



WEEKLY UPDATE

19th JUNE 2023

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	88,292	2.13%	4.18%	16.74%
MSCI World Ex-Aus. (Unhedged)	15,089	0.78%	9.26%	21.90%
MSCI World Ex-Aus. (Hedged)	2,458	2.27%	11.68%	18.78%
Bloomberg AusBond 0+ Composite	9,506	-0.49%	-2.87%	2.96%
BloombergBarclays Global Agg. (Hedged)	980	0.03%	-0.52%	-0.14%
S&P/ASX300 Property	57,998	0.79%	0.06%	10.41%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,537	0.52%	4.45%	-3.05%
S&P Global Infrastructure (Hedged)	5,976	1.08%	2.63%	5.36%
Bloomberg All Hedge Fund Index	2,111	N/A	3.42%	9.66%
VIX	13.5	-2.10%	-46.92%	-56.50%
Bloomberg Commodity Index (USD)	105.14	4.14%	2.48%	-17.06%
Iron Ore Index (62% Fe Aus. Off. China, USD)	117.50	1.29%	-11.32%	-10.98%
LME Copper Spot (USD)	8,561.00	2.31%	0.30%	-5.97%
Coal 1st Future (Newcastle Export, USD)	128.45	-5.34%	-26.18%	-66.84%
Brent Crude 1st Future (USD)	76.61	2.43%	2.56%	-36.06%
LNG 1st Future (Japan/Korea)	11.20	21.08%	-17.37%	-67.68%
Gold in AUD	2,848	-2.10%	-1.25%	8.06%
AUDUSD	0.6875	1.97%	3.29%	-2.44%
AUDEUR	0.6286	0.24%	0.22%	-6.24%
AUDNZD	1.1025	0.24%	2.56%	-0.44%
AUDGBP	0.5363	0.06%	-2.51%	-6.37%
AUDJPY	97.5550	3.69%	8.74%	4.54%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 18th June 2023

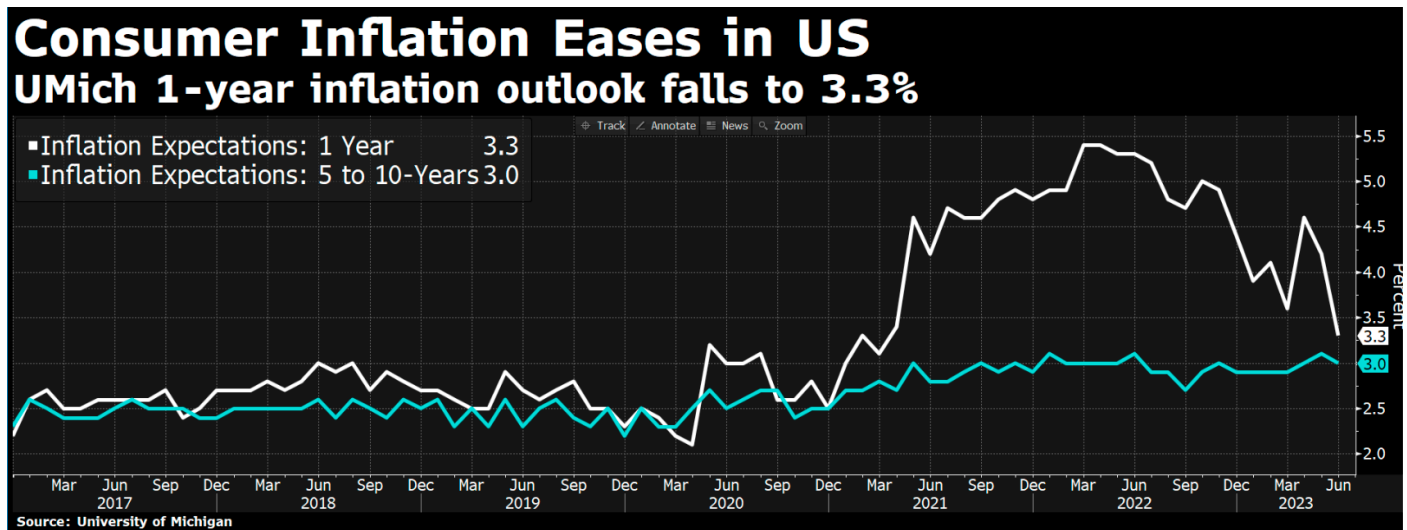
Global shares continued to advance last week as American inflation declined, the Federal Reserve kept rates on hold, and the PBOC cut the main policy rate. Reports of upcoming broad Chinese stimulus also supported commodity prices.

Australian employment data made for good headlines, although under the surface, there were signs that growth may be peaking. The NAB business survey reinforced that view.

This week will see the Chair of the Federal Reserve testify before Congress. Several G10 central banks are also expected to raise interest rates, before Japanese CPI figures and the latest flash PMI surveys are published on Friday.

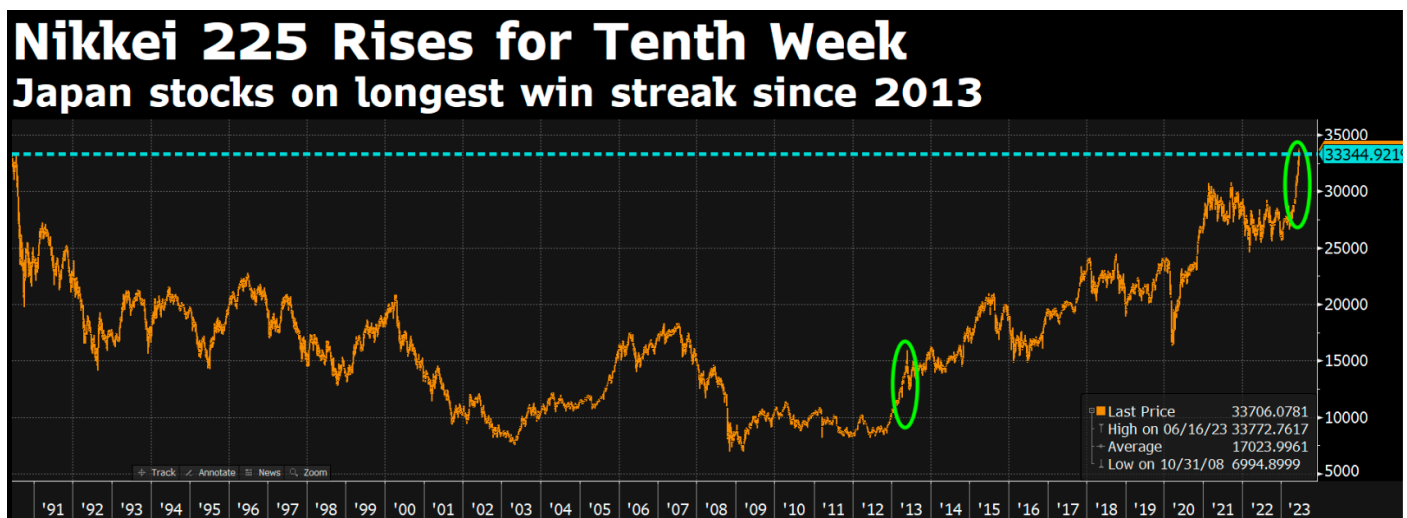
Global stocks and bonds made further gains last week after US CPI fell broadly in line with expectations, the Federal Reserve decided not to raise interest rates, and liquidity conditions remained supportive. There was also policy news from China that supported the bullish sentiment. Against the trend, shares in CSL fell -9% as it announced FX losses and downgraded its FY23 profit forecast, while shares in Alphabet were much less impacted by an EU antitrust suit related to Google Ads.

Although the **Federal Reserve chose not to raise rates last week**, FOMC members indicated via the quarterly “dot plots” that **most still expect to raise interest rates by +0.25% or +0.50% from the current 5.00%-5.25% range**. The planned increases were indicated despite Tuesday’s May CPI figure slowing to +4.0% yoy and expectations that next month’s figure could be closer to 3%.



The bond market remains sceptical that the Fed will be able to raise again as the economy is expected to slow and more bank failures seem likely. Fed Chair Jerome Powell is scheduled to provide testimony on Capitol Hill this week.

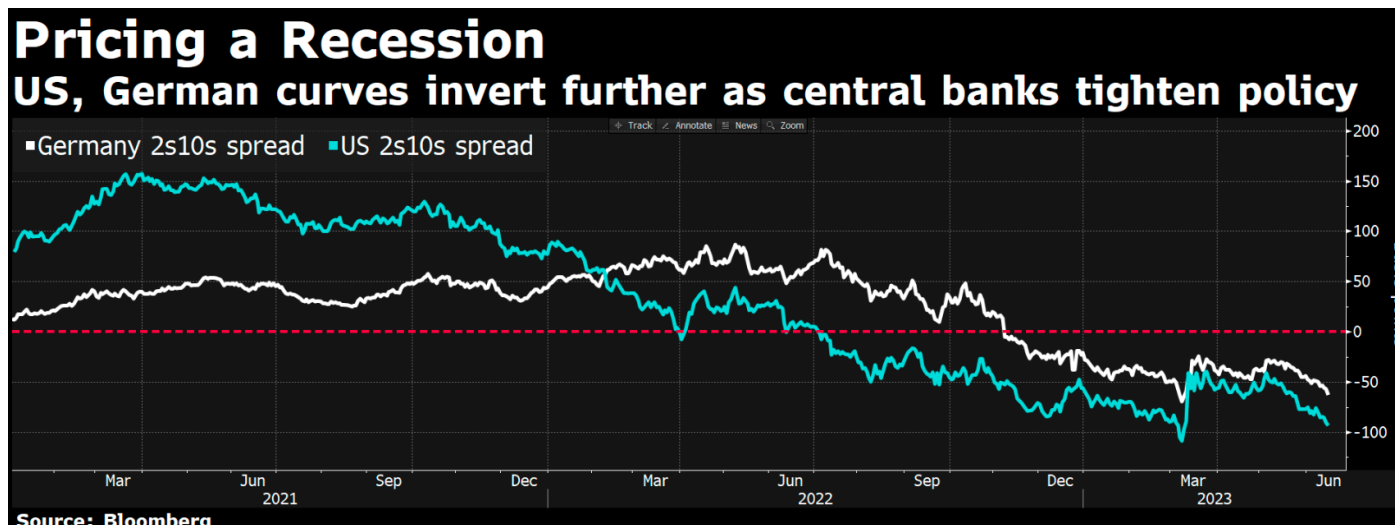
The Bank of Japan also kept interest rates steady and may even have missed its chance to wind back quantitative easing, as data this Friday is expected to indicate that inflation has clearly peaked, with the CPI rate expected to drop to +3.2% yoy. This has resulted in the Japanese market producing its longest winning streak since 2013



In contrast, the ECB was a little more hawkish on Thursday, raising the policy rate by +0.25% to 3.50%, the highest level since 2001. Unlike in the US, the market is more convinced by the plans to raise at least once more at the next few meetings.

Following unexpectedly high inflation and wage reports, the Bank of England is expected to raise the UK base rate by +0.25% to 4.75% this Thursday. Inflationary pressure is likely to remain elevated, and the market expects that the Bank of England may be forced to raise the policy rate to as high as 5.75% by the end of January. **The German & US yield spread**

(the difference between the 2 yr and 10 yr bond yields) remain significantly inverted indicating that the bond markets are still pricing in a recession.



The Swiss and Norwegian central banks are both expected to raise rates by +0.25%, also on Thursday, to 1.75% and 3.5%, respectively.

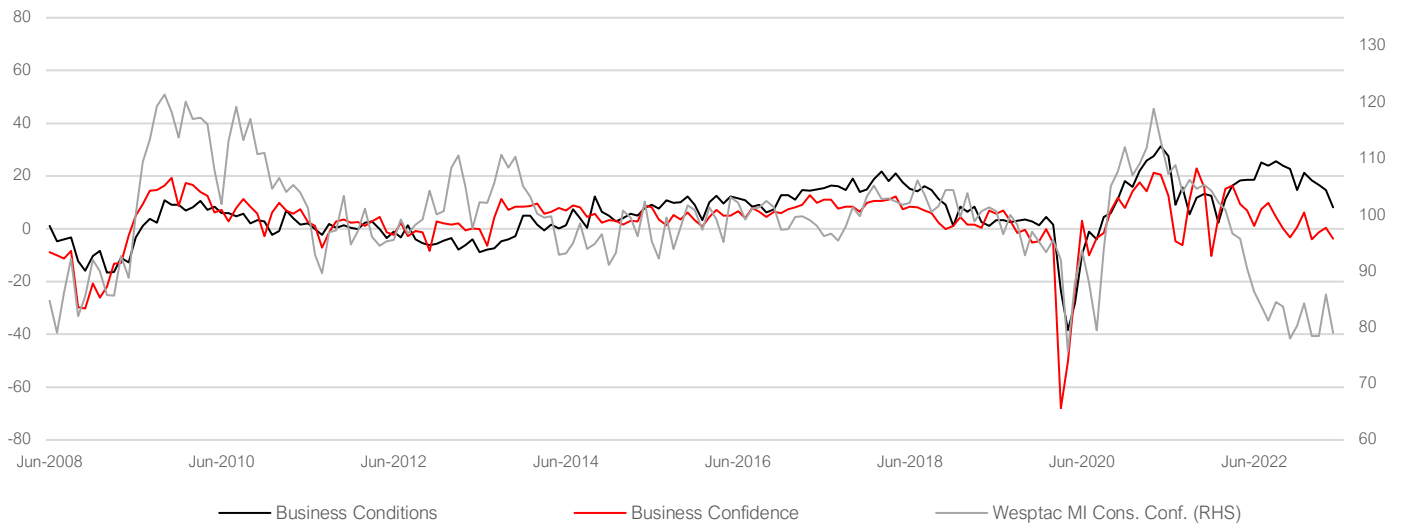
The PBOC surprised the market last week by cutting interest rates earlier than anticipated. The 1yr Med. Term lending rate was lowered from 2.75% to 2.65% as industrial production (+3.5% yoy) and retail sales (+12.7% yoy) disappointed. The unemployment rate remained at 5.2%, while youth unemployment rose to 20.8%. **Bloomberg then reported that Chinese policymakers have been in discussion with business leaders regarding appropriate stimulus measures.** The Wall Street Journal reported that Beijing may announce a broad stimulus package within the next few days. The measures will likely include issuing 1 trillion yuan (A\$ 200 billion) in special Chinese government treasury bonds to help local governments fund infrastructure projects. The government may also remove purchase restrictions on second homes in China's smaller cities. Commodity prices rallied on the news.

Rising commodity prices spurred the Australian dollar higher. Yields also rose after a strong headline employment report on Thursday showed that +75.9k more Australians found work in May, causing the unemployment rate to fall back down from 3.7% to 3.6%. The labour force participation rate and the employment-to-population ratio reached all-time highs, which is remarkable given the high immigration numbers. However, there was some catch-up after the previously soft April report. Other data also suggest that the higher labour force participation may be a result of pressure on household budgets as mortgage and utility costs soar. **Consumer confidence continues to languish**, and, unfortunately, Tuesday's NAB business survey indicated that the labour market might soon soften as the new orders, profitability, and employment subseries pulled down the headline number. **Rising underemployment also suggests it won't be too long before headline unemployment increases.** Even so, interest rate expectations are also rising, with the market pricing two more quarter-point increases to 4.6% by October.

Interest rates on the other side of the Tasman Sea have risen even further than in Australia. The Reserve Bank of New Zealand began raising the cash rate in October 2021, seven months earlier than the RBA. Last week, New Zealand recorded the second consecutive quarter of negative economic growth, indicating a technical recession, although unemployment remains relatively low at just 3.4%. The cash rate was raised to 5.5% in May, which the market anticipates will likely be the peak in the cycle.

The US will be on holiday today for Juneteenth. After Powell's testimony and other central bank updates, the week will close with the latest flash PMI surveys on Friday.

Australian Business & Consumer Confidence Surveys



Australian Employment & Wages



Labour Force Participation



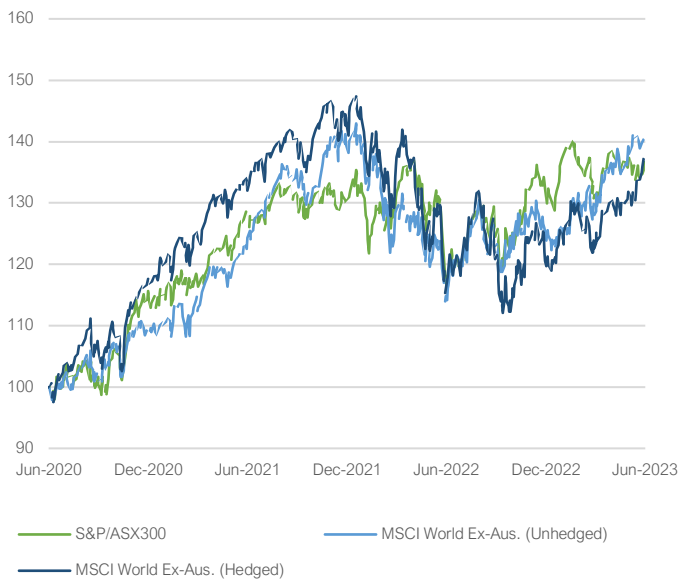
Source: Bloomberg, ABS, BLS, NAB, 18th June 2023



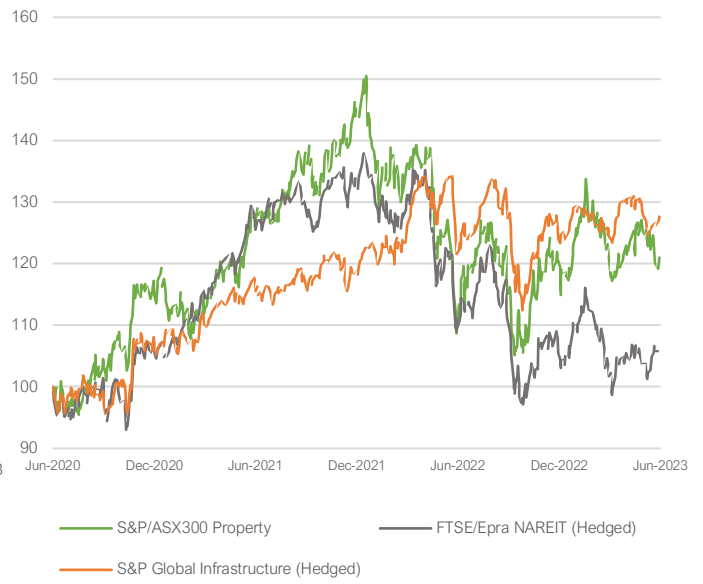
Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia		RBA Minutes	Westpac Leading Index		Judo Bank Flash PMIs
US	Juneteenth Holiday; NAHB Housing Market Index	Housing Starts; Building Permits; Philly Fed. Non. Mfg. Activity	MBA Mortgage Apps	Curr. Acc.; Leading Index; Chicago Fed. Natl. Activity Index; Kansas City Fed Mfg. Activity; Existing Home Sales; Weekly Jobless Claims	S&P Global Flash PMIs; Kansas City Fed Serv. Activity;
Europe	UK Rightmove House Prices; Belgian Budget Balance	German PPI; EZ Construction Output; ECB & Italian Curr. Acc.; Finnish Unempl.; Swiss Real Imp. & Exp.;	UK CPI, PPI & Pub. Sector Finances; Swiss M3 Money Supply; French Ret. Sales; Swedish Unempl.; Irish Trade; Dutch Cons. Conf.; EU27 New Car Reg.	BoE Meeting; SNB Policy Rate; Norwegian Dep. Rates & Unempl.; French Bus. Conf.; Danish, Belgian & Irish Cons. Conf.; Irish PPI; Spanish Mortgage Apps; Dutch House Prices	S&P Global & HCOB Flash PMIs; UK Ret. Sales; EZ, Belgian & UK GfK Cons. Conf.; Dutch & Spanish Q1 GDP (Final);
Japan	Tokyo Condos for Sale	Industrial Prod.; Machine Tool Orders			Natl. CPI; Jibun Bank Flash PMIs; Dept. Store Sales
China		1yr / 5yr Prime Loan Rates		Dragon Boat Day	

3Yr Equity Indices (Rebased to 100)



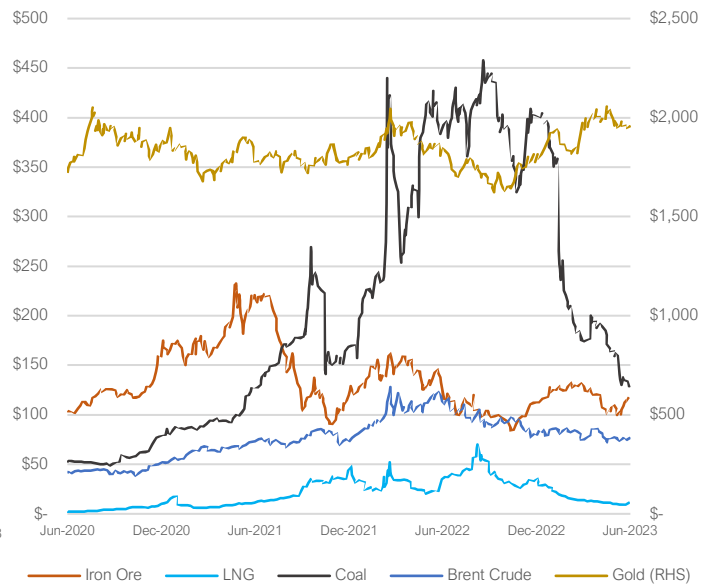
3Yr Prop. & Infrs. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 18th June 2023

Disclaimer

The contents of this communication is prepared by Brerona Capital Asset Management Pty Ltd (A.C.N. 627 650 293; AFSL 520526). The information contained in this communication is general in nature and does not take into consideration any investors personal objectives, goals, needs and financial situation. You should not rely on the information contained in this document to make any investment decisions without first consulting an investment professional such as your financial adviser. Any unauthorised use of this document is prohibited. This document (including any attachments) is intended only for the addressee, it may contain information of a privileged and confidential nature. If you are not the addressee of this communication, you must not copy, reproduce, disseminate or use this email and its contents. If this communication has been received in error by you, please inform us immediately and securely delete. Sharing, transmitting, copying, disseminating all or part of the contents of this document may result in a breach of the Federal Privacy Legislation and or copyright and trademark infringement of Brerona Capital Asset Management Pty Ltd and its related entities.

