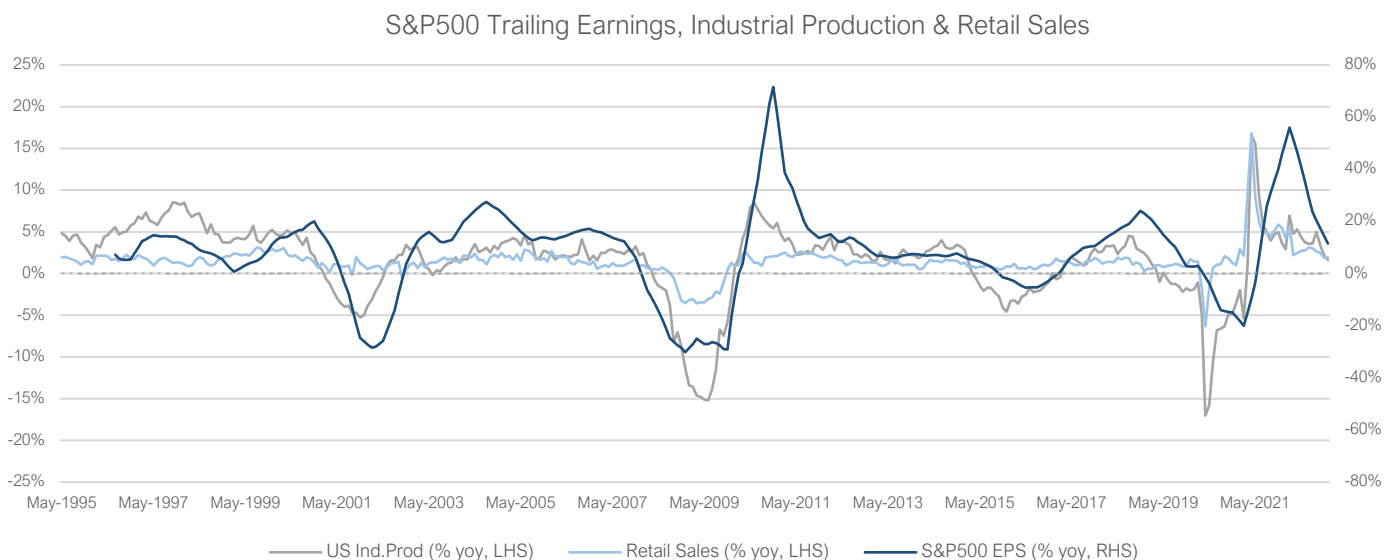


	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	89,200	1.65%	12.21%	8.03%
MSCI World Ex-Aus. (Unhedged)	13,571	-0.27%	0.63%	-5.48%
MSCI World Ex-Aus. (Hedged)	2,243	-0.37%	7.29%	-8.75%
Bloomberg AusBond 0+ Composite	9,710	1.15%	4.52%	-5.10%
Bloomberg Barclays Global Agg. (Hedged)	983	0.25%	4.82%	-9.26%
S&P/ASX300 Property	60,025	1.55%	16.86%	-7.08%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,624	0.16%	11.50%	-15.13%
S&P Global Infrastructure (Hedged)	6,049	-0.10%	11.54%	6.12%
Bloomberg All Hedge Fund Index	1,976	N/A	-3.30%	-0.42%
VIX	19.9	5.42%	-33.14%	-31.20%
Bloomberg Commodity Index (USD)	112.13	1.07%	0.77%	6.42%
Iron Ore Index (62% Fe Aus. Off. China, USD)	125.00	0.40%	31.58%	-5.30%
LME Copper Spot (USD)	9,232.00	1.37%	21.71%	-6.98%
Coal 1st Future (Newcastle Export, USD)	350.95	-5.21%	-10.46%	55.53%
Brent Crude 1st Future (USD)	87.63	2.76%	-5.14%	-0.85%
LNG 1st Future (Japan/Korea)	22.82	-14.74%	-29.47%	11.16%
Gold in AUD	2,766	0.38%	6.72%	8.67%
AUDUSD	0.6963	-0.07%	10.86%	-3.64%
AUDEUR	0.6419	-0.34%	0.02%	0.47%
AUDNZD	1.0804	-1.11%	-2.38%	1.02%
AUDGBP	0.5621	-1.48%	0.54%	5.45%
AUDJPY	90.2830	1.18%	-4.46%	8.68%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 22nd January 2023

There was a sense of tentative optimism among policymakers and business leaders at the World Economic Forum in Davos last week, especially regarding inflation and the reopening of the Chinese economy. However, shorter term, the outlook for economic data and earnings remains challenged.

As China celebrates the lunar new year this week, important Australian and American inflation data will be released, and the latest flash PMI surveys will be published.



Source: Bloomberg, Federal Reserve, US Census Bureau, S&P Dow Jones, 22nd January 2023

The mood at the World Economic Forum, held in Davos last week, was surprisingly upbeat. The quick reversal of China's lockdown policies has led to optimism that 2023 may turn out to be better than expected.

In the final session, IMF Managing Director Kristalina Georgieva said the outlook was *"less bad than we feared a couple of months ago"* but that no one should get carried away. *"It's not great,"* she said, adding that the coming upgrade to the IMF forecasts would not show a dramatic improvement, according to the Financial Times.

Also reported by the FT, Vice-Premier Liu He announced that *"China is back"* at a lunch held for US business leaders, predicting that Chinese growth would rebound this year from a lacklustre +2.9% reported on Tuesday to a more typical +5.5%. The Chinese data exceeded forecasts for Q4, recording 0% growth instead of the expected -1.1% qoq. Nevertheless, China still has some way to go to reach the optimistic targets. Retail sales were down -1.8% yoy. But economists at Bank of America and other sell-side firms believe the significant rise in household savings accumulated during the lockdowns will drive Chinese consumer spending later this year.

American stock indices rallied hard into the close on Friday, with the Nasdaq Composite adding +2.7%, outpacing the S&P500 (+1.9%) and the Dow Jones Ind. Ave. (+1.0%). The move doesn't appear justified by current earnings. With approximately 10% of S&P500 companies having reported, profits are down -4.5% on the previous quarter. In addition, Google parent Alphabet announced on Friday that it would trim its workforce by -12k. The news follows similar announcements from Microsoft (-10k) and Amazon (-18k).

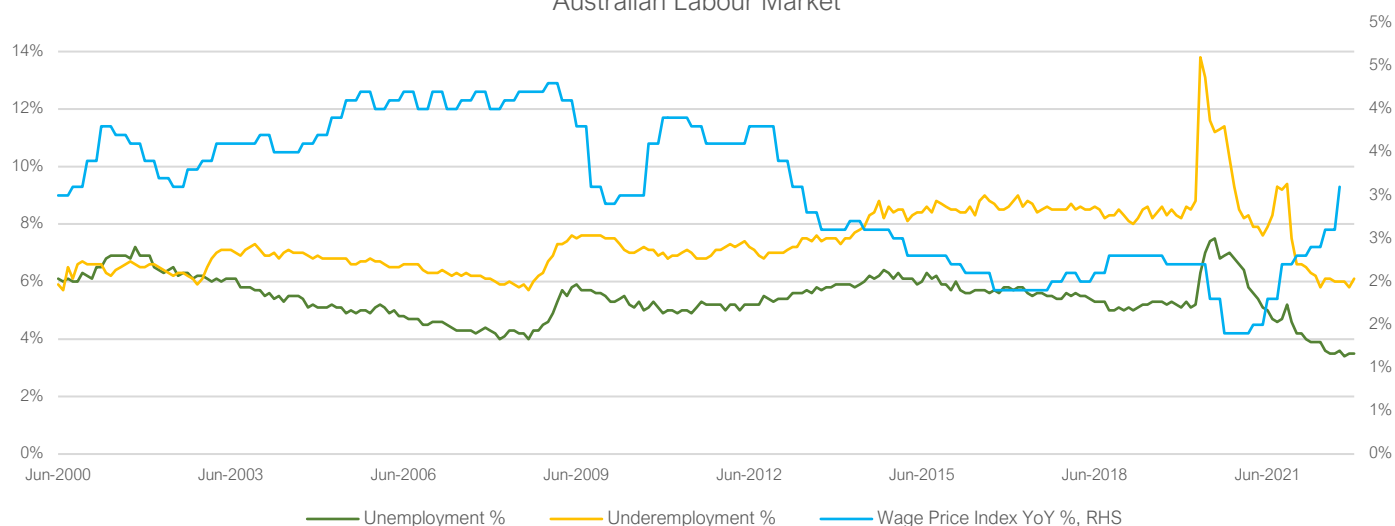
Friday's rally may be partly due to the optimism on growth and inflation. However, the timing seems to have more to do with the significant options expiry at Friday's close. The Australian market is nevertheless expected to open +0.5% higher later today.

Bond yields trended lower throughout the week on disappointing data and policy announcements before eventually rising off the lows. Weekly returns remained in positive territory.

American December monthly retail sales (-1.1%) and industrial production (-0.7%) were both weaker than expected, suggesting that equity earnings could continue to slide. Some interpreted the disappointing data as evidence that interest rate rises were producing the desired effect. The data is likely to have been distorted by the freezing weather in the northern states over Christmas. However, PPI inflation (+6.2% yoy) also provided more evidence of decelerating price increases. Governor Christopher Waller said on Friday that the Federal Reserve may be *"pretty close"* to the point where rates are *"sufficiently restrictive"* to control inflation, indicating that he would also support slowing rate rises to +0.25% at the upcoming meeting on 1st February. The US dollar weakened against the euro and the pound.

The Bank of Japan provided a dovish surprise, adjusting bond purchases to resist rising yields. The market had been expecting a more hawkish adjustment to yield curve control. Yields fell, and the Japanese yen weakened following the announcement.

Australian Labour Market



Source: Bloomberg, ABS, 22nd January 2023

Thursday's rise in Australian unemployment from the record low of 3.4% in October to 3.5% in November (revised up from 3.4%) and December was also taken as an indication that the labour market was cooling. However, the market remains tight by historical standards.

Chinese will celebrate the lunar new year this week, and the local market will be closed for Australia Day on Thursday. But, despite the holidays, there will be plenty of data and more earnings reports to digest.

On Wednesday, the Australian quarterly CPI index is due to be released, with forecasters polled by Bloomberg expecting a +7.5% yoy rise. This is slightly higher than the recent monthly indicator, which was at +7.3% in November. December's monthly indicator is expected to reach +7.7%. The RBA still appears marginally more likely to raise rates by +0.25% on 7th February.

The latest flash PMIs and NAB business surveys will be published on Tuesday. US Q4 GDP will follow on Thursday, with core PCE inflation, the Fed's preferred measure, released on Friday. The annual change is expected to recede from +4.7% to +4.4%. Meanwhile, the issue of the US debt ceiling seems unlikely to be resolved quickly.

Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia		NAB Bus. Survey; Judo Bank Flash PMIs	Q4 CPI; Westpac Leading Index	Australia Day	Q4 PPI
US	Leading Index;	S&P Global Flash PMIs; Richmond Fed Surveys; Philly fed. Non-Manuf. Activity	MBA Mortgage Apps	Q4 GDP; Chicago Fed Nat Activity Index; Durable Goods Orders; Kansas City Fed. Manuf. Activity; Advance Goods Trade; Wsale & Ret. Inventories New Home Sales; Weekly Jobless Claims	PCE Inflation; Personal Income & Spending; UMich Cons. Sent.; Pending Home Sales
Europe	Swiss M3 Money Supply; Danish Cons. Conf.; Dutch House Prices	S&P Global Flash PMIs; EZ & German GfK Cons. Conf.; Swiss Trade; French Manuf. Conf.; UK Public Sector Finances; Finnish PPI	IFO Survey; UK, Swedish & Spanish PPI; French Jobseekers; Spanish Mortgage Apps.	Spanish & Norwegian Unempl.; Swedish Trade & Manuf. Conf.; Danish Ret. Sales; Italian, Irish & Swedish Cons. Conf.; Italian Econ. Sent. ; Belgian Bus. Conf.	EZ M3 Money Supply; Spanish Q4 GDP; Norwegian, Swedish & Irish Ret. Sales; Swedish & Finnish Unempl.; French Cons. Conf. ; Swedish Household Lending; Italian Ind. Sales; Austrian Unicredit Manuf. PMI; UK Nationwide House Prices
Japan		Jibun Bank Flash PMIs; Dept. Store Sales	Leading & Coinc. Indices	Machine Tool Orders; Services PPI; Tokyo Condos. for Sale	Tokyo CPI
China	Lunar New Year				

US earnings

Monday 23rd - Baker Hughes (BKR) and Synchrony Financial (SYF)

Tuesday 24rd – 3M (MMM), Johnson & Johnson (JNJ), Verizon (VZ), Lockheed Martin (LMT), General Electric (GE), F5 (FFIV), Texas Instruments (TXN), and Microsoft (MSFT)

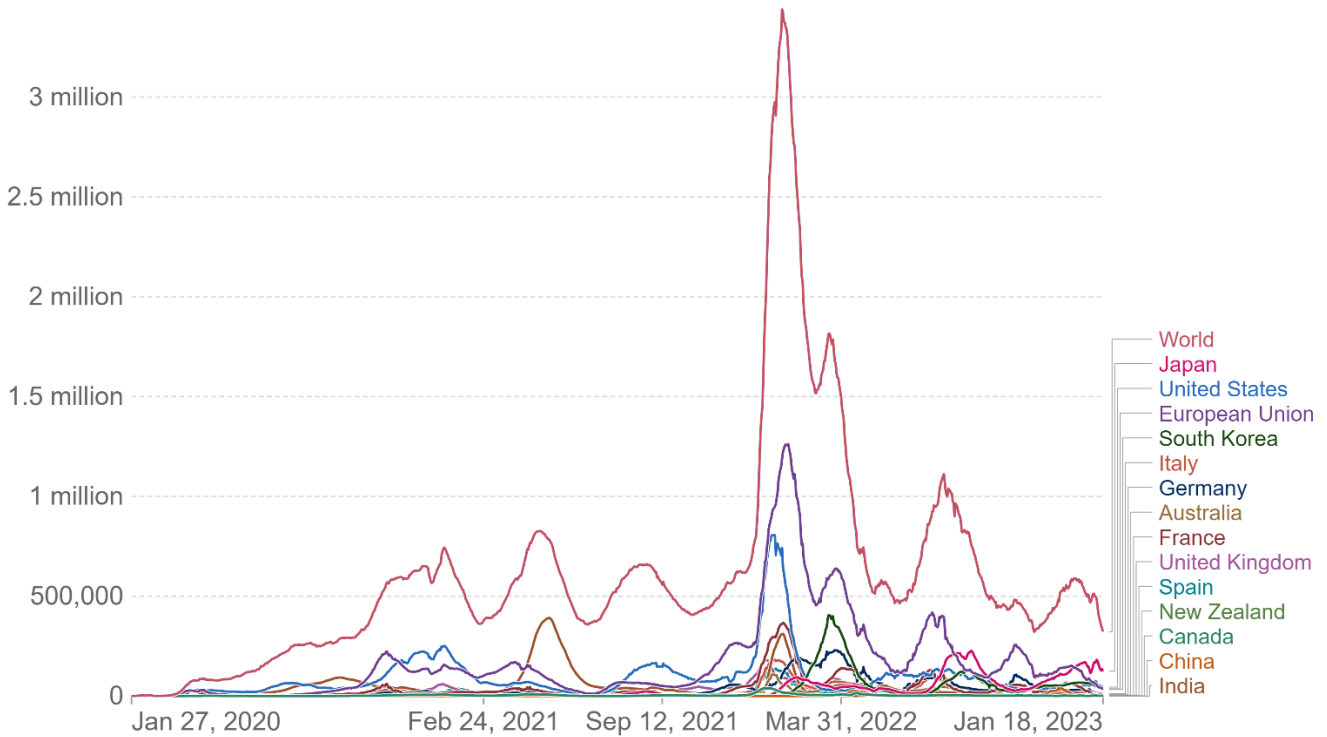
Wednesday 25rd – AT&T (T), Abbott Labs (ABT), Boeing (BA), IBM (IBM), and Tesla (TSLA).

Thursday 26rd – Comcast (CMCSA), American Airlines (AAL), Dow (DOW), Intel (INTC), Mastercard (MA), Tractor Supply (TSCO), and Visa (V)

Friday 27th - Chevron (CVX), American Express (AXP), and Colgate-Palmolive (CL)

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.



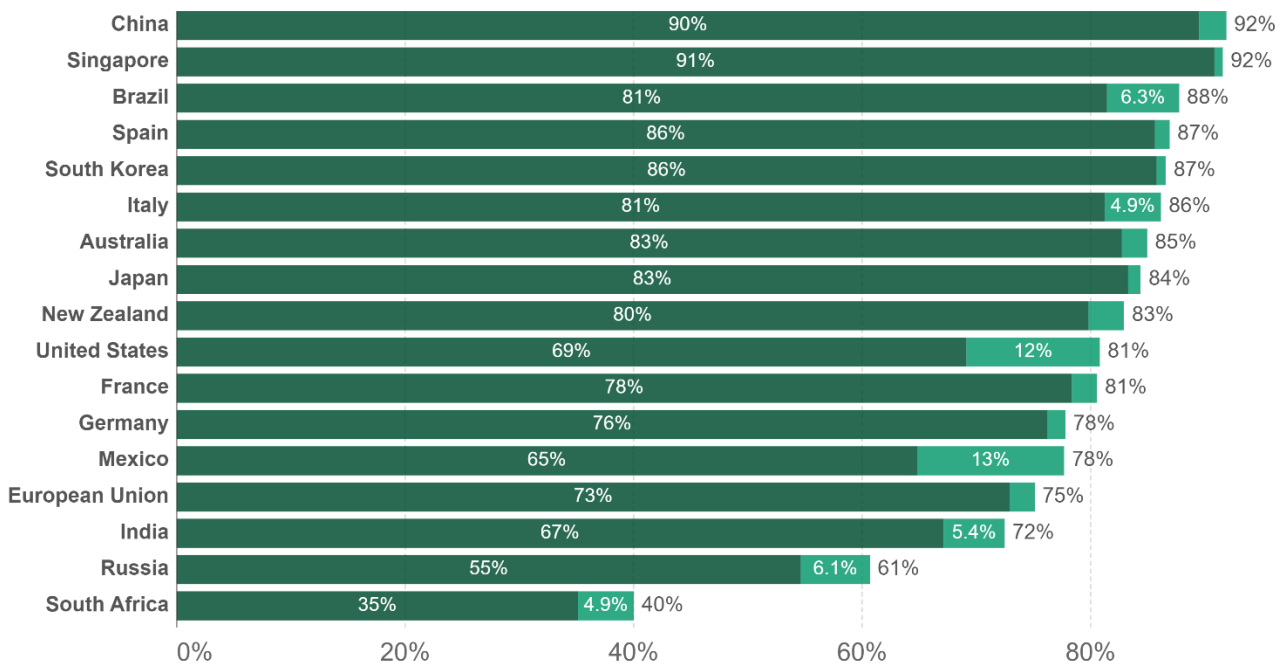
Source: Johns Hopkins University CSSE COVID-19 Data

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Share of people vaccinated against COVID-19, Jan 20, 2023



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



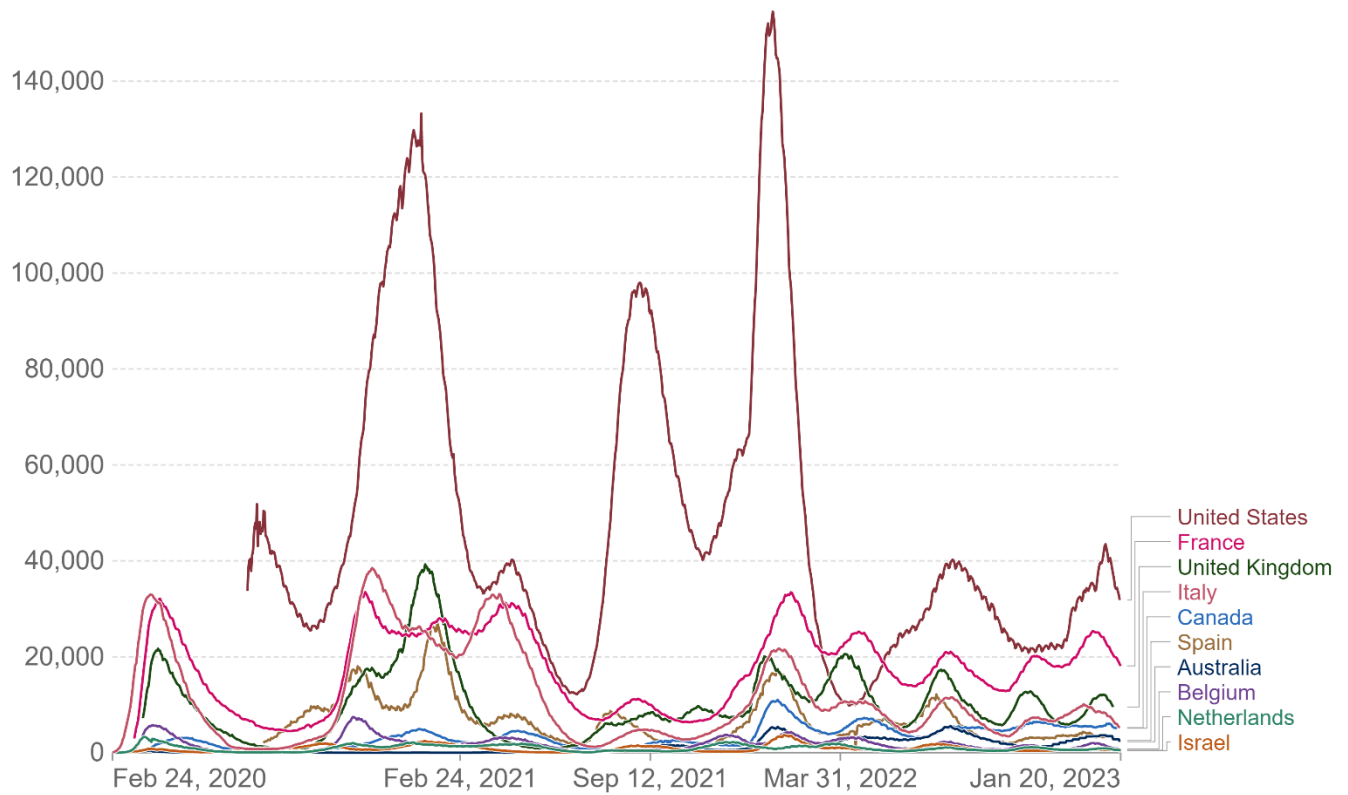
Source: Official data collated by Our World in Data

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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.



Number of COVID-19 patients in hospital

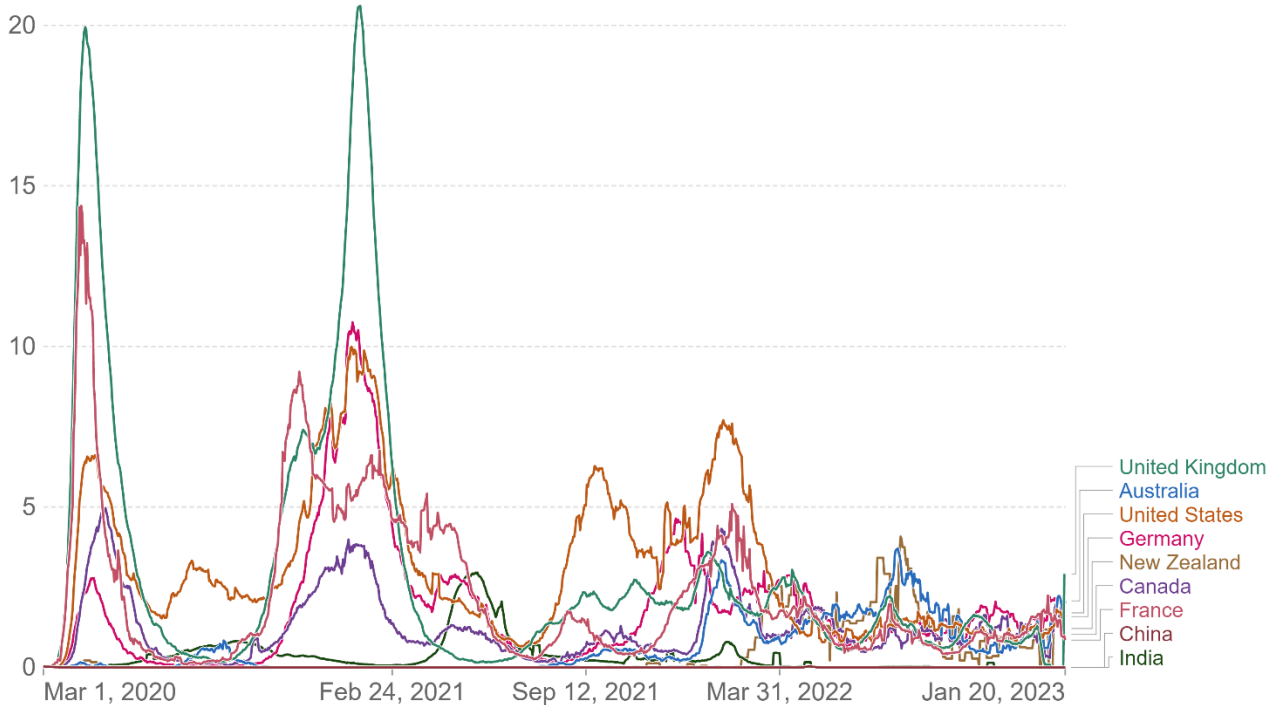


Source: Official data collated by Our World in Data – Last updated 21 January 2023

OurWorldInData.org/coronavirus • CC BY

Daily new confirmed COVID-19 deaths per million people

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.



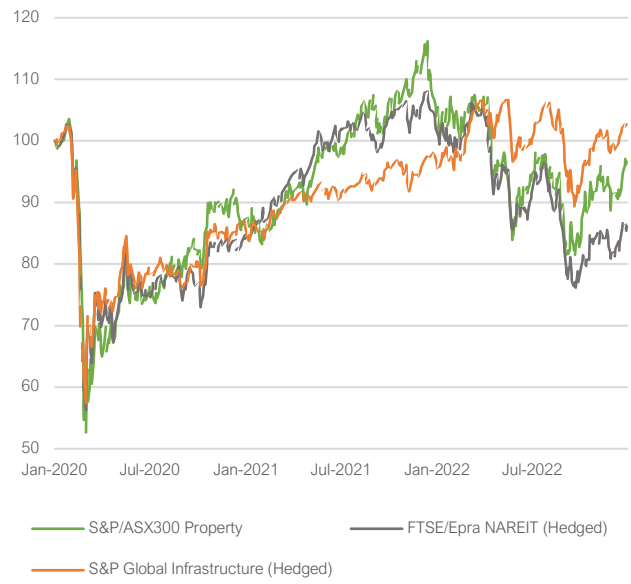
Source: Johns Hopkins University CSSE COVID-19 Data

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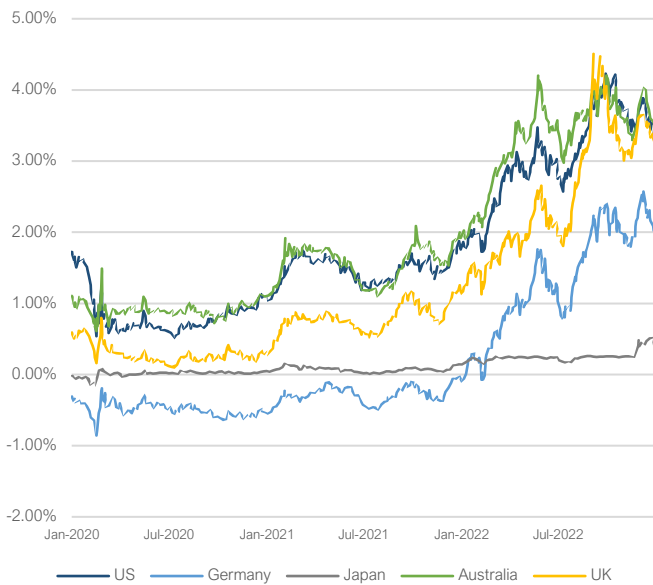
3Yr Equity Indices (Rebased to 100)



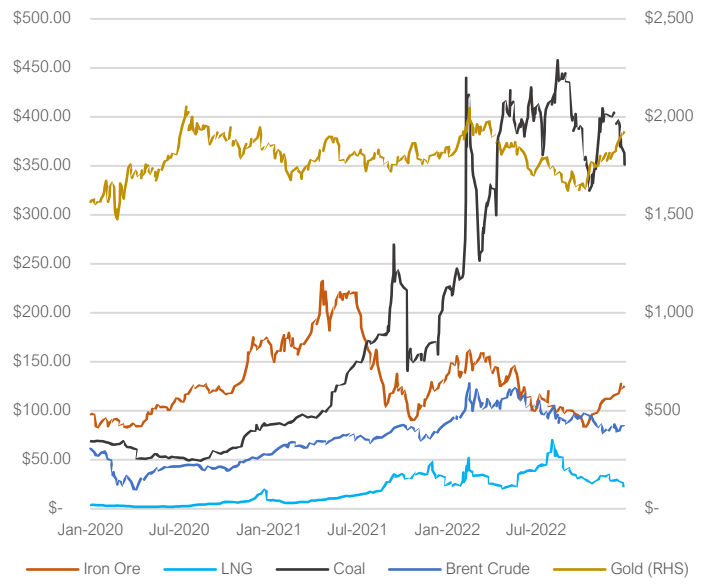
3Yr Prop. & Infr. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 22nd January 2023

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