



## WEEKLY UPDATE

30<sup>th</sup> JANUARY 2023

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	89,701	0.77%	11.00%	11.73%
MSCI World Ex-Aus. (Unhedged)	13,593	0.16%	-1.70%	-7.51%
MSCI World Ex-Aus. (Hedged)	2,289	2.03%	5.75%	-6.64%
Bloomberg AusBond 0+ Composite	9,628	-0.85%	2.43%	-5.66%
Bloomberg Barclays Global Agg. (Hedged)	981	-0.14%	2.85%	-9.05%
S&P/ASX300 Property	61,414	2.48%	12.01%	-2.65%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,698	2.83%	8.91%	-12.39%
S&P Global Infrastructure (Hedged)	6,039	-0.15%	6.99%	6.92%
Bloomberg All Hedge Fund Index	1,976	N/A	-3.30%	-0.42%
VIX	18.5	-6.75%	-28.12%	-33.08%
Bloomberg Commodity Index (USD)	111.61	-0.46%	-0.13%	4.17%
Iron Ore Index (62% Fe Aus. Off. China, USD)	128.50	2.80%	54.82%	-13.18%
LME Copper Spot (USD)	9,345.50	1.23%	20.17%	-5.33%
Coal 1st Future (Newcastle Export, USD)	266.25	-24.13%	-30.95%	16.98%
Brent Crude 1st Future (USD)	86.66	-1.11%	-10.62%	-3.00%
LNG 1st Future (Japan/Korea)	19.50	-14.53%	-36.04%	-22.85%
Gold in AUD	2,716	-1.83%	5.34%	6.25%
AUDUSD	0.7100	1.97%	10.04%	0.95%
AUDEUR	0.6541	1.87%	1.01%	3.55%
AUDNZD	1.0942	1.26%	-1.18%	2.36%
AUDGBP	0.5735	1.99%	2.72%	8.36%
AUDJPY	92.3150	2.20%	-2.26%	12.10%

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

**A hot CPI reading and optimism surrounding China's reopening lifted the Australian dollar to US\$ 0.71 last week.**

**Reasonable US GDP data and not-so-bad earnings helped the S&P 500 to break above significant technical barriers. The Tesla share price rose by more than +30%.**

**The Federal Reserve seems likely to push back this week, with rate rises also expected in the UK and the eurozone.**

## Australian Consumer Price Inflation



Source: Bloomberg, ABS, 29<sup>th</sup> January 2023

While China and Australia celebrated public holidays last week, there was plenty of data and earnings for investors to digest.

Australia provided last week's big surprise, with the quarterly CPI inflation hitting the highest rate since 1990, according to the ABS. The increase of +7.8% over the year was above the median forecast of +7.6% yoy. Significant price gains came from areas that are still supply-constrained, including domestic (+13.3%) and international (+7.6%) holiday travel and accommodation. Electricity (+8.6%) also saw significant gains as the WA household support ended. However, price rises were relatively broad-based, with the trimmed mean series also hitting +6.9%, compared to forecasts of +6.5%. Price momentum seems surprisingly strong.

The result was not too far from the RBA's November forecast of +8.0% for the end of 2022. However, the inflation forecasts due in February's Statement on Monetary Policy will shape rate expectations for the rest of 2023 and may lead to some volatility over the next couple of weeks. The market has now moved to price an 80% chance of a quarter-point rate rise in February, and has begun to raise the expected 2023 peak to just over 3.8%.

Higher rate expectations and optimism related to China reopening propelled the Australian dollar roughly +2% higher against all of the G4 currencies. Bond prices retraced as yields adjusted.

Despite a NAB business survey that showed a slowing in current conditions across the board, Australian equities and property made gains after finding support from higher global equity and property prices. Perpetual completed the acquisition of fellow Australian fund manager Pandal.

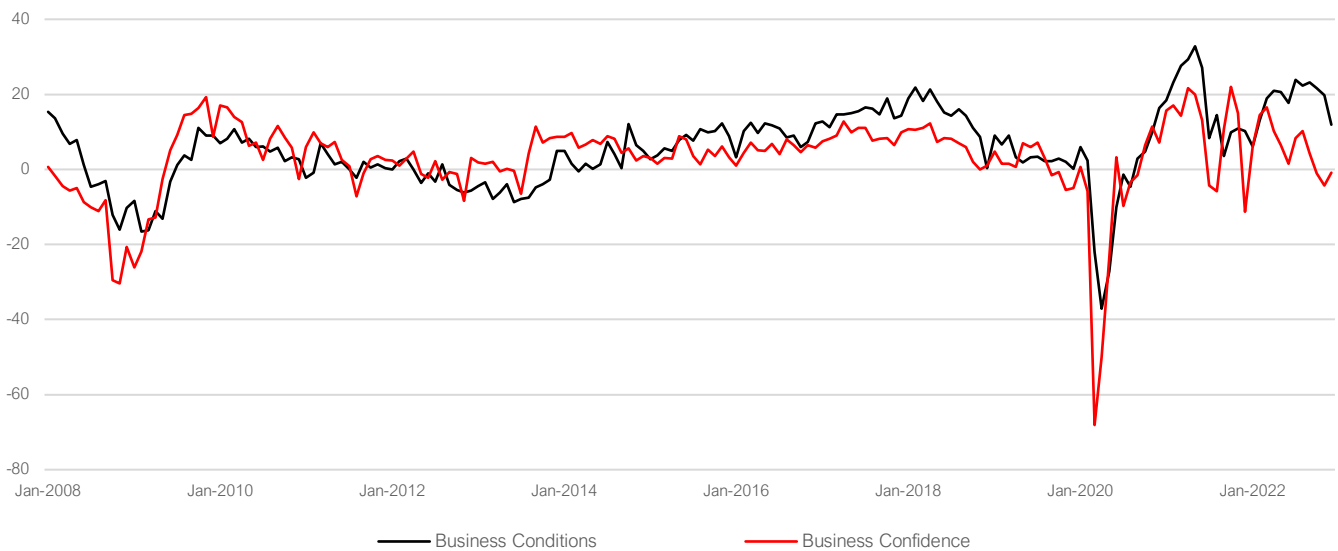
The headline US GDP first estimate also provided a positive surprise, recording an annualised +2.9% growth rate in the fourth quarter. However, excluding volatile items such as inventories, the report showed a gradual slowing in activity that has become visible across several data series.

The S&P Global Flash PMIs echoed the gradual slowdown and gave investors more confidence that growth is not falling off a cliff.

As the probability of a severe recession appears to be waning, equity indices have risen. Perhaps most significantly, the S&P 500 appears to have broken above the 200-day moving average and trendline resistance, although volumes remain relatively light, suggesting that conviction remains low.

Q4 earnings results are slightly negative for the S&P Global 1200 index (-2.14%) and S&P 500 index (-1.11%) so far. The outlook provided by management is hardly upbeat. But there is just enough in the reports to suggest that the outlook may be better than investors had feared. Energy giant Chevron announced a US\$ 75bn buy-back after a strong year for oil prices, and despite announcing job losses, Microsoft also unveiled a US\$ 10bn investment in ChatGPT owner, OpenAI. On the other hand, Google is being sued by the Justice Department for alleged monopoly abuse in online advertising. Tesla was the standout performer last week after results were presented, rising by +33% over the week.

## NAB Business Surveys



Source: Bloomberg, NAB, 29<sup>th</sup> January 2023

One of the main barriers to further gains is the determination of the Federal Reserve to tighten financial conditions. That generally would imply engineering a combination of a higher US dollar and lower bond and stock prices. Recent market moves have run against the grain of the Fed's policy intentions ahead of this week's FOMC meeting. The market expects the pace of interest rate rises to slow to +0.25% on Wednesday to 4.50%-4.75%. But Jerome Powell will be keen to press home a hawkish message to tighten financial conditions. As a result, a +0.50% can't be entirely ruled out. In any event, he is highly likely to stress the intention to raise rates further and to hold rates at a higher level for longer than the market is currently pricing.

The American labour report is due to follow on Friday, with headline unemployment expected to tick up to 3.6%

The ECB and the Bank of England will also meet on Thursday. The market is firmly pricing a +0.50% hike for the eurozone, taking the policy target rate to 2.5%, while investors are divided on whether the Bank of England will raise by +0.25% or +0.50%.

There will be updated eurozone inflation numbers this week, while several European countries will publish Q4 GDP estimates. Australian data will include retail sales and housing market data, while China will receive an update on industrial profits and the latest official and Caixin PMI surveys.

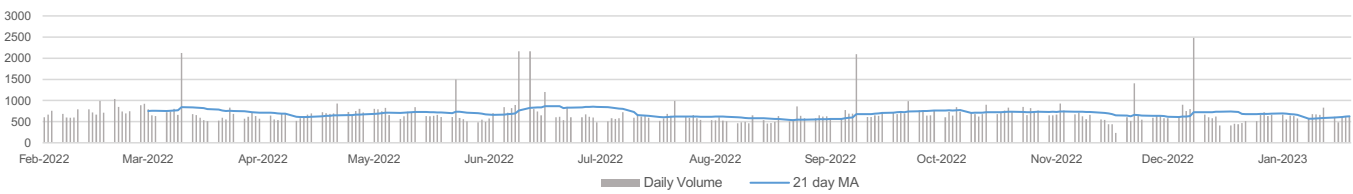
A very busy week on the reporting calendar in the US, the key results that we will be looking out for are:

Tuesday: Exxon Mobil, Caterpillar, Amgen, AMD

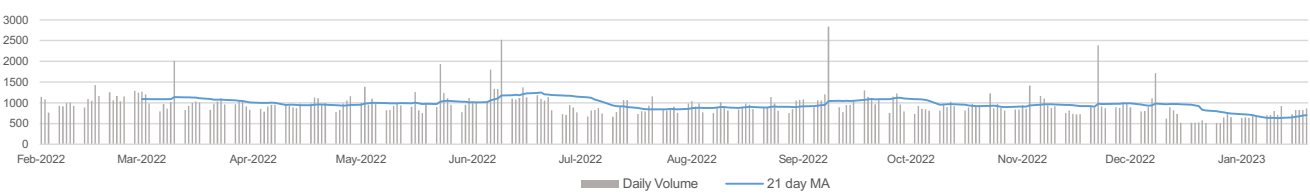
Wednesday: Meta

Thursday: Amazon, Apple, Alphabet, Qualcomm

### S&P500 Index



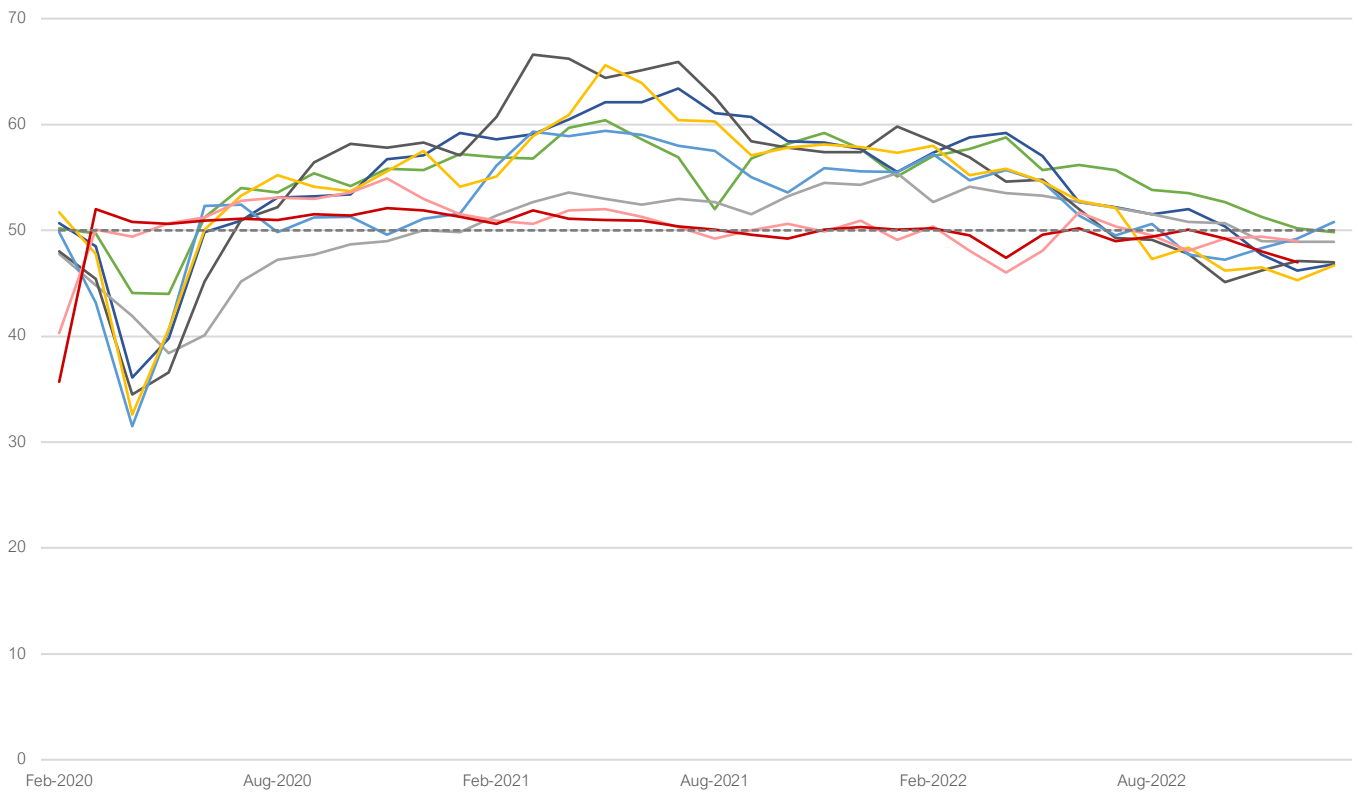
### S&P/ASX 300 Index



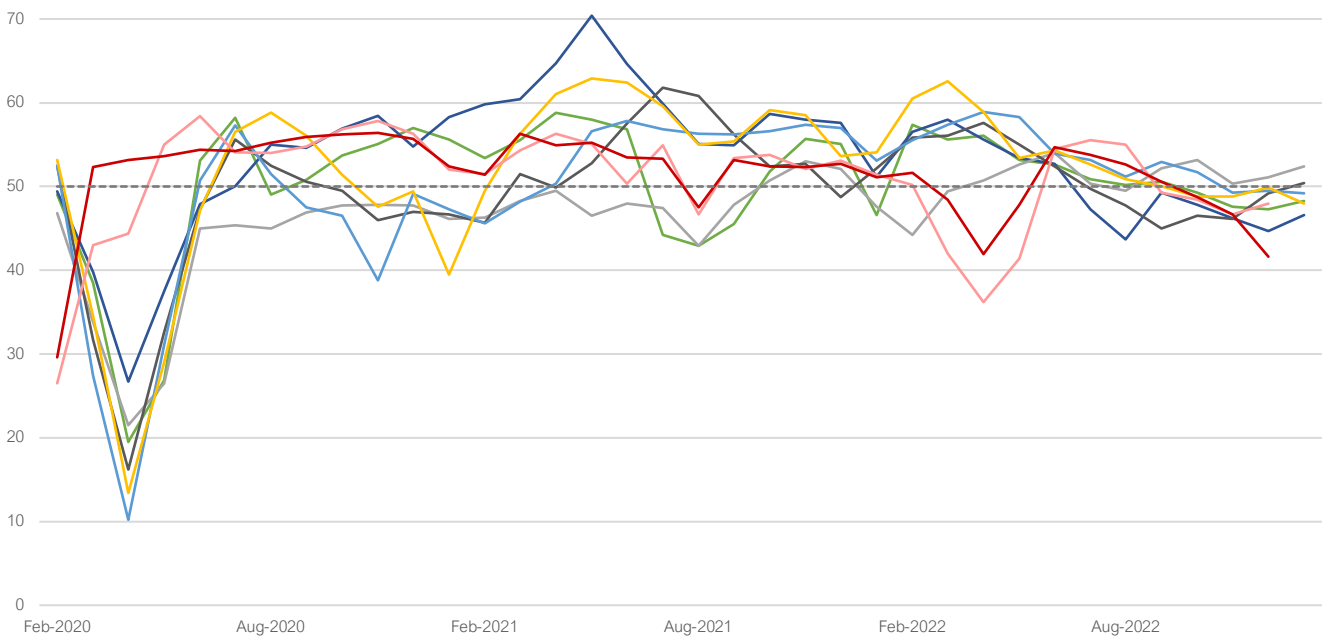
Source: Bloomberg, S&P Dow Jones, 29<sup>th</sup> January 2023



### Global Manufacturing PMI Surveys



### Global Services PMI Surveys



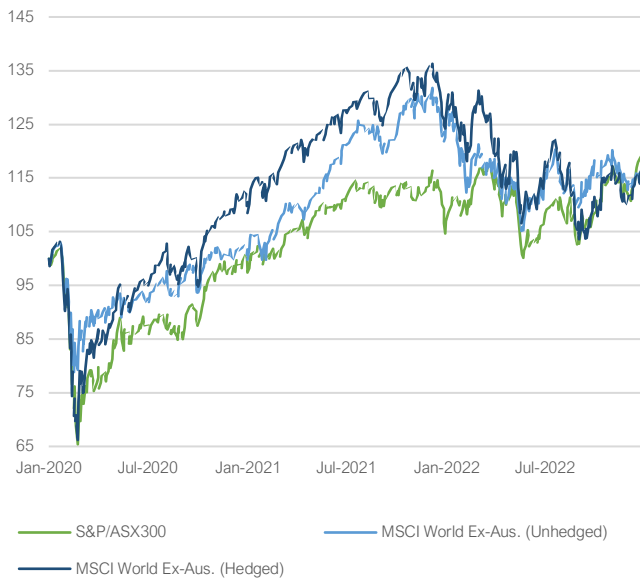
- Australia
  - Germany
  - China (Caixin)
- US
  - France
  - China (Official)
- Japan
  - UK
  - - - - - Expansion/Contraction

Source: Bloomberg, S&P Global, JPMorgan, Jibun, BME, CIPS, CFLP, Judo Bank, 29<sup>th</sup> January 2023

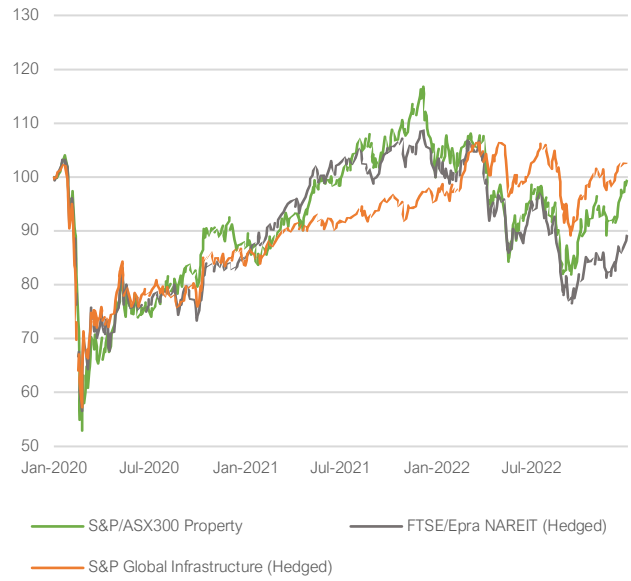
**Significant Upcoming Data:**

	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>Australia</b>		<b>Retail Sales; Private Sector Credit</b>	<b>CoreLogic House Prices;</b> Judo Bank Manuf. PMI (Final)	<b>Building Apps.; Private Sector Houses; NAB Q4 Bus. Conf.;</b>	<b>Home Loans</b> [Judo Bank Serv. & Comp PMI (Final)]
<b>US</b>	<b>Dallas Fed. Manuf. Activity</b>	<b>MNI Chicago PMI; Conf. Board Cons. Conf.; Employment Cost Index; Dallas Fed Serv. Activity;</b> S&P CoreLogic & FHFA House Prices	<b>FOMC Meeting; JOLTS Job Openings; ISM Manufacturing; ADP Employment;</b> Construction Spending; S&P Global Manuf. PMI (Final); MBA Mortgage Apps	<b>Durable Goods &amp; Factory Orders; Unit Labour Costs;</b> Challenger Job Cuts	<b>Labour Report; ISM Services;</b> S&P Global Serv. & Comp PMI (Final)
<b>Europe</b>	<b>EZ Cons. &amp; Econ. Conf.;</b> <b>German, Swedish, Belgian &amp; Irish Q4 GDP;</b> <b>Swiss KOF Leading Indic.;</b> Spanish CPI & Ret. Sales; Italian & Austrian PPI	<b>EZ, French, Italian &amp; Austrian GDP;</b> <b>German, Italian &amp; Danish Unempl.;</b> <b>German, Swiss &amp; Dutch Ret. Sales;</b> <b>UK Money Supply;</b> French CPI & PPI; Italian Hourly Wages; Spanish Curr. Acc.	<b>EZ, German, Italian &amp; Dutch CPI;</b> <b>EZ Unempl.;</b> Tier 2 S&P Global Manuf. PMIs; Italian Budget	<b>ECB &amp; BoE Meetings;</b> <b>German Trade;</b> <b>Spanish Unempl.;</b> French Budget; Swiss SECO Cons. Conf.; Italian New Car Reg.; Norwegian Ave. Monthly Earnings	<b>EZ PPI;</b> <b>French Ind. Prod.;</b> Norwegian Unempl.; Tier 2 S&P Global Serv. & Comp PMIs
<b>Japan</b>		<b>Retail Sales; Jobless Rate; Job-to-Applciant Ratio;</b> <b>Ind. Production;</b> <b>Cons. Conf.;</b> <b>Housing Starts</b>	Jibun Bank Manuf. PMI (Final)	<b>Monetary Base</b>	Jibun Bank Serv. & Comp PMI (Final)
<b>China</b>		<b>Official PMIs Industrial Profits;</b>	<b>Caixin Manuf. PMI</b>		<b>Caixin Serv. &amp; Comp. PMI</b>

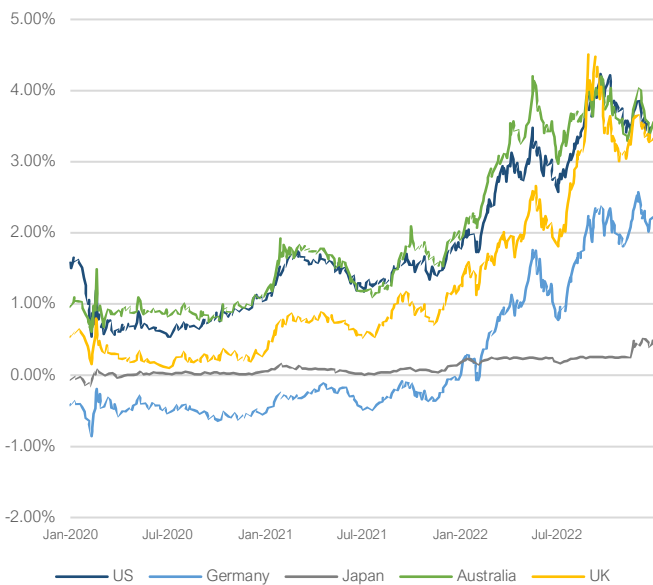
3Yr Equity Indices (Rebased to 100)



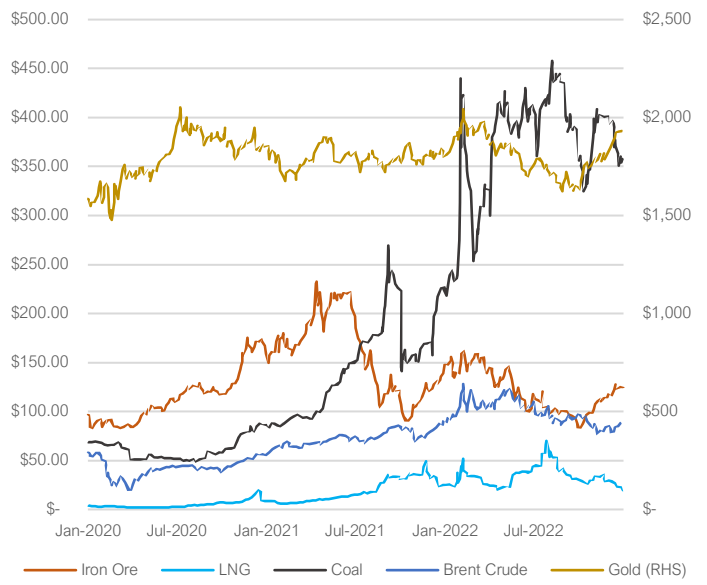
3Yr Prop. & Infrac. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 29<sup>th</sup> January 2023

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