



WEEKLY UPDATE

29th MAY 2023

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	87,079	-1.74%	-0.12%	3.70%
MSCI World Ex-Aus. (Unhedged)	15,200	1.88%	8.84%	12.96%
MSCI World Ex-Aus. (Hedged)	2,363	-0.10%	4.93%	2.02%
Bloomberg AusBond 0+ Composite	9,660	-0.57%	1.43%	0.40%
BloombergBarclays Global Agg. (Hedged)	972	-0.63%	0.92%	-4.18%
S&P/ASX300 Property	58,861	-2.14%	-3.37%	-1.84%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,441	-1.22%	-6.12%	-16.54%
S&P Global Infrastructure (Hedged)	5,855	-2.03%	-0.39%	-6.62%
Bloomberg All Hedge Fund Index	2,073	N/A	5.14%	5.23%
VIX	18.0	6.78%	-13.29%	-30.21%
Bloomberg Commodity Index (USD)	100.08	-0.98%	-5.73%	-25.24%
Iron Ore Index (62% Fe Aus. Off. China, USD)	102.50	-5.96%	-21.15%	-21.15%
LME Copper Spot (USD)	8,082.00	-1.70%	-8.23%	-13.64%
Coal 1st Future (Newcastle Export, USD)	140.65	-13.31%	-32.77%	-65.10%
Brent Crude 1st Future (USD)	76.95	1.81%	-7.47%	-34.45%
LNG 1st Future (Japan/Korea)	9.24	-6.15%	-38.39%	-58.93%
Gold in AUD	2,987	0.44%	10.77%	14.55%
AUDUSD	0.6517	-2.01%	-3.29%	-8.19%
AUDEUR	0.6076	-1.28%	-4.54%	-8.89%
AUDNZD	1.0771	1.65%	-1.45%	-1.71%
AUDGBP	0.5279	-1.22%	-5.82%	-6.67%
AUDJPY	91.6450	-0.08%	-0.16%	1.56%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 27th May 2023

Stocks will likely begin the week on a positive footing as news emerged yesterday that President Biden and the Speaker of the House had reached an agreement in principle to raise the debt ceiling this week.

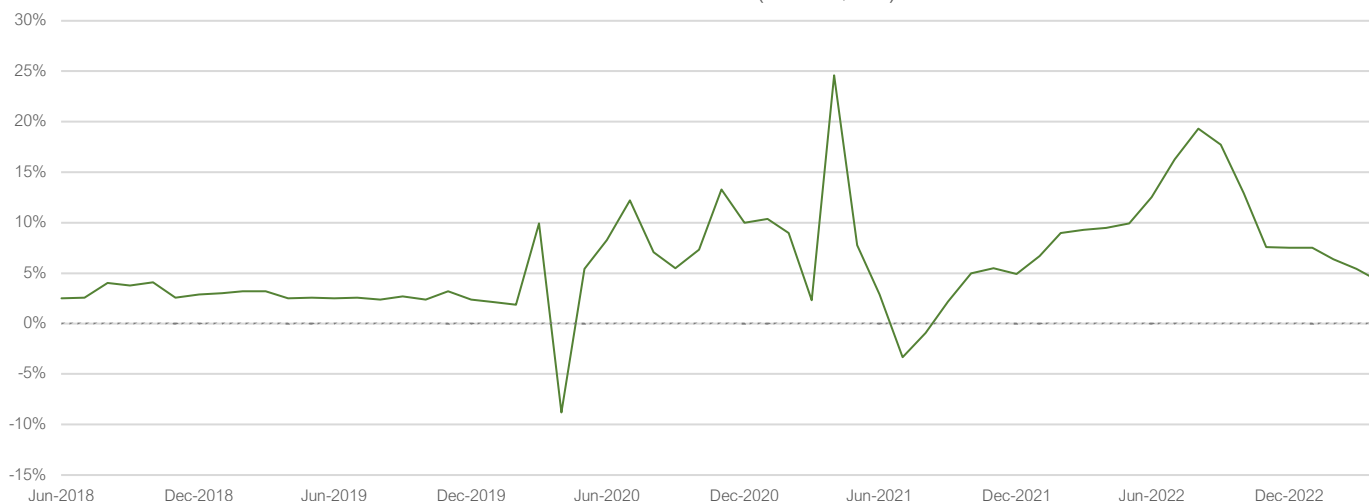
However, the news may do little to stem the rise in bond yields that began last week in anticipation of new issuance and disappointing news on inflation.

Despite the price pressures, growth remains challenged, with GDP revisions seeing Germany slipping into recession and manufacturing PMIs in negative territory.

Nvidia nevertheless made headlines with blockbuster sales forecasts related to the faster adoption of A.I.

As the new month begins this week, there will be the usual ramp-up in data, including US labour market updates, Australian and European inflation data, and the Chinese PMIs.

Australian Retail Sales (% YoY, SA)



Source: Bloomberg, ABS, 27th May 2023

American debt ceiling and default worries dominated market news last week as the Treasury Secretary revealed that the US government would not be able to satisfy its commitments from Monday, 5th June. As a result, Fitch Ratings, one of the three largest credit ratings agencies, placed the US credit rating on “watch negative”, a step which is usually a precursor to a downgrade.

Over the weekend, it appeared that significant progress towards raising the US\$31.4 trillion debt limit was achieved. The Republican Speaker of the House, Kevin McCarthy, tweeted that an agreement in principle had been reached that would see the debt ceiling raised to an as yet unknown amount until after the 2024 presidential election. The deal is not entirely secured, but it now seems highly likely that the required legislation will pass through Congress before the start of next week. US markets will be closed for the Memorial Day holiday today, but global equity markets will likely rally in response to the news.



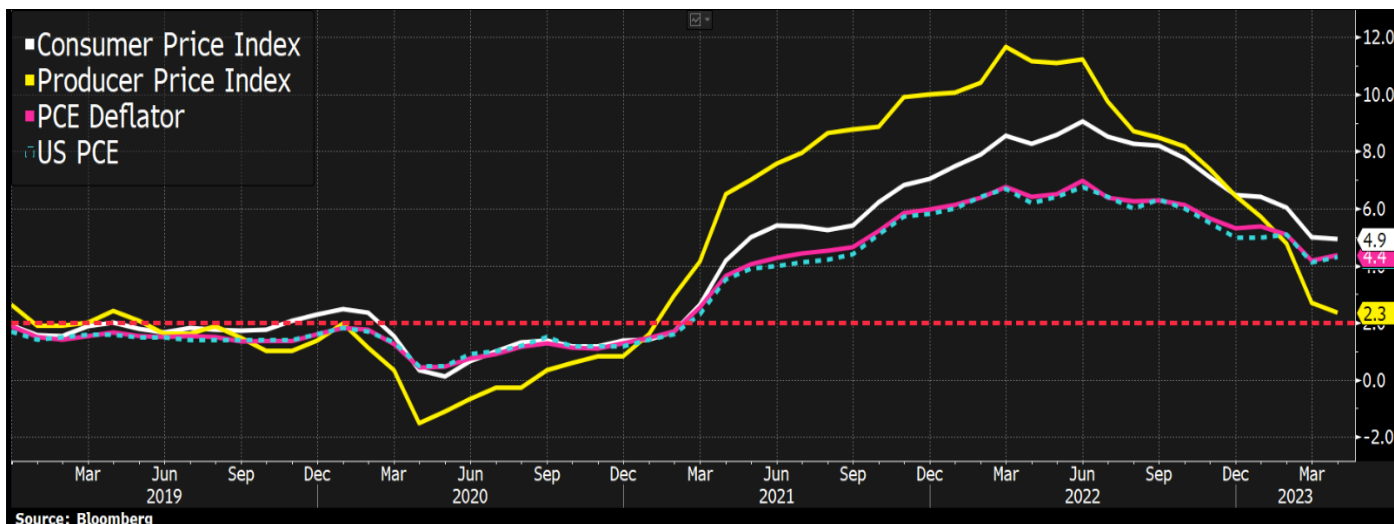
Bond yields in the UK, US and Australia rose sharply last week, weighing on property and interest-sensitive sectors. The debt ceiling agreement will likely see as much as US\$500 billion in new Treasury issuance over a relatively short period. At the same time, inflation worries returned, and markets priced in further interest rate increases.

The Saudi Oil minister hinted that another production cut might be tabled at the OPEC+ meeting this week. As a result, oil prices rose against the trend in other industrial commodity prices.

British CPI inflation was expected to fall from +0.8% during the month of March to +0.7% in April. Instead, prices reaccelerated by +1.2%. Even though the annual change of +8.7% was the first sub-10% yoy reading since August last

year, the figures suggested that inflation is proving to be “stickier” than expected, sending the 10yr gilt yield +0.27% higher.

Friday’s US PCE inflation was also higher than expected, accelerating from +4.2% yoy to +4.4%. There was some better news in that the relatively volatile University of Michigan consumer inflation expectations receded, but, like in the UK, inflation risks remain higher than central bankers would like.



The FOMC minutes revealed that Federal Reserve officials were divided on whether to raise rates at the May meeting, the hawks ultimately securing a rise to 5.0%-5.25%. In speeches, Committee members remain divided on whether to hold or continue raising. With another CPI reading still to come before the June meeting, the most likely outcome appears to be a slowing of the pace of rate rises, perhaps skipping an increase next month. The market is now pricing one more increase by the end of July.

On Wednesday, as expected, the Reserve Bank of New Zealand raised interest rates by a quarter point to 5.50%. However, despite being relatively hawkish compared to other central banks over the last few months, the RBNZ signalled that rates have likely reached their peak in the cycle. As a consequence, the Kiwi dollar fell as short-term yields retraced.

Nvidia Share Price Performance (Rebased, 31st Dec. 2019 =100)



Source: Bloomberg, 27th May 2023

The Australian government 10yr yield rose by +0.08% to 3.73% as consumers learned of between +20% and +25% electricity price rises scheduled to take effect from July.

The Victorian state budget included payroll and property tax increases but retained high levels of public spending. The Treasury Corp. of Victoria 10yr yield rose by +0.16% to 5.0% but remains close to other state government curves.

Despite ongoing inflation concerns, the growth outlook remains challenging. The latest flash PMI surveys indicated robust services activity, while manufacturing continues to contract in all but Japan. Chinese PMIs will follow later this week.

Several first-quarter GDP estimates were revised, with Germany's figure making headlines (-0.3% qoq) as the country officially experienced two consecutive quarters of negative growth, which many consider to meet the definition of a recession. The previous estimate of +0.0% growth had Germany narrowly missing two straight quarters of contraction.

Australian retail sales were flat in April, while the annual change continues to trend downwards, suggesting that consumer spending is slowing.

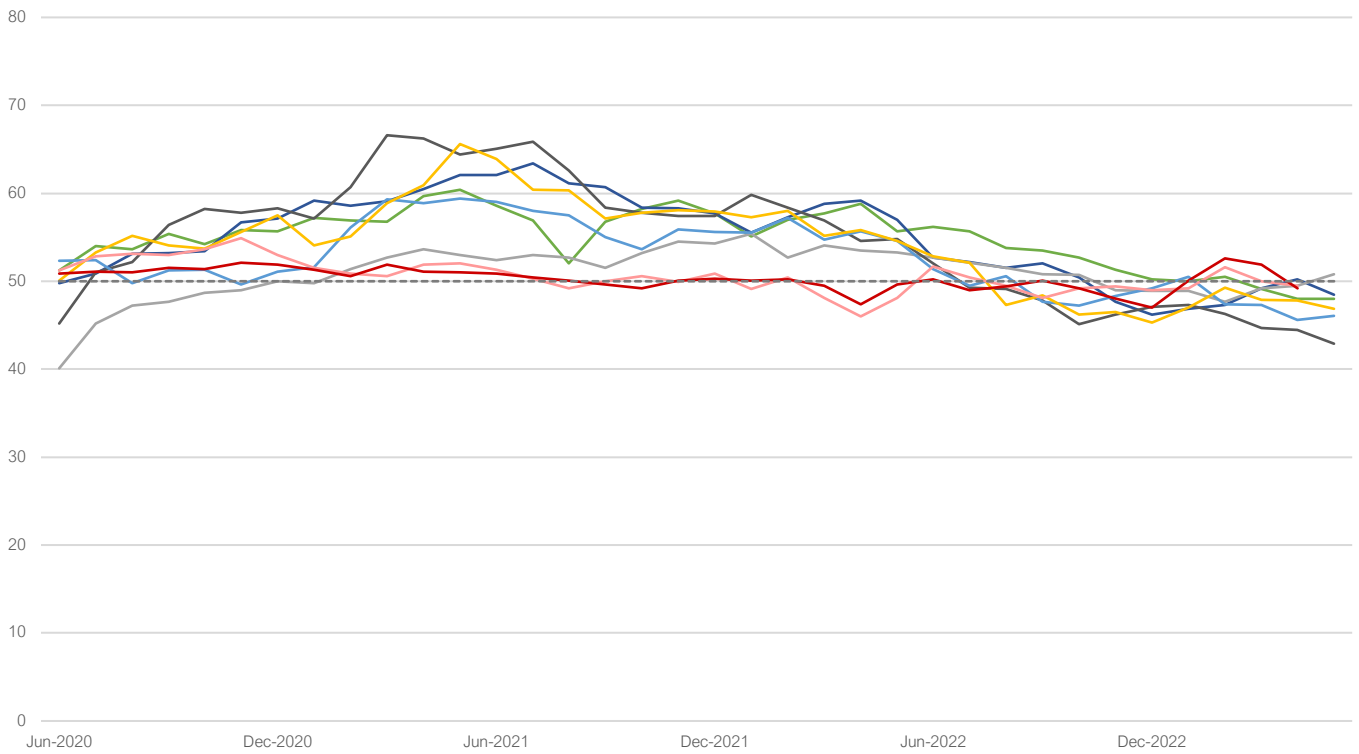
As a result of moderating growth, equity market breadth remains very narrow, with only a handful of names leading the market. Sales forecasts released by Nvidia last week showed that the company was expecting a significant increase in demand for high-value chips as data centres prepare for the adoption of artificial intelligence. The Share price surged +27% over the week as the forecasts were well above analyst expectations.

In contrast, Meta was hit with a € 1.2 billion (A\$2 billion) fine due to a ruling against the social media company for violating European Union data protection law. Ireland's Data Protection Commission also ordered the company to stop transferring data collected from Facebook users in Europe to the United States. The decision will likely have significant ramifications for other companies that handle private data.

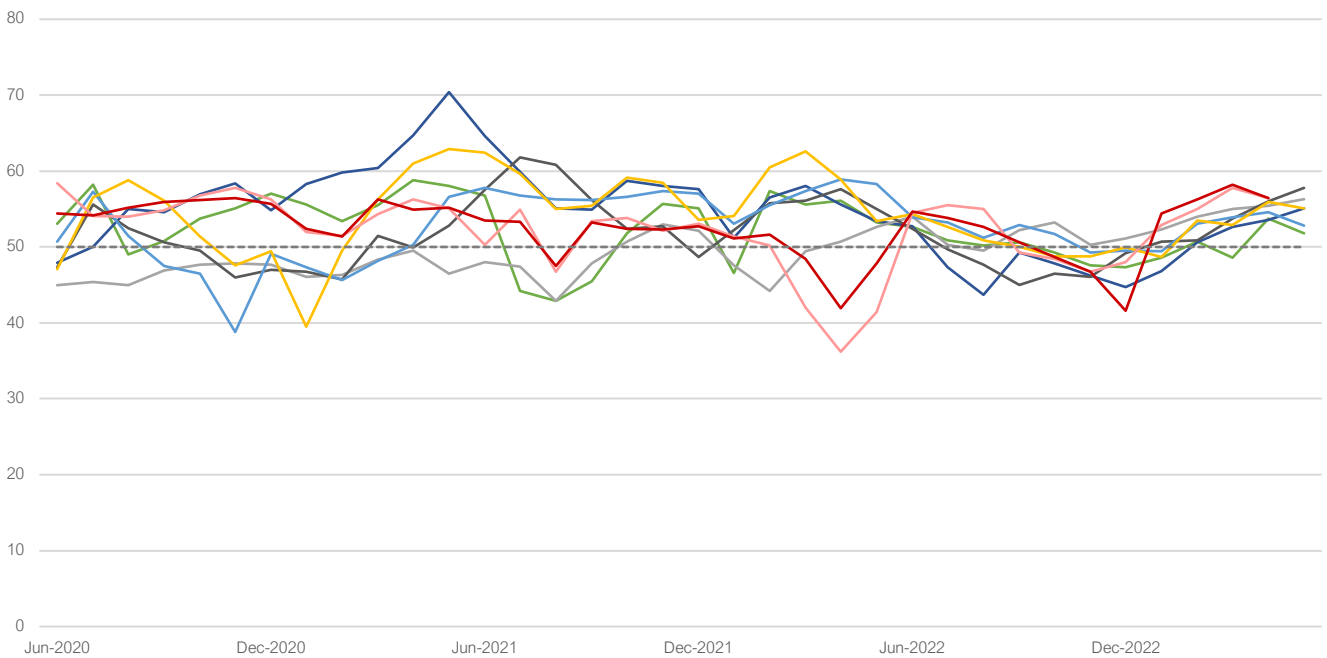
A significant change was also announced to the regulation of the buy-now-pay-later (BNPL) sector in Australia. According to the ABC, Financial Services Minister Stephen Jones told the Responsible Lending and Borrowing Conference that BNPL services would be treated as a credit product, with providers required to have a credit licence, hardship requirements and minimum standards for conduct.

Investors will continue to monitor the progress of the debt ceiling legislation this week. Despite the American and European public holidays today, there will also be a substantial amount of important data this week as the new month begins. The ABS' monthly Australian CPI estimate is expected to rise slightly to +6.4% when released on Wednesday. In the US, there will be the JOLTS, ISM Manufacturing survey, Beige Book, and labour report, with unemployment expected to tick up by +0.1% to 3.5% when released on Friday. There will also be a slew of European inflation data, as well as Japanese activity data and the Chinese PMIs

Global Manufacturing PMI Surveys



Global Services PMI Surveys



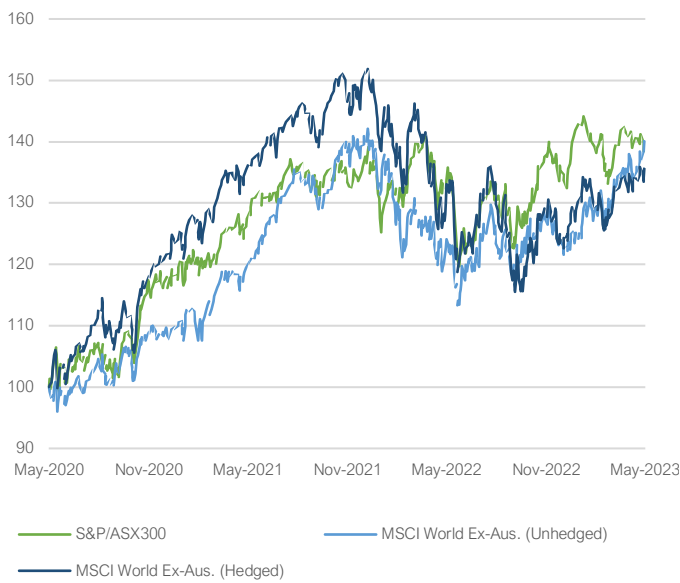
- Australia
- US
- Japan
- Germany
- France
- UK
- China (Caixin)
- China (Official)
- - - - Expansion/Contraction

Source: Bloomberg, S&P Global, JPMorgan, Jibun, HCOB, CIPS, CFLP, Judo Bank, 27th May 2023

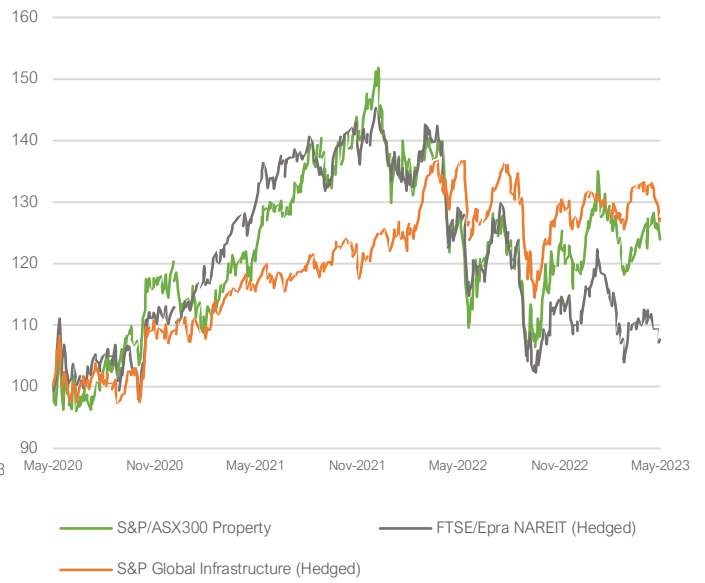
Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia		Building Apps; Private Sector Houses	Monthly CPI; Private Sector Credit; Construction Work Done	CoreLogic House Prices; Private Capex; Judo Bank Manuf. PMI (Final)	Home Loans
US	Memorial Day	Conf. Board Cons. Conf.; FHFA & S&P CoreLogic House Prices; Dallas Fed. Manuf. Activity	JOLTS Job Openings; Fed Beige Book; MNI Chicago PMI; Dallas Fed. Serv. Activity; MBA Mortgage Apps	ISM Manufacturing; Challenger Job Cuts; ADP Employment; Unit Labour Costs & Productivity; Constr. Spending; Wards Vehicle Sales; S&P Global Manuf. PMI (Final); Weekly Jobless Claims	Labour Report
Europe	[Whit Monday & UK Bank Holiday] OECD Econ. Outlook; Swedish Household Lending; Irish Cons. Conf & Ret. Sales; Finnish Bus. & Cons. Conf	EZ M3 Money Supply, Econ., Serv. & Ind. Conf.; Spanish & Belgian CPI; EZ, Swedish Cons. Conf.; Danish, Spanish & Finnish Ret. Sales Swiss & Swedish Q1 GDP; Swiss KOF Leading Indicator; Italian & Austrian PPI; Swedish Trade; Italian Ind. Sales; Finnish House Prices	German, French & Italian CPI; German, Danish & Irish Unempl.; French PPI & Cons. Spending; Danish & Finnish Q1 GDP; Spanish Curr. Acc.	EZ, Dutch & Austrian CPI; EZ, Italian & Belgian Unempl.; Tier 2 Manuf. PMIs; German Ret. Sales; UK M4 Money Supply & Nationwide House Prices; Swiss Real Trade	French Ind. Prod.; Norwegian & Spanish Unempl.; Swedish & Irish Curr. Acc.
Japan	Leading & Coinc. Indices	Jobless Rate; Job-to-Applciant Ratio	Retail Sales; Industrial Prod.; Cons. Conf.; Housing Starts	Capital Spending; Company Profits; Jibun Bank Manuf. PMI (Final)	Monetary Base
China			Official PMIs	Caixin Mfg. PMI	

3Yr Equity Indices (Rebased to 100)



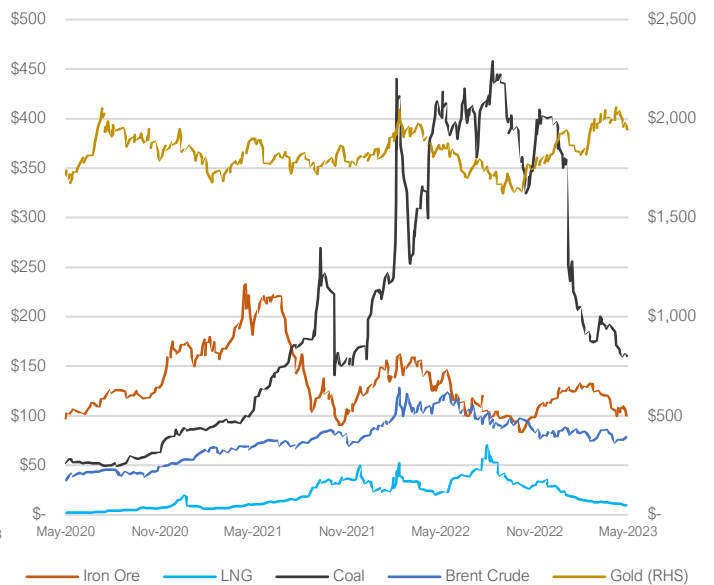
3Yr Prop. & Infrac. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 27th May 2023

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