's +8.6% reading. The survey showed inflationary pressure broadening to the service sectors, with core inflation, excluding food and energy prices, also exceeding forecasts.



Source: Bloomberg

Yield curve inversion



There was better data on Friday as American retail sales beat forecasts, albeit with some help from rising prices, and the University of Michigan survey showed slightly lower consumer inflation expectations. The survey data will come as a relief to the Federal Reserve, which remains on course to raise interest rates by +0.75% again later this month (to the 2.25%-2.50% range) after Fed speakers poured cold water on speculation that the FOMC might raise by a full percentage point. However, investors now clearly expect growth to moderate with the US yield curve inverted between the 2yr and 10yr maturities by approximately twenty basis points.

Bloomberg Financial Conditions Indexes

High inflation, central bank tightening add to worsening outlook



Source: Bloomberg

European core government yields also declined, but there was renewed upward pressure on the periphery as the Italian coalition government is on the verge of collapse. Former ECB President Mario Draghi offered his resignation as Prime Minister. The president refused the offer, but Mr Draghi confirmed his intention to resign this week.

The ECB has asked staff to develop a plan to reduce the impacts of widening country spreads on the transmission of monetary policy, but the project is expected to take some time. Nevertheless, the ECB meeting this week is likely to be eventful, with the market expecting a rise in the policy rate from -0.50% to -0.25%, which would be the first rise in euro

interest rates since 2011. In addition, eurozone May CPI will be released on Tuesday, with the market expecting an increase of +8.6% compared to last year.

Italian Prime Minister Mario Draghi tendered his resignation, however the President Sergio Mattarella rejected this. It is widely expected that Draghi will retender his resignation this week in what is sure to add to EU instability in the face of Russian conflict.

The Bank of Japan is expected to leave policy unchanged this week, while Japanese headline CPI is expected to moderate slightly to +2.4% yoy due to falling energy prices when it is released on Friday, a day after the meeting.

Last week's Australian jobs surprise is likely to influence the upcoming August RBA forecasts and keep the Board in tightening mode. Unemployment fell from 3.9% to just 3.5% in June, well below projections and the lowest level since 1974. The data was particularly remarkable in that the outsized drop was achieved despite a +0.1% rise in labour force participation to 66.8%.

The market is pricing another +0.50% rise in the cash rate in early August to 1.85%. However, that could easily change as rising COVID figures are causing concern, and both consumer and business confidence are weakening. The government is expecting the number of coronavirus cases to continue to increase into August, and, following Saturday's national cabinet meeting, the prime minister announced the reinstatement of emergency COVID-19 payments. The national cabinet also agreed on common messaging regarding indoor mask wearing and other preventative measures across states.

In stock-related news, ANZ announced it has agreed to purchase Suncorp Bank for \$4.9bn with the acquisition being funded by a capital raise, via an entitlement offer of \$18.90/share (a 12.7% discount to Friday's close). Queensland based Suncorp has a home loan portfolio of about \$47bn, \$45bn in deposits and \$11bn in commercial loans. Suncorp's insurance business will not form part of the transaction. ANZ also withdrew from acquisition discussions for MYOB with KKR. The ANZ/SUN acquisition would be the biggest bank deal in a decade after the Westpac acquisition of St George and CBA's purchase of Bankwest.

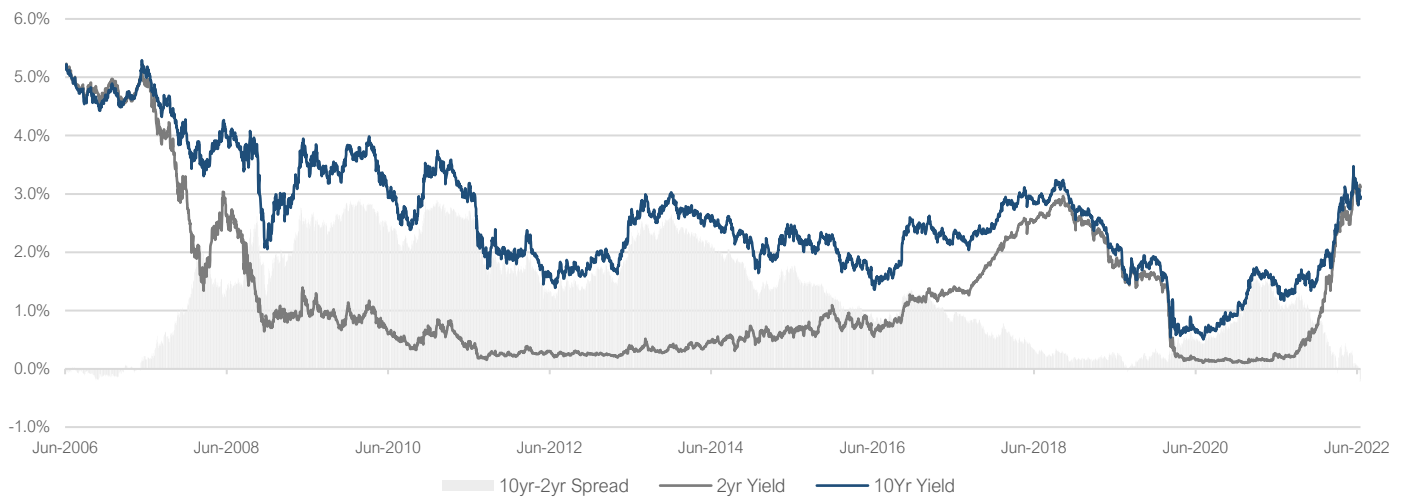
The banks also kicked off the American reporting season last week. There was a mixed bag of results, depending on the emphasis of each business. Lower investment banking revenue, slowing mortgage sales, and the rebuilding of loan loss reserves dragged on results for JP Morgan, Morgan Stanley and Wells Fargo. In contrast, stronger trading revenues and net interest margins lifted profits for Citigroup. Bank of America and Goldman Sachs report later today.

Earnings season will continue this week, with the RBA minutes and UK inflation data out, before the latest flash PMIs are released on Friday.

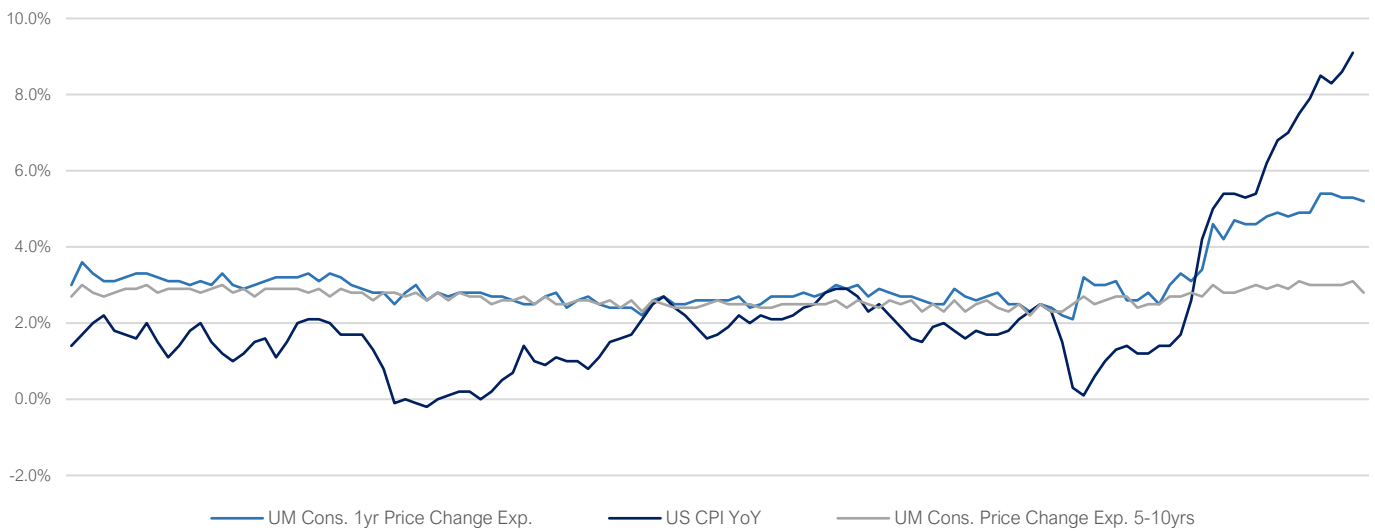
US corporate earnings this week:

Monday - Goldman Sachs, IBM; **Tuesday** – JNJ, Lockheed Martin; **Wednesday** – Netflix; **Thursday** – Tesla, AT&T, Blackstone

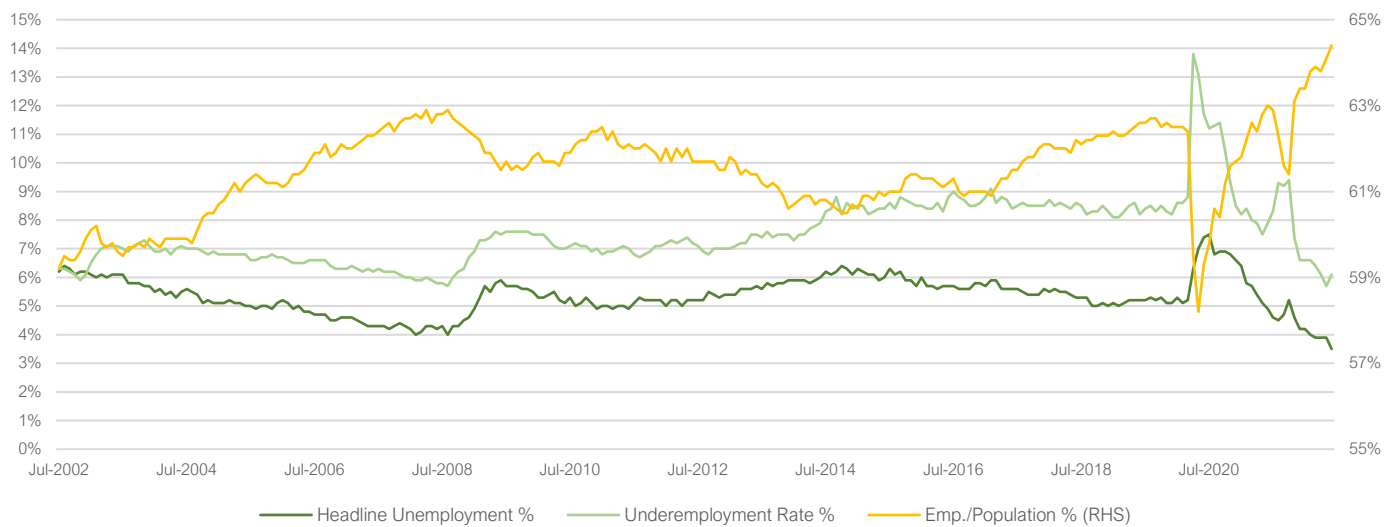
US Treasury Yield Curve Slope



University of Michigan Consumer Sentiment, Inflation Expectations & CPI



Australian Employment Measures



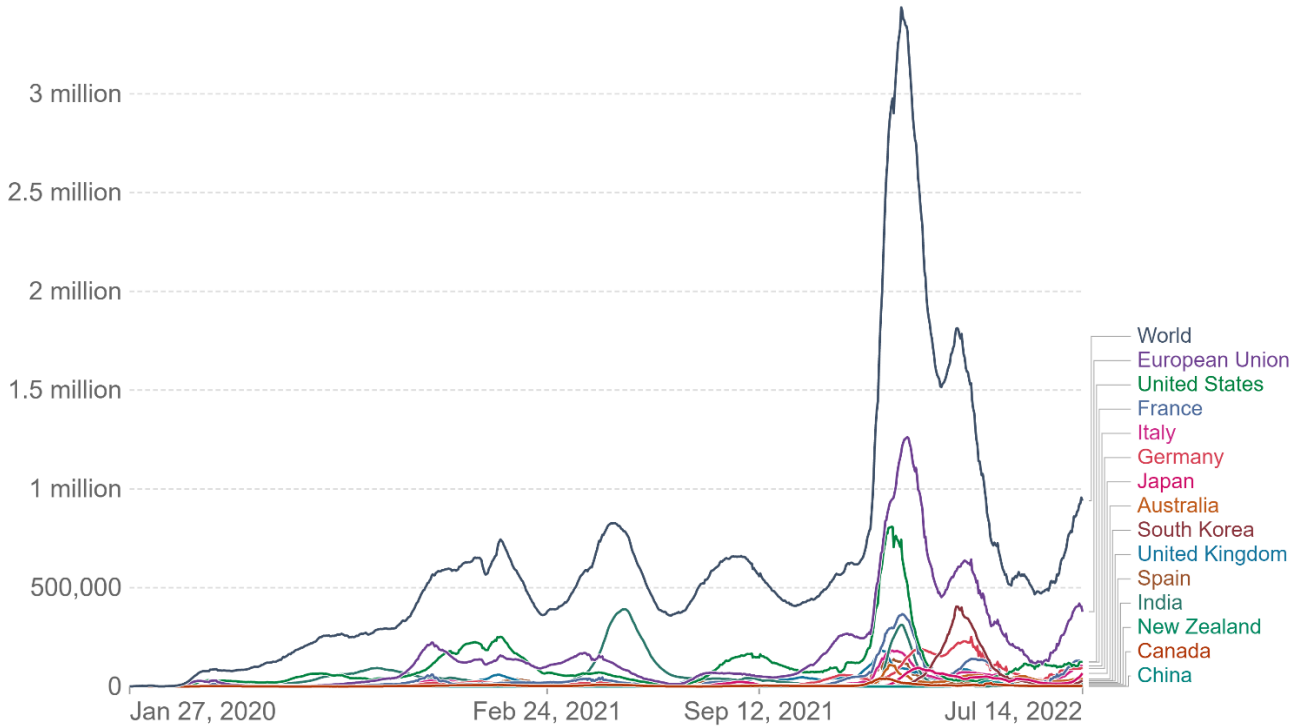
Source: Bloomberg, ABS, BLS, University of Michigan, 16th July 2022

Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia		RBA minutes	Westpac Leading Index	NAB Q2 Bus. Conf.	S&P Global Flash PMIs
US	NAHB Housing Market Index; TIC Flows	Building Permits; Housing Starts	Existing Home Sales; MBA Mortgage Apps.	Leading Index; Philly Fed. Outlook; Weekly Jobless Claims	S&P Global Flash PMIs
Europe	Italian, Irish & Spanish Trade; UK Rightmove House Prices;	EZ CPI; UK Unempl.; Swiss Real Imp. & Exp.	UK CPI; German & UK PPI; EZ & Italian Curr. Acc.; Irish & Dutch Cons. Conf.;	ECB Policy Decision; EZ Cons. Conf.; UK Public Sector Finances; French Bus. Conf.; Dutch Unempl. & Cons. Spending; Norwegian Ind. Conf.;	S&P Global Flash PMIs Irish PPI; UK Ret. Sales & GfK Cons. Conf.;
Japan	Marine Day		Tokyo Condos for Sale	BoJ Policy Decision; Trade; Machine Tool Orders;	Natl. CPI; Jibun Global Flash PMIs
China			1yr & 5yr Prime Loan Rates		

Daily new confirmed COVID-19 cases

7-day rolling average. Due to limited testing, the number of confirmed cases is lower than the true number of infections.



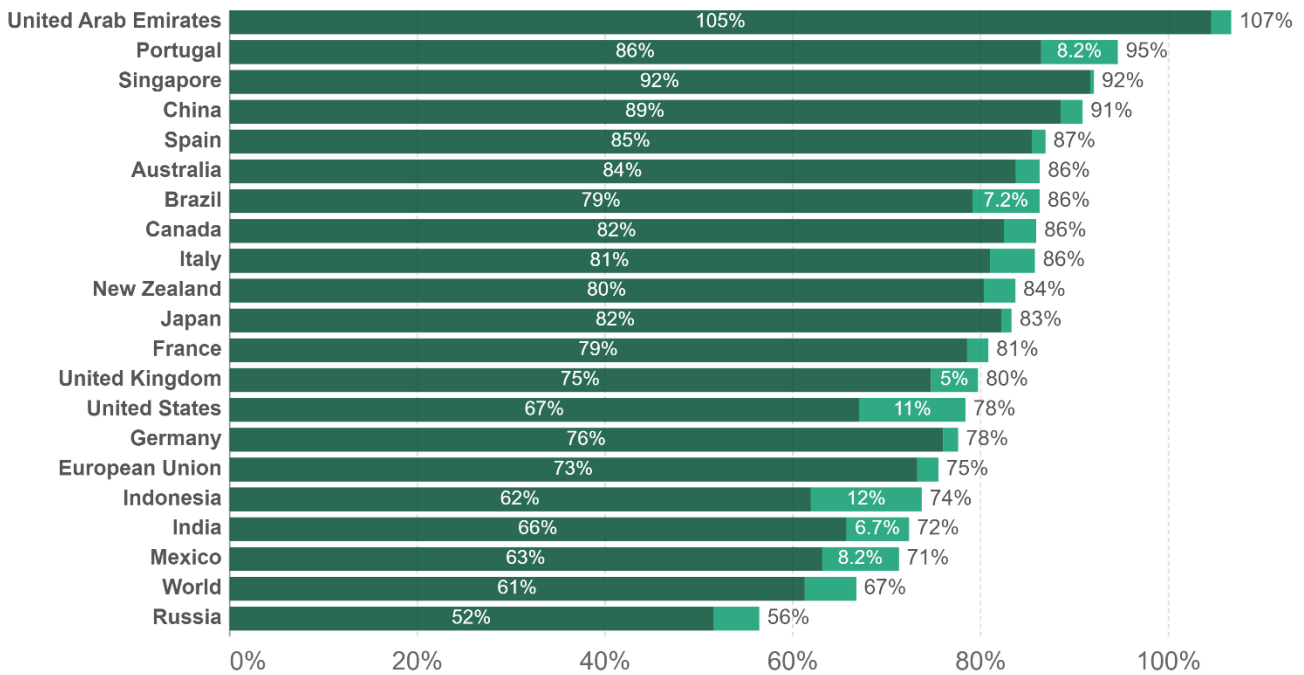
Source: Johns Hopkins University CSSE COVID-19 Data

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Share of people vaccinated against COVID-19, Jul 14, 2022



■ Share of people with a complete initial protocol ■ Share of people only partly vaccinated



Source: Official data collated by Our World in Data

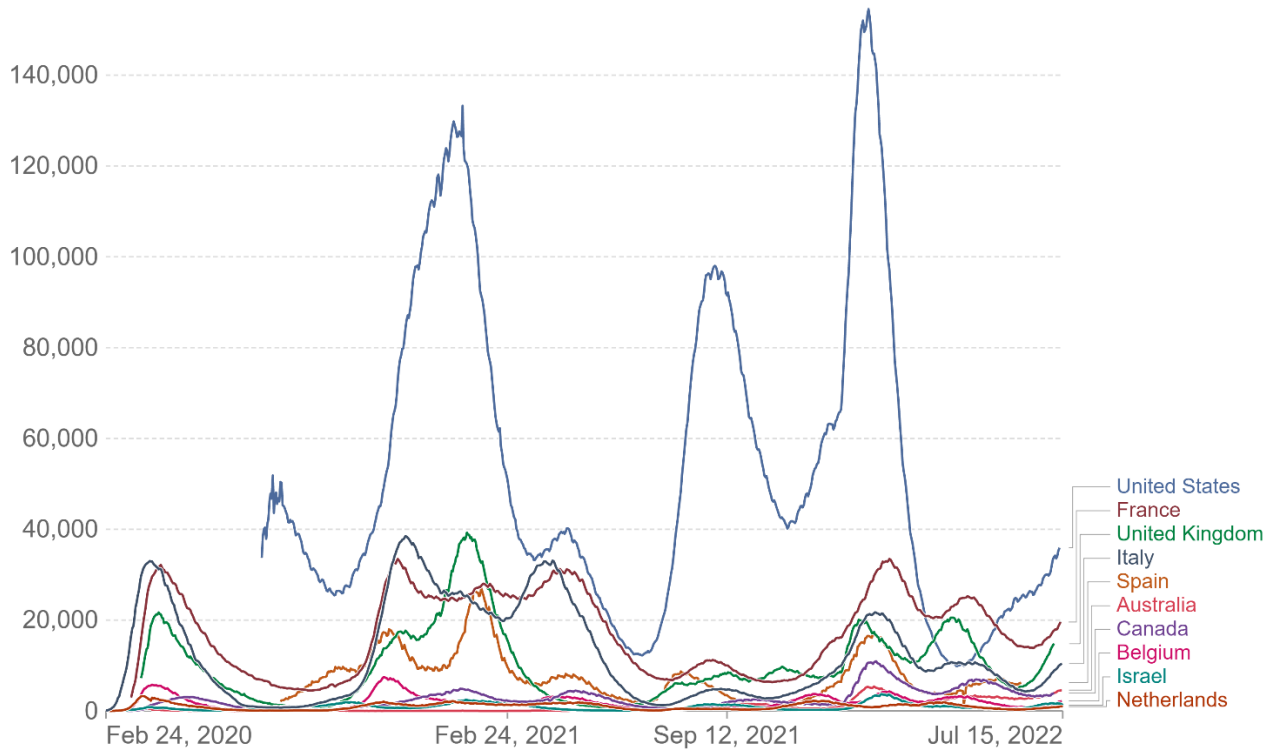
Note: Alternative definitions of a full vaccination, e.g. having been infected with SARS-CoV-2 and having 1 dose of a 2-dose protocol, are ignored to maximize comparability between countries.

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Number of COVID-19 patients in hospital

Our World in Data



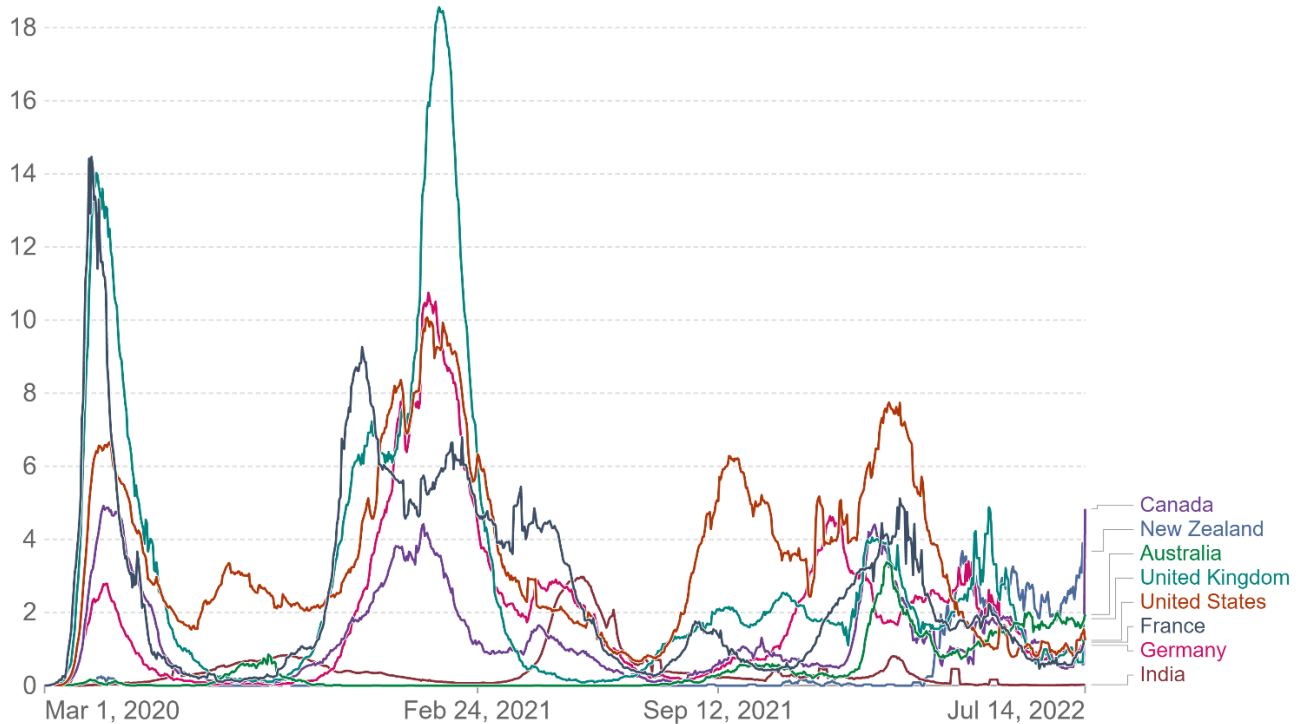
Source: Official data collated by Our World in Data – Last updated 15 July 2022

OurWorldInData.org/coronavirus • CC BY

Daily new confirmed COVID-19 deaths per million people

Our World in Data

7-day rolling average. Due to varying protocols and challenges in the attribution of the cause of death, the number of confirmed deaths may not accurately represent the true number of deaths caused by COVID-19.



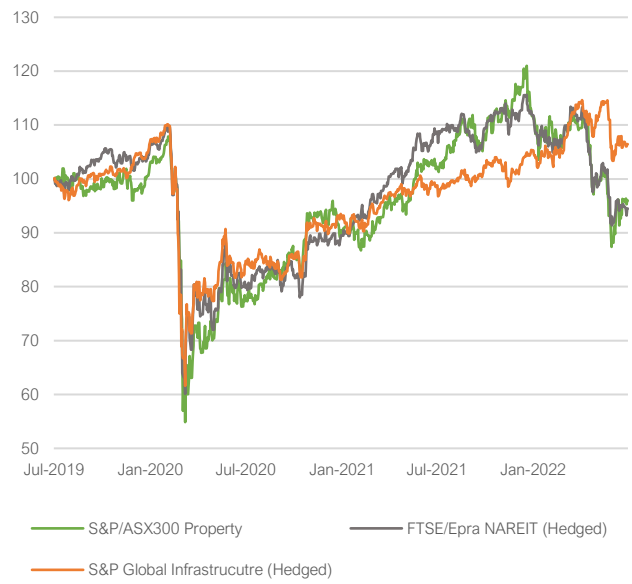
Source: Johns Hopkins University CSSE COVID-19 Data

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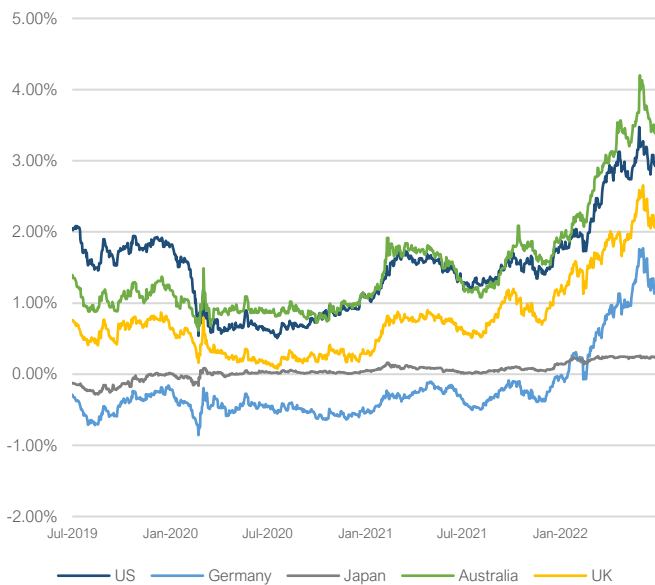
3Yr Equity Indices (Rebased to 100)



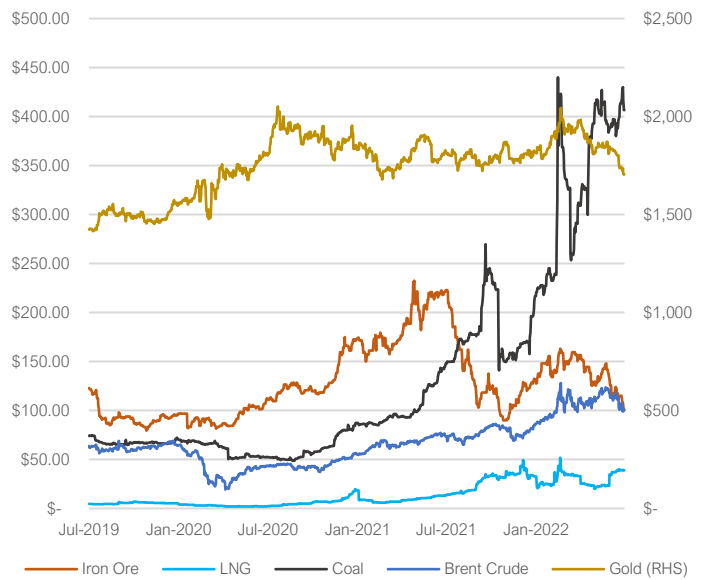
3Yr Prop. & Infr. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 16th July 2022

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