



WEEKLY UPDATE

24th APRIL 2023

| | Price | 5 Day % Change | 3 Month % Change | 1yr % Change |
|--|----------|----------------|------------------|--------------|
| S&P/ASX300 | 88,836 | -0.45% | -0.93% | 1.85% |
| MSCI World Ex-Aus. (Unhedged) | 14,709 | 0.40% | 8.74% | 8.18% |
| MSCI World Ex-Aus. (Hedged) | 2,334 | 0.08% | 3.01% | -1.88% |
| Bloomberg AusBond 0+ Composite | 9,758 | -0.71% | 0.50% | 0.95% |
| Bloomberg Barclays Global Agg. (Hedged) | 980 | -0.21% | -0.38% | -3.14% |
| S&P/ASX300 Property | 58,495 | 0.82% | -4.33% | -11.46% |
| FTSE EPRA Nareit Global Real Estate (Hedged) | 2,510 | 1.26% | -5.51% | -20.99% |
| S&P Global Infrastructure (Hedged) | 6,087 | 0.20% | 0.33% | -1.49% |
| Bloomberg All Hedge Fund Index | 2,045 | N/A | 3.67% | 7.85% |
| VIX | 16.8 | -1.76% | -12.66% | -40.55% |
| Bloomberg Commodity Index (USD) | 105.58 | -2.08% | -5.66% | -18.18% |
| Iron Ore Index (62% Fe Aus. Off. China, USD) | 116.50 | -3.32% | -6.80% | -23.36% |
| LME Copper Spot (USD) | 8,816.00 | -2.93% | -4.51% | -14.14% |
| Coal 1st Future (Newcastle Export, USD) | 190.35 | 1.25% | -45.76% | -42.51% |
| Brent Crude 1st Future (USD) | 81.66 | -5.39% | -6.81% | -24.62% |
| LNG 1st Future (Japan/Korea) | 11.88 | -5.66% | -47.93% | -53.02% |
| Gold in AUD | 2,963 | -0.83% | 7.87% | 11.97% |
| AUDUSD | 0.6692 | -0.22% | -4.79% | -9.25% |
| AUDEUR | 0.6089 | -0.23% | -6.18% | -11.74% |
| AUDNZD | 1.0898 | 0.86% | 0.61% | -0.43% |
| AUDGBP | 0.5379 | -0.47% | -5.57% | -5.20% |
| AUDJPY | 89.7510 | -0.01% | -2.33% | -5.44% |

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 23rd April 2023

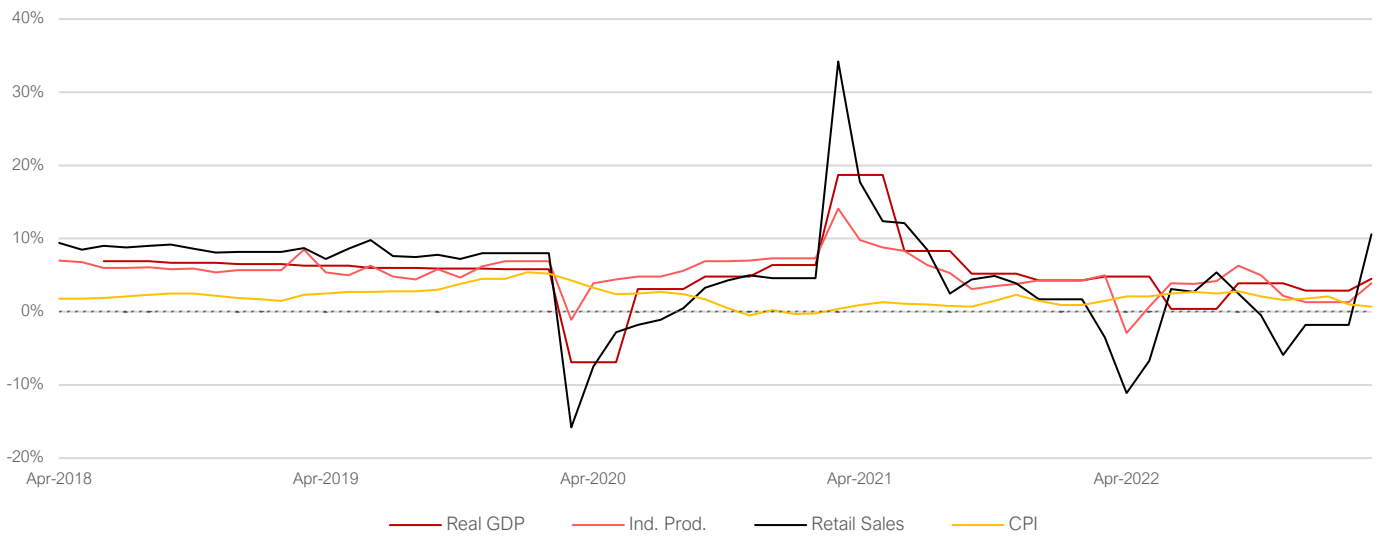
Market performance was mixed last week as inflation surprises pulled in different directions and more companies reported first-quarter earnings.

Chinese data indicated that the recovery is accelerating, led by domestic services and consumer spending. At the same time, the PBOC still has room to add more stimulus.

Australian yields moved higher as the government released the review of the RBA, which may see more weight placed on full employment and less on inflation in the future.

This week sees Australian quarterly CPI figures published, as well as Q1 GDP and monthly inflation data released in the US and Europe. There will likely be a Swedish interest rate increase, and the first meeting to be chaired by the incoming governor of the Bank of Japan will take place on Friday.

Chinese Key Data Series (% YoY)

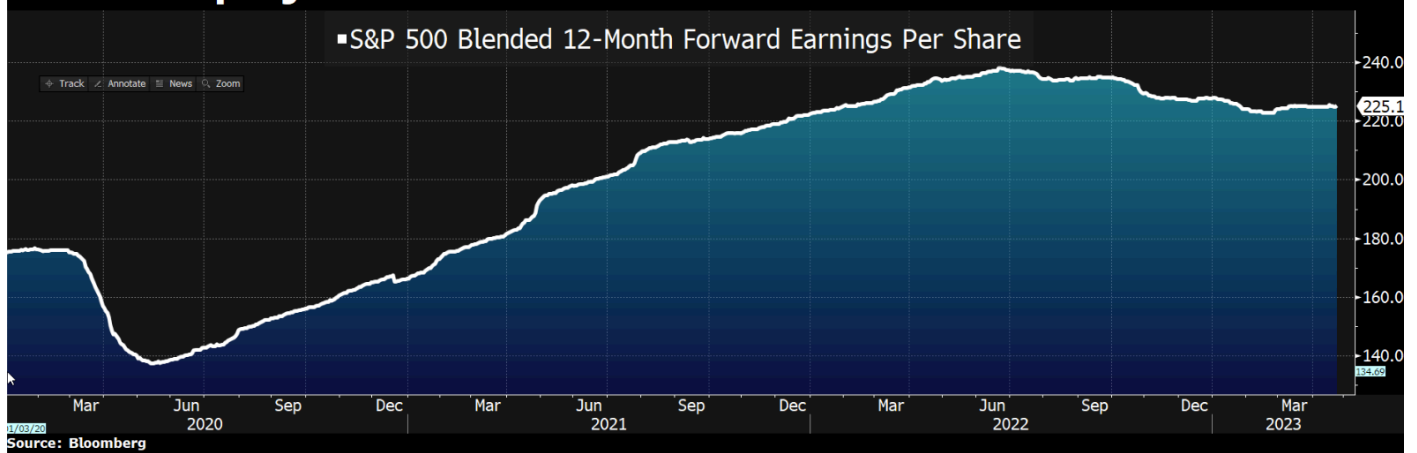


Source: Bloomberg, NBS, 23rd April 2023

Market performance was mixed last week as investors continued to process quarterly earnings, while economic data was relatively sparse. Commodity prices were generally lower and bonds fell on rising yields, while property recovered some of the ground lost recently. Australian shares underperformed global indices.

With roughly 10% of companies having reported quarterly earnings, both the American S&P500 and S&P Global 1200 indices have seen recorded upside surprises of approximately +5% so far. However, overall earnings growth is slightly negative at -1.6% and -1.1%, respectively.

S&P 500 projected 12-month EPS



There were some high-profile misses in the US, with Tesla and AT&T falling by approximately -10% in Thursday's trading. Tesla came under pressure as CEO Elon Musk said the company would continue to cut prices despite missing margins. AT&T reported an increase in revenues below analyst forecasts, despite seeing growth of +1.4%.

Shares in Netflix also fell by -3.2% after the company missed revenue estimates, despite adding more subscribers than expected and beating earnings estimates.

Fox Corp, 43% of which is owned by the Murdoch family trust, made headlines by settling with Dominion Voting Systems after it accused Fox News of publishing false stories related to the 2020 presidential election which were harmful to its business. According to the New York Times, the settlement sum of US\$ 787.5 million was the largest paid to conclude an American media libel case. However, the company has not fully extinguished liability related to the election since it is also being sued by a second voting machine manufacturer, Smartmatic Corp, for US\$ 2.7 billion. Shares nevertheless traded +0.6% higher over the week.

In other market news, it was confirmed that holders of Credit Suisse Additional Tier 1 (AT1) debt, roughly equivalent to hybrids, will sue Swiss regulators following the decision to “bail-in” bondholders while shares continued to retain some value. Typically, if hybrid and other bondholders are required to bear losses in capital, shares have already lost all of their value under the hierarchy of claims. However, the court may decide that Swiss rules allow this peculiar outcome.

In the little significant economic data published, Chinese GDP exceeded forecasts in the first quarter (+4.5% yoy). Growth is being driven by a pickup in the domestic services sectors as consumer spending accelerates. March retail sales were up by significantly more than expected (+10.6% yoy), while industrial production (+3.9% yoy), fixed asset investment (+5.1% ytd yoy) and property investment (-5.8% ytd yoy) missed estimates. The data shows that the consumer-led recovery is gathering steam, while low inflation shows that the PBOC can also add more stimulus.

The global flash PMIs also showed an acceleration in services while manufacturing was softer in all but the US economy. The S&P Global US report showed that: *“Output rose at the sharpest pace for almost a year, as stronger demand conditions, improving supply and a steeper uptick in new orders supported the expansion. Solid growth in activity was seen across both the manufacturing and service sectors [...] New orders at US firms increased at the sharpest rate for 11 months in April as new client wins, improved customer confidence and successful marketing strategies drove the uptick.”* However, the report also commented that both services and manufacturing firms reported margin pressure due to rising input prices.

New Zealand CPI inflation slipped to +1.2% in the first quarter, down from +1.4% in the fourth quarter and well below the expected +1.5% increase. Year-on-year inflation was +6.7%. Consequently, the Kiwi dollar weakened by approximately -1% versus the greenback.

In contrast, UK inflation surprised to the upside. Economists had been expecting monthly CPI to drop from +1.1% to +0.5%. Instead, the figure came out at +0.8%, enough to keep inflation at just above +10% yoy. The UK 2yr yield moved +0.13% higher to 3.72%.

There was also a sharp increase of +0.18% in the Australian 2yr yield ahead of this week’s quarterly CPI update. The yield rose to 3.14%, following the previous week’s robust employment report and after CBA household spending figures revealed an annual increase of +3.8%. Nevertheless, first-quarter CPI is expected to fall from +1.9% to +1.3%, with the year-on-year figure falling from +6.8% to +6.6%, confirming that inflation has peaked.

On Thursday, the government also released the results of the review of the Reserve Bank, which was announced in July 2022 and set *“an objective of identifying how to make the RBA ‘the world’s best and most effective central bank into the future’*. The report included 51 specific recommendations, including the separation of the governance and monetary policy functions, leading to the creation of a *“Monetary Policy Board with greater economic expertise and participation in decision making while maintaining diverse perspectives and knowledge”*.

The experts also recommended reducing the number of meetings to eight per year *“to allow more time to consider the issues and engage with RBA staff within each meeting cycle”* and holding a press conference after each meeting to better explain decisions, similar to the current Federal Reserve framework.

Perhaps most significantly, the review recommends adopting dual price stability and full employment objectives, including apportioning roughly equal weight to each goal. As a consequence, the report implies that less weight might be placed on meeting the inflation target, especially if this is achieved at the expense of more variable unemployment.

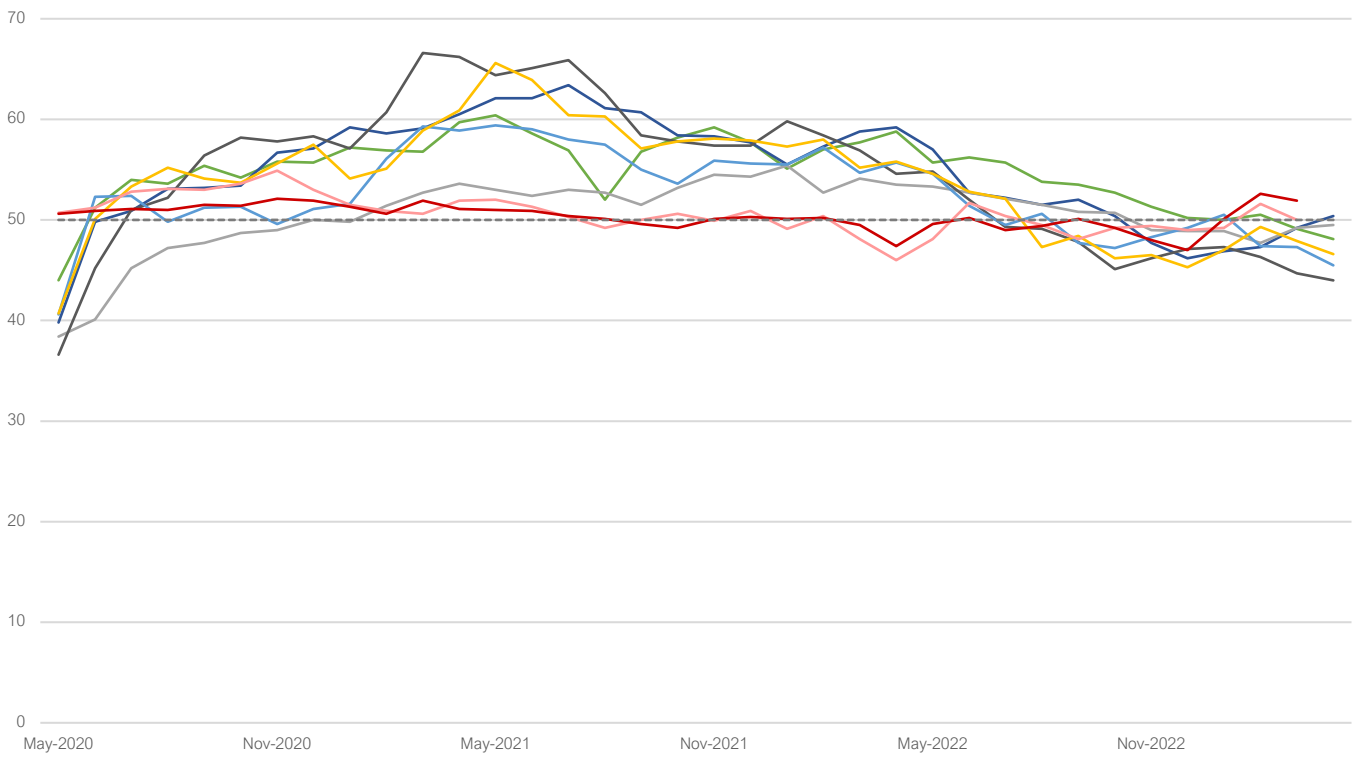
The government intends to work with parliament, the RBA, regulators, and other stakeholders to implement the 51 recommendations.

This week, the Swedish Riksbank is expected to raise rates from 3.0% to 3.5% on Wednesday, while incoming Governor Kazuo Ueda chairs his first monetary policy meeting at the Bank of Japan. No significant changes are expected, although investors will be closely watching for any indication of future changes to the yield curve targets.

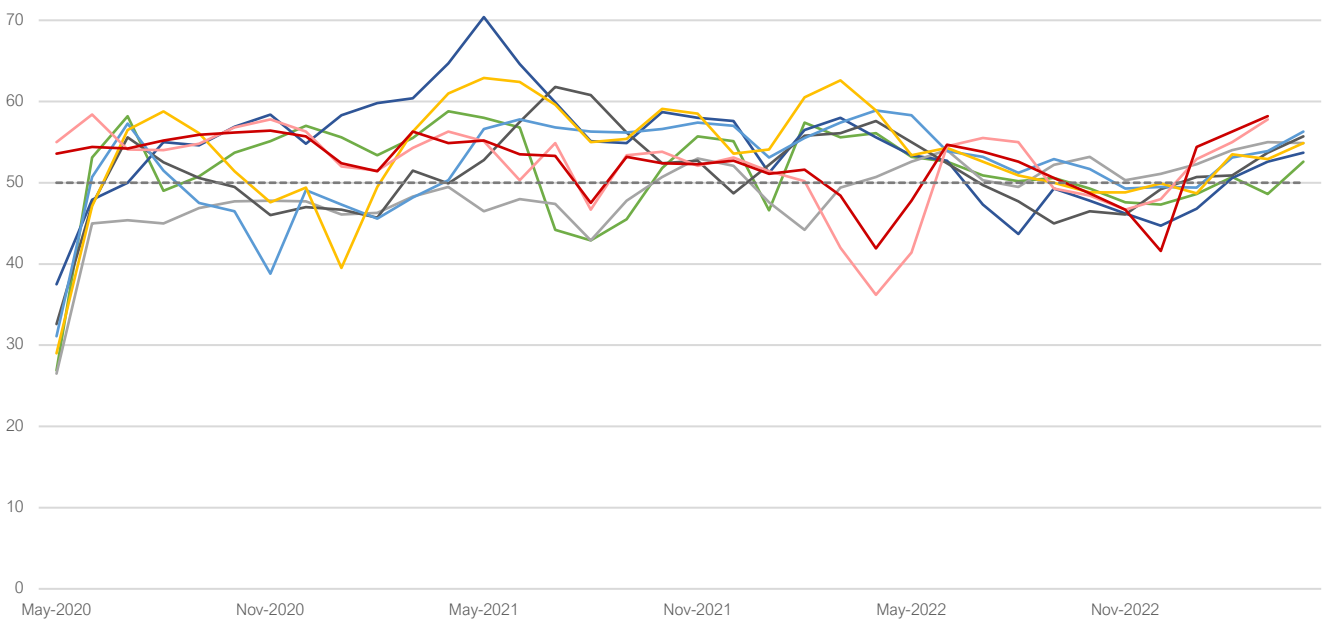
Wednesday’s Australian CPI will be followed by PPI on Friday. There will also be Q1 GDP and inflation figures from the US and several European countries, including the Fed’s preferred core PCE measure on Friday. The official Chinese PMIs follow next weekend.

Concern about a US default mount as we approach the debt ceiling. Investors seeking the safest place to hide, continue to rush into short-dated securities. 1-month Treasury Bill yields continue to fall settling at 3.348% on Friday.

Global Manufacturing PMI Surveys



Global Services PMI Surveys



- Australia
- US
- Japan
- Germany
- France
- UK
- China (Caixin)
- China (Official)
- - - Expansion/Contraction

Source: Bloomberg, S&P Global, JPMorgan, Jibun, BME, CIPS, CFLP, Judo Bank, 23rd April 2023

Significant Upcoming Data:

| | Monday | Tuesday | Wednesday | Thursday | Friday |
|------------------|--|---|--|---|--|
| Australia | | Anzac Day | Q1 CPI | Import & Export Prices | Q1 PPI; Private Sector Credit |
| US | Chicago Fed Natl. Activity; Dallas Fed Manuf. Activity; Philly Fed Non-Manuf. Activity; | Conf. Board Cons. Conf.; Philly Fed Non-Manuf. Activity; Dallas Fed Services Activity; Richmond Fed Manuf. Index & Bus. Cond.; FHFA & S&P CoreLogic House Prices; New Home Sales | Durable Goods Orders; Ret. & Wsale Inventories; Advance Goods Trade; MBA Mortgage Apps | Q1 GDP; Kansas City Fed Manuf. Activity; Pending Home Sales; Weekly Jobless Claims | PCE Inflation; Personal Income & Spending; Employment Cost Index; UMich Cons.Sent.; MNI Chicago PMI; Kansas City Fed Services Activity |
| Europe | Ifo Survey; Belgian Bus. Conf.; Finnish PPI; UK Rightmove & Dutch House Prices; | Swedish & Spanish PPI; Swiss Real Trade; UK Public Sector Finances | Swedish Riksbank Meeting & Trade; Swedish, Norwegian & Finnish Unempl.; German GfK, French & Irish Cons. Conf; UK Productivity; Dutch Ret. Sales; Spanish Mortgage Apps & Lending; Unicredit Bank Austria Manuf.PMI | EZ, Italian & Finnish Cons. Conf.; EZ Ind., Services & Econ. Conf.; Spanish Unempl.; Spanish & Norwegian Ret. Sales; Swedish Q1 GDP; Belgian CPI; Italian & Swedish Manuf. Conf.; Finnish Trade | EZ, German, French, Spanish, Italian, Belgian & Austrian Q1 GDP; German, French, Spanish & Irish CPI; French & Austrian PPI; German, Danish & Norwegian Unempl.; Danish, Swedish, Swiss, Irish & Finnish Ret. Sales; Swiss KOF Leading Indic.; Italian Hourly Wages & Ind. Sales; French Cons. Spending |
| Japan | | Services PPI; Dept. Store Sales | | Leading & Coinc. Indices; | BoJ Meeting; Tokyo CPI; Jobless Rate; Job-to-Appl. Ratio Ind. Production; Ret. Sales; Housing Starts |
| China | | | | Industrial Profits | [Official PMIs] |

US Corporate Reporting:

Monday, April 24 - Coca-Cola (KO), Whirlpool (WHR), Credit Suisse, and Canadian National Railway (CNI).

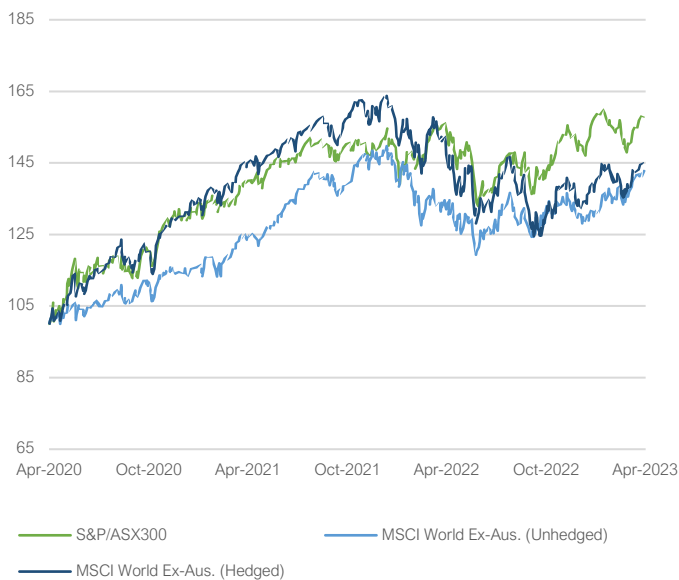
Tuesday, April 25 - Microsoft (MSFT), Alphabet (GOOG), Visa (V), UBS (UBS), PepsiCo (PEP), McDonald's (MCD), Verizon (VZ), General Electric (GE), Chipotle (CMG), and UPS (UPS).

Wednesday, April 26 - Meta Platforms (META), Boeing (BA), Humana (HUM), General Dynamics (GD), eBay (EBAY), and Norfolk Southern (NSC).

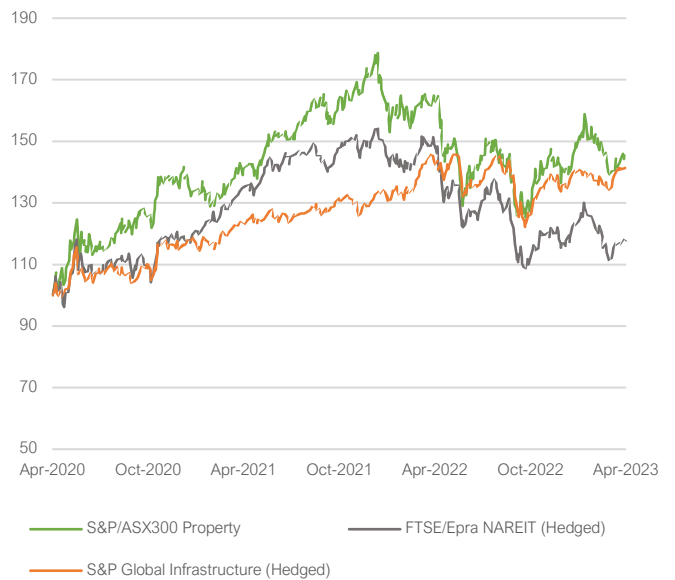
Thursday, April 27 - Amazon (AMZN), Mastercard (MA), Eli Lilly (LLY), Merck (MRK), Caterpillar (CAT), AbbVie (ABBV), Southwest Airlines (LUV), and Altria (MO).

Friday, April 28 - Exxon Mobil (XOM), Chevron (CVX), and Colgate-Palmolive (CL).

3Yr Equity Indices (Rebased to 100)



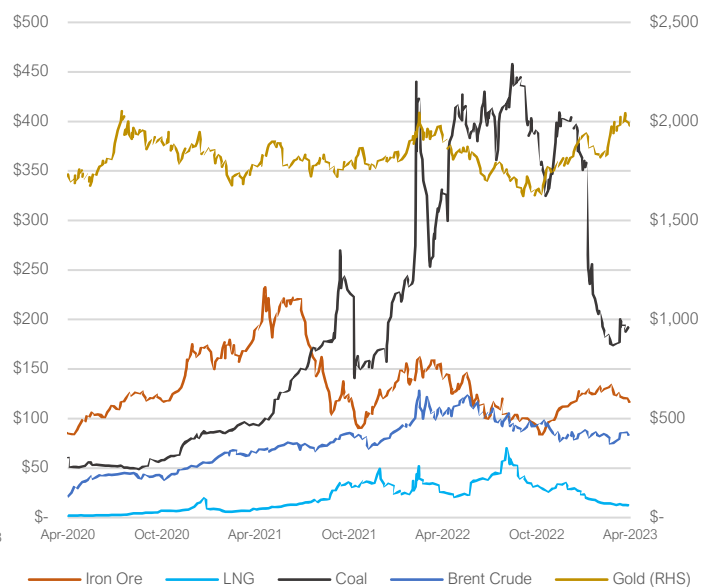
3Yr Prop. & Infr. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 23rd April 2023

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