



## WEEKLY UPDATE

22<sup>nd</sup> MAY 2023

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	88,616	0.47%	1.03%	6.02%
MSCI World Ex-Aus. (Unhedged)	14,920	1.19%	7.48%	15.13%
MSCI World Ex-Aus. (Hedged)	2,366	1.49%	4.58%	7.63%
Bloomberg AusBond 0+ Composite	9,716	-1.37%	1.95%	1.92%
Bloomberg Barclays Global Agg. (Hedged)	978	-0.95%	1.44%	-3.21%
S&P/ASX300 Property	60,147	-0.42%	-0.84%	1.30%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,471	-1.51%	-5.37%	-12.27%
S&P Global Infrastructure (Hedged)	5,977	-2.19%	1.49%	-2.30%
Bloomberg All Hedge Fund Index	2,074	N/A	5.23%	5.32%
VIX	16.8	-1.29%	-24.59%	-42.88%
Bloomberg Commodity Index (USD)	101.07	-0.11%	-4.77%	-22.58%
Iron Ore Index (62% Fe Aus. Off. China, USD)	109.00	1.87%	-14.84%	-13.15%
LME Copper Spot (USD)	8,222.00	-0.22%	-7.32%	-11.47%
Coal 1st Future (Newcastle Export, USD)	162.25	-1.61%	-22.50%	-60.63%
Brent Crude 1st Future (USD)	75.58	1.90%	-8.94%	-32.54%
LNG 1st Future (Japan/Korea)	9.84	-11.47%	-38.19%	-54.84%
Gold in AUD	2,974	-1.71%	11.56%	13.81%
AUDUSD	0.6651	0.08%	-3.72%	-5.65%
AUDEUR	0.6154	0.52%	-5.07%	-8.21%
AUDNZD	1.0593	-1.38%	-4.31%	-4.27%
AUDGBP	0.5344	0.17%	-7.38%	-5.81%
AUDJPY	91.7150	1.70%	-1.14%	1.78%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 21<sup>st</sup> May 2023

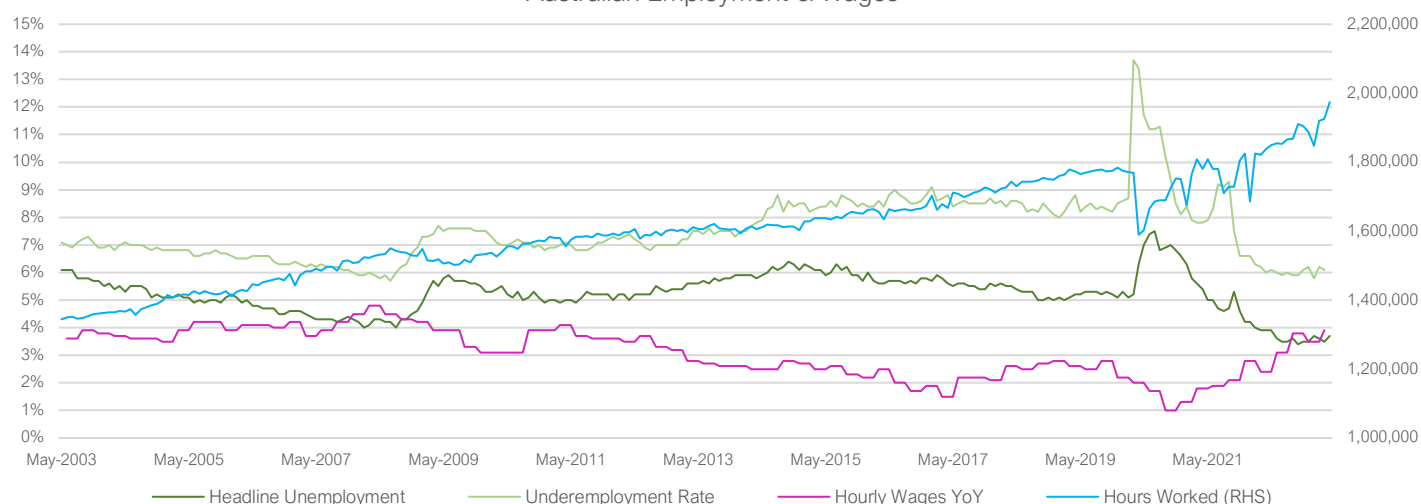
**Stocks and bond yields rose last week as investors anticipated that the debt ceiling negotiations would soon conclude with the US avoiding a default.**

**Australian employment figures were more robust than the increase in the headline rate suggests, while Chinese data was disappointingly soft.**

**Over the weekend, the G7 nations met in Hiroshima, directly addressing China. In a show of solidarity, the Ukrainian president also attended the meeting.**

**This week's data includes the flash PMI surveys, Australian retail sales, the FOMC minutes and important US inflation figures.**

## Australian Employment & Wages



Source: Bloomberg, ABS, 21<sup>st</sup> May 2023

Global equities advanced last week, outpacing Australian shares after European stocks rallied on Friday on debt ceiling optimism. By the weekend, though, any hope of an early deal had faded as the president travelled to Japan for the G7 meeting. President Biden had earlier cancelled an upcoming trip to Australia to spend more time in Washington for negotiations with House Republicans.

Even though no deal was immediately forthcoming, bonds yields rose on the prospect of new large-scale Treasury issuance in the coming weeks. Interest-sensitive real estate and infrastructure also struggled as yields rose.

The Australian dollar strengthened against the major global currencies. Australian bond yields also rose by more than international equivalents following Thursday's April employment report. The headline unemployment rate unexpectedly jumped from 3.5% to 3.7%. But the change was exaggerated by rounding, being an increase of just +0.12%. In all other respects, the employment data reflected ongoing tightness in the labour market. In particular, hours worked were much higher than expected over Easter as fewer Australians took leave.

On Wednesday, the first-quarter wage index had increased from an upwardly revised +3.4% in Q4 to +3.7%. This figure is above the +3.5% rate that the RBA judges to be consistent with the 2%-3% inflation target and is likely to keep the RBA leaning hawkish next month.

US retail sales excluding autos & gasoline (+0.6%) and industrial production (+0.5%) were also slightly stronger than anticipated in April, and weekly initial claims dropped back to 242k after last week's 264k reading was revealed to be boosted by a rise in fraudulent claims in Massachusetts. However, the figures are still consistent with the declining growth trends visible in the leading indicators published by the Conference Board.

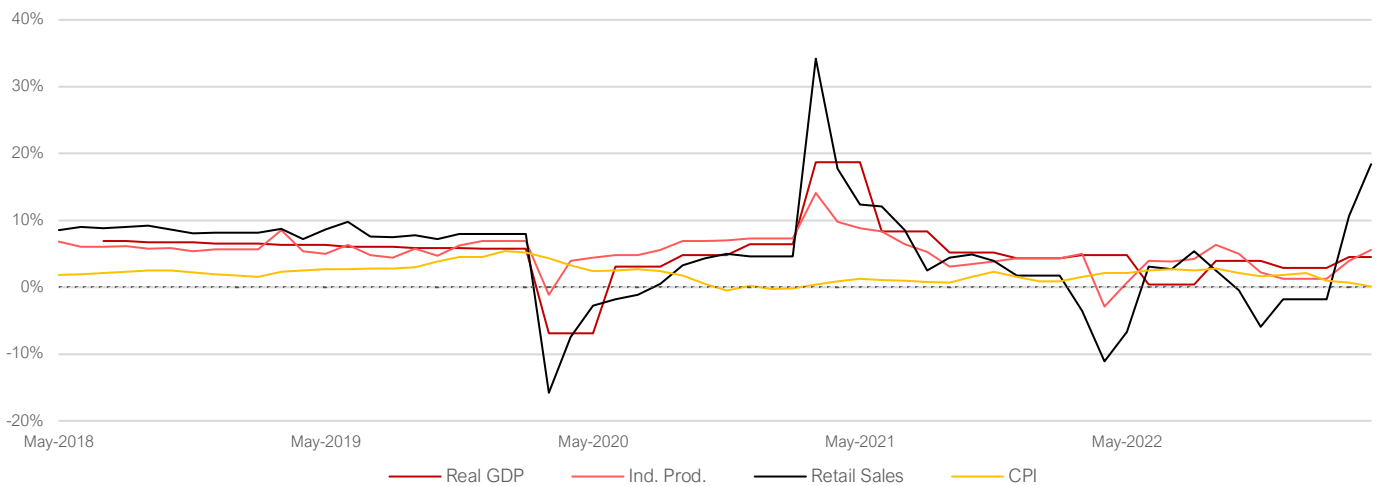
Japanese Q1 GDP surprised to the upside, rising by +0.4% during the quarter and +1.3% compared to last year. Friday's April CPI figure was in line with expectations at +3.5% yoy.

The PBOC left interest rates unchanged on Monday before Tuesday's activity data disappointed investors. While there was strong growth in retail sales and industrial production compared to last year's lockdown period, the rebound failed to match expectations. Moreover, the figures revealed a narrower recovery, concentrated travel and leisure, rather than a booming domestic economy. As a result, the Renminbi weakened by -0.8% versus the US dollar and -0.9% against the Australian currency. The PBOC will announce 1yr & 5yr prime rates later today, but no change is expected after last week's hold.

This year, the Chinese CSI 300 index has lagged global stock indices, adding just +2.6% in Australian dollar terms, compared to +10.9% for the MSCI All Country World Index (unhedged).

China was at the centre of discussions at the G7 meeting in Hiroshima over the weekend. Attended by Ukrainian president Volodymyr Zelenskyy, the meeting of the leaders of Japan, Canada, France, Germany, Italy, the US and the UK

Chinese Activity Series (% YoY)



Source: Bloomberg, NBSC, 21<sup>st</sup> May 2023

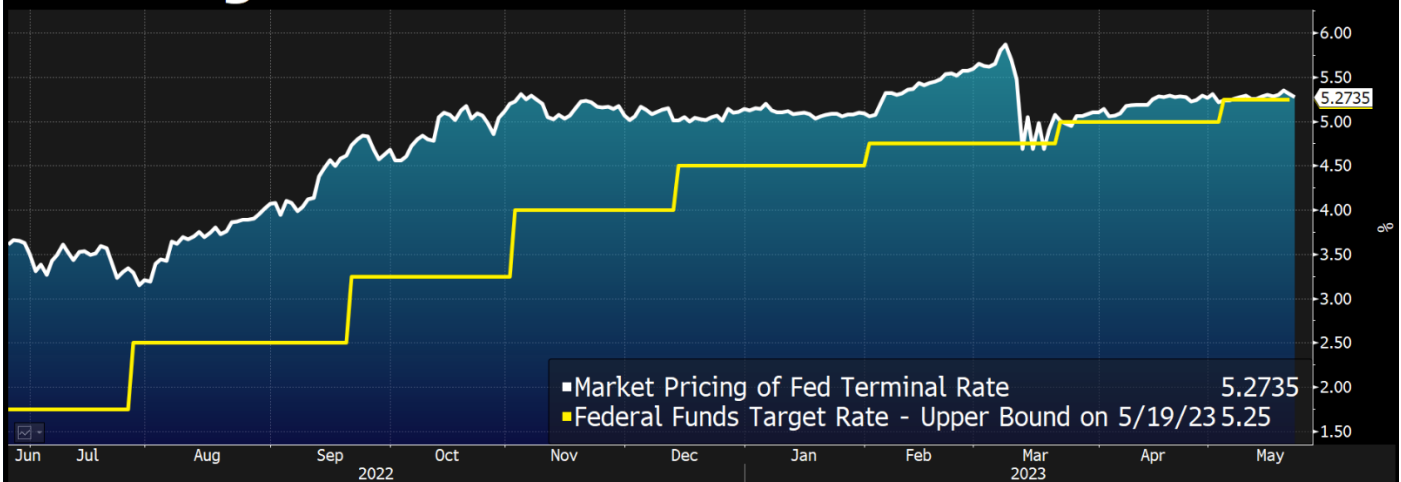
pledged to “support Ukraine for as long as it takes in the face of Russia’s illegal war of aggression”.

In the jointly-issued communiqué that has since been endorsed by the Australian prime minister, section 51 addressed China directly: “We stand prepared to build constructive and stable relations with China, recognizing the importance of engaging candidly with and expressing our concerns directly to China [...] We remain seriously concerned about the situation in the East and South China Seas. We strongly oppose any unilateral attempts to change the status quo by force or coercion [...] We call on China to press Russia to stop its military aggression, and immediately, completely and unconditionally withdraw its troops from Ukraine. We encourage China to support a comprehensive, just and lasting peace based on territorial integrity and the principles and purposes of the UN Charter, including through its direct dialogue with Ukraine.”

The statement also stated that: “Our policy approaches are not designed to harm China nor do we seek to thwart China’s economic progress and development. A growing China that plays by international rules would be of global interest. We are not decoupling or turning inwards. At the same time, we recognize that economic resilience requires de-risking and diversifying. We will take steps, individually and collectively, to invest in our own economic vibrancy. We will reduce excessive dependencies in our critical supply chains”.

Besides the Chinese interest rates announcement this week, the latest flash PMI survey updates will be released tomorrow. The FOMC minutes and UK CPI figures are due on Wednesday, and Australian retail sales will be published on Thursday. American PCE inflation follows on Friday alongside the University of Michigan consumer survey. The survey will provide an update on consumer inflation expectations which surprisingly increased earlier this month.

## Watching for the Fed's Last Hike



## US corporate earnings due this week.

**Monday, May 22** - Global-e Online (GLBE) and Zoom Video (ZM)

**Tuesday, May 23** - Lowe's (LOW), Intuit (INTU), BJ's Wholesale (BJ), AutoZone (AZO), DICK'S Sporting Goods (DKS), Palo Alto Networks (PANW), Williams-Sonoma (WSM)

**Wednesday, May 24** - Bank of Montreal (BMO), Kohl's (KSS), Analog Devices (ADI), Nvidia (NVDA), Snowflake (SNOW), and American Eagle Outfitters (AEO)

**Thursday, May 25** - Royal Bank of Canada (RY), Best Buy (BBY), Dollar Tree (DLTR), Ralph Lauren (RL), Autodesk (ADSK), and Costco (COST)

**Friday, May 26** - Big Lots (BIG)

As we move to the back end of US reporting season, the chart below provides a good pictorial of the earnings pressures companies are under as economies slow due to the impact of higher interest rates, input costs and higher inflation.

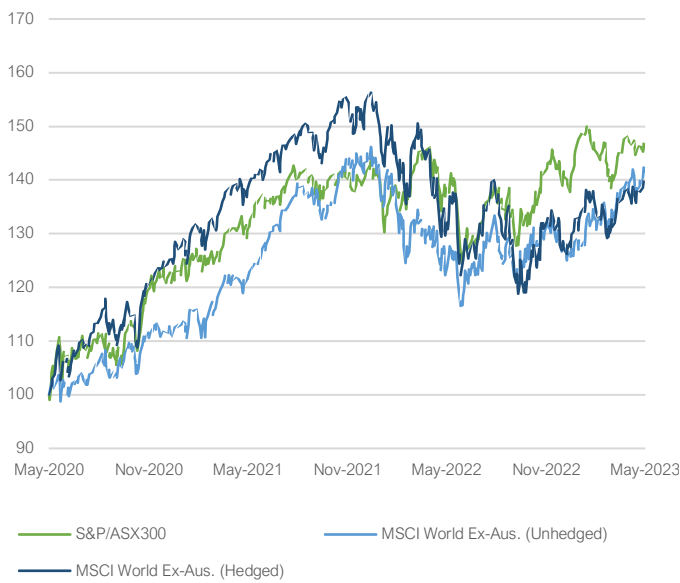


On the corporate events calendar, Microsoft holds a three-day developers conference on Tuesday. The event highlights Microsoft's new API's, products and services being developed. Nvidia will also present on AI enterprise, Nvidia H100 GPU powered VM series for generative AI and the new Ominverse cloud on Microsoft Azure.

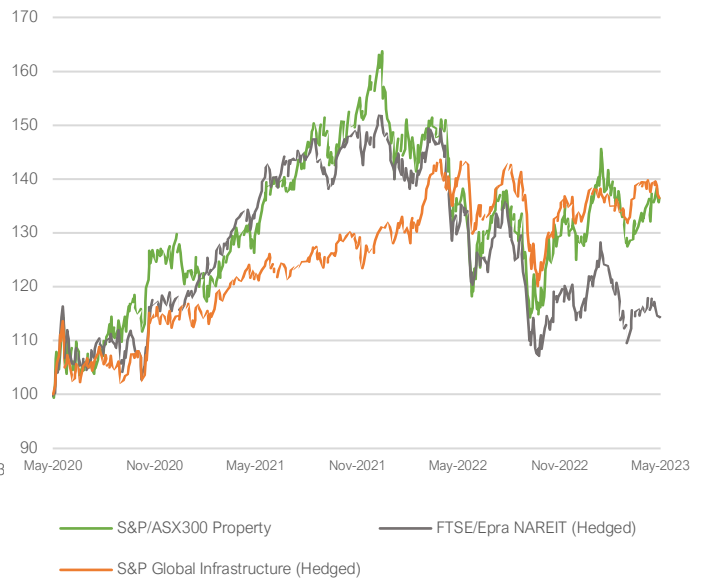
## Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
<b>Australia</b>		<b>Judo Bank Flash PMIs</b>	<b>Westpac Leading Index</b>	<b>Retail Sales</b>	
<b>US</b>		<b>S&amp;P Global Flash PMIs;</b> <b>Philly Fed Non-Manuf. Survey;</b> <b>Richmond Fed Manuf. Index &amp; Bus. Cond.;</b> <b>New Home Sales</b>	<b>FOMC Minutes;</b> MBA Mortgage Apps	<b>Chicago Fed. Natl Activity Index;</b> <b>Kansas City Fed. Manuf. Activity;</b> Pending Home Sales; Q1 GDP (2 <sup>nd</sup> Est.); Weekly Jobless Claims	<b>PCE Inflation;</b> <b>Personal Income/Spending;</b> <b>UMich Cons. Sent.;</b> <b>Durable Goods Orders;</b> <b>Kansas City Fe. Serv. Activity;</b> Adv. Goods Trade; Wsale & Ret. Inventories;
<b>Europe</b>	<b>EZ Constr. Output;</b> <b>Swiss M3 Money Supply &amp; Ind. Output;</b> <b>French Ret. Sales;</b> Irish PPI; Danish, Dutch & Belgian Cons. Conf.; Dutch & UK Rightmove House Prices	<b>S&amp;P Global Flash PMIs;</b> <b>EZ &amp; Italian Curr. Account;</b> <b>EZ, Norwegian &amp; Irish Cons. Conf.;</b> UK Public Finances	<b>UK CPI &amp; PPI;</b> <b>German IFO Survey;</b> Belgian Business Conf.; Finnish Unempl. & PPI; UK House Price Index	<b>Spanish PPI;</b> <b>German Govt. Spending, GfK Cons. Conf. &amp; Q1 GDP (Final Est.);</b> <b>Swedish Unempl.;</b> Norwegian Credit. French Manuf. Conf	<b>Swedish PPI;</b> <b>UK Ret. Sales &amp; Nationwide House Prices;</b> French & Italian Cons. Conf.; Italian Manuf. Conf. & Econ. Sentiment; Spanish Mortgage Lending & Apps.
<b>Japan</b>	Core Machine Orders	<b>Jibun Bank Flash PMIs;</b> Dept. Store Sales	Machine Tool Orders		<b>Tokyo CPI;</b> <b>PPI Services</b>
<b>China</b>	<b>1yr &amp; 5yr Prime Loan Rates</b>				<b>[Industrial Profits]</b>

3Yr Equity Indices (Rebased to 100)



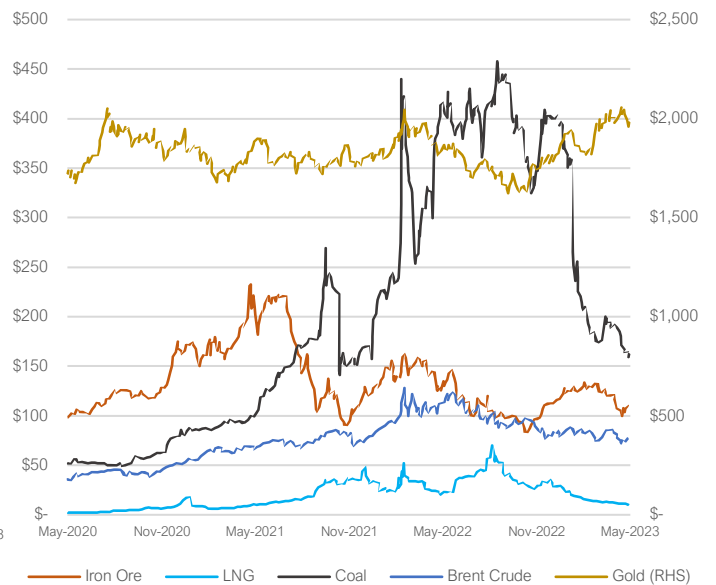
3Yr Prop. & Infrac. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 21<sup>st</sup> May 2023

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