



## WEEKLY UPDATE

1<sup>st</sup> MAY 2023

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	88,587	-0.70%	-1.31%	2.13%
MSCI World Ex-Aus. (Unhedged)	14,966	1.75%	8.87%	11.12%
MSCI World Ex-Aus. (Hedged)	2,346	0.54%	1.70%	1.47%
Bloomberg AusBond 0+ Composite	9,833	0.77%	2.13%	1.89%
Bloomberg Barclays Global Agg. (Hedged)	988	0.78%	0.36%	-2.28%
S&P/ASX300 Property	59,675	1.56%	-3.79%	-10.20%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,550	1.59%	-5.92%	-16.36%
S&P Global Infrastructure (Hedged)	6,122	0.58%	1.42%	0.91%
Bloomberg All Hedge Fund Index	2,045	N/A	3.67%	7.85%
VIX	15.8	-5.90%	-11.70%	-52.75%
Bloomberg Commodity Index (USD)	104.31	-1.20%	-4.77%	-19.44%
Iron Ore Index (62% Fe Aus. Off. China, USD)	105.50	-9.44%	-15.60%	-24.91%
LME Copper Spot (USD)	8,571.00	-2.78%	-8.29%	-12.65%
Coal 1st Future (Newcastle Export, USD)	185.15	-2.73%	-48.30%	-43.37%
Brent Crude 1st Future (USD)	80.33	-1.63%	-7.30%	-25.34%
LNG 1st Future (Japan/Korea)	11.55	-2.78%	-40.77%	-53.46%
Gold in AUD	3,008	1.52%	10.44%	12.70%
AUDUSD	0.6615	-1.15%	-6.30%	-6.79%
AUDEUR	0.6005	-1.40%	-8.36%	-12.56%
AUDNZD	1.0696	-1.89%	-2.03%	-2.24%
AUDGBP	0.5266	-2.15%	-8.55%	-8.20%
AUDJPY	90.1740	0.47%	-2.13%	-2.98%

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

**International equity markets advanced last week following the release of high-profile technology profits and despite the collapse of another regional American bank.**

**Bonds also made gains on lower Australian Q1 CPI inflation and slowing international growth. The ECB and Federal Reserve are both expected to raise rates this week, but the market anticipates that they may be at or close to the peak this cycle. The RBA is expected to hold rates at 3.6% tomorrow.**

**As usual, the first week of the month will include a large amount of data, with the US jobs report due out on Friday.**

## Australian Consumer Price Inflation



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

All asset classes except Australian shares made gains last week, although the Australian market is expected to erase the loss as futures indicate an open that is +0.70% higher later today. The Australian dollar weakened after the release of quarterly CPI data and a -9.4% drop in the price of iron ore.

International share indices rose as investors drew a somewhat rosy interpretation of earnings reports. S&P500 earnings are down -1.4%, with just over half of the index having reported. But this represents a relatively high positive surprise of nearly +7% above analyst expectations.

Microsoft beat EPS expectations by nearly +10%, as revenue and earnings grew compared to last year by +7.1% and +9.5%, respectively. The company's profit margin widened from 33.0% to 34.5%, and the share price rose by +7.5% over the week. However, there was some disappointing news on Friday as the UK competition authority blocked the takeover of Activision. As a result, the acquisition is now much less likely to proceed.

Meta Platforms, Inc. saw its share price rise by +12.9% as the company suggested that earnings may have bottomed, projecting a rise in advertising revenues in Q2.

In contrast, shares in Amazon.com were down -1.4% as the CFO reported a slower start to the quarter for the company's web services.

There was also further trouble in the banking sector as Californian regional lender First Republic Bank reported a -32% fall in profits compared to last year and said that deposits had fallen by as much as -40% in the first quarter, more than the market had expected. The share price plunged -75% as authorities attempt to work out a rescue plan. The FDIC asked bidders to submit final bids by yesterday.

On Friday, the Federal Reserve published a report on the collapse of Silicon Valley Bank, finding a "textbook case of mismanagement by the bank" regarding interest rate risk, oversight by senior management and the failure to act once problems were discovered. However, the report also found "weaknesses in regulation and supervision that must be addressed. Regulatory standards for SVB were too low, the supervision of SVB did not work with sufficient force and urgency, and contagion from the firm's failure posed systemic consequences not contemplated by the Federal Reserve's tailoring framework."

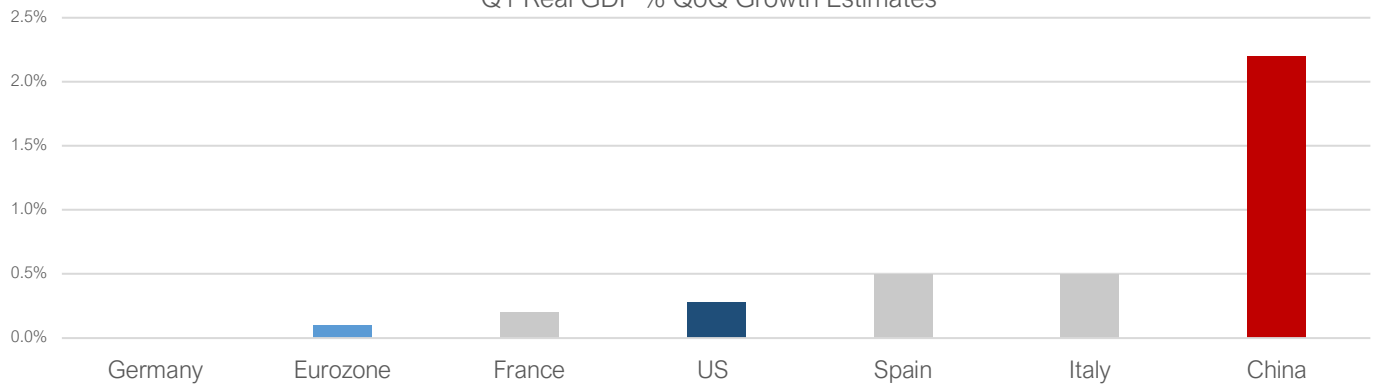
Australian yields fell last week, and bonds rallied. First-quarter CPI inflation was slightly ahead of expectations at +1.4% but lower than the previous quarter's +1.9% increase. It was also the lowest increase since December 2021, supporting the RBA's assessment that Australian inflation has peaked. The fact that annual increases in medical and education costs were a significant contributor suggests that inflation will slow further in the coming quarters, even though economic activity has improved. Pental's head of government bond strategies, Tim Hext, said in a note to clients: "The domestic economy is not really relenting. Goods prices continued their fall as supply chains returned largely back to normal. Tradables inflation was just 0.3% for the quarter. In short, goods inflation is almost flatlining, while services inflation is nearer to 6%. Given it's a one third-two thirds split, this leaves the medium-term inflation pulse nearer 4%. The RBA will be encouraged that inflation is falling. Their 4.75% forecast for 2023 looks too high and will likely be revised down in May."

# Australia Inflation Expected to Cool

## Last CPI print before the next RBA meeting



Q1 Real GDP % QoQ Growth Estimates



Source: Bloomberg, BEA, Eurostat, GFSO, INSEE, ISTAT, INE, NBSC, 29<sup>th</sup> April 2023

*This means no more rate hikes, with the fixed rate cliff doing the work on the domestic economy for the remainder of 2023.* The RBA is expected to keep rates at 3.6% this week and remain on hold for several months. The May forecasts will be published in the Statement on Monetary Policy on Friday.

# RBA Looks to be Done With Hike

## Market not pricing in any full hikes for rest of the year



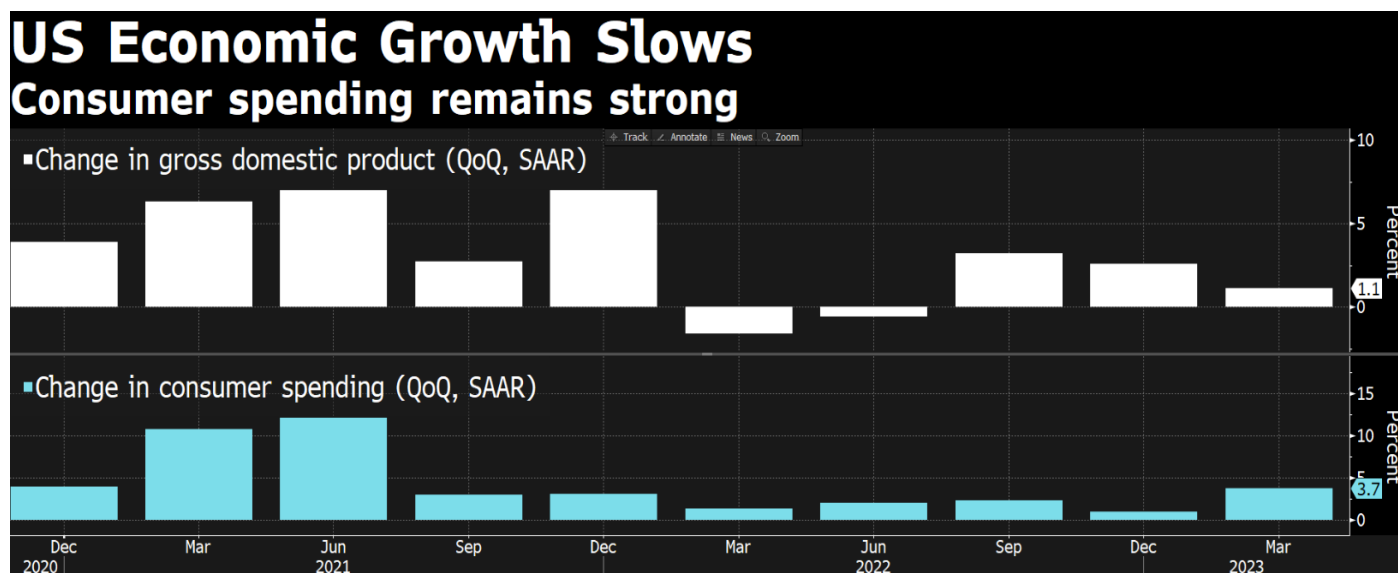
International bond indices also made gains leading up to major central bank meetings.

No immediate changes to monetary policy were announced after the Bank of Japan's Friday meeting, prompting a fall in the Japanese yen. Nevertheless, the Bank scrapped an important part of its forward guidance, dropping the previously included sentence that it *"expects short- and long-term policy interest rates to remain at their present or lower levels"*. Incoming governor Kazuo Ueda announced a broad policy review that will take place over the next 18 months. The Bank is tipped to begin normalising its yield curve control policy sometime soon. But the governor pushed back against market expectations, saying: *"we want to patiently and persistently continue with monetary easing for a short while longer."*

The ECB and Federal Reserve are expected to raise interest rates by a quarter point this week to 3.25% and to the 5.0%-5.25% range, respectively. The meetings follow the lacklustre GDP growth estimates for the first quarter released last week.

The Eurozone economy grew by just +0.1% in real terms as the largest economy, Germany, saw no growth at all. The Eurozone narrowly avoided a winter recession as Q4 growth was revised down from 0.0% to -0.1%. Headline CPI is expected to rise by +0.1% to +7.0% yoy, and core CPI is expected to fall by -0.1% to 5.6% yoy, when released tomorrow, two days before the ECB meeting.

American GDP grew by just +0.27% (+1.1% annualised) in real terms. The figure was below forecasts and painted a picture of slowing activity as government spending and auto purchases offset a significant drop in inventories.



Source: Bloomberg

At the same time, quarterly core PCE inflation was above estimates at +4.9%. The monthly core PCE figure released on Friday was slightly better at 4.6% yoy, in line with expectations. However, the figure is still some distance above the Fed's 2% target, a fact that is likely to be recalled in the Fed decision. The +0.25% increase in Fed Funds seems all but certain, but the market believes this will be the last rate hike of the cycle, with the Fed expected to cut by September. So far, the Fed has maintained that rates may need to rise by another quarter point and stay on hold until at least the end of the year. But last week's surprisingly strong Q1 Employment Cost Index (+1.2% qoq) and University of Michigan inflation expectations surveys suggest that there will be resistance to cutting rates too soon, even with Fed staff predicting a "mild recession" in 2023 last month.

The Chinese official PMI surveys were published yesterday. Non-manufacturing remained in clear expansion territory at 56.4, while the manufacturing sector revealed a mild contraction at 49.2, underlining the uneven nature of the post-lockdown recovery.

Besides the central bank meetings and despite May public holidays in several European and Asian countries, the new month kicks off with the usual full week of data. The ISM surveys, JOLTS and labour reports are due out in the US, where unemployment is expected to tick up to 3.6% on slightly lower April non-farm payrolls of +180k. There will also be updated Australian retail sales and trade figures and the Chinese Caixin PMI surveys.

## Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
<b>Australia</b>	<b>ANZ Indeed Job Ads.;</b> <b>CoreLogic House Prices;</b> Melbourne Institute Inflation; Judo Bank Manuf. PMI (Final)	<b>RBA Meeting;</b>	<b>Retail Sales;</b> Judo Bank Serv. & Comp. PMI (Final)	<b>Trade</b>	<b>RBA Statement on Monetary Policy;</b> Home Loans
<b>US</b>	<b>ISM Manuf. Survey;</b> Construction Spending; S&P Global Manuf. PMI (Final)	<b>JOLTS Job Openings;</b> <b>Durable Goods;</b> <b>Factory Orders;</b> [Wards Vehicle Sales]	<b>FOMC Rate Decision;</b> <b>ISM Serv. Survey;</b> <b>ADP Employment;</b> S&P Serv. & Comp. PMIs (Final); MBA Mortgage Apps	<b>Trade;</b> <b>Productivity &amp; Unit Labour Costs;</b> <b>Challenger Job Cuts;</b> Weekly Jobless Claims	<b>Labour Report;</b> Consumer Credit;
<b>Europe</b>	<b>Labour Day;</b> Danish PMI	<b>EZ, Italian, Dutch &amp; Austrian CPI;</b> <b>EZ M3 Money Supply;</b> <b>German Ret. Sales;</b> <b>Italian PPI &amp; Budget Balance;</b> <b>Swiss SECO Cons. Conf.;</b> <b>2<sup>nd</sup> Tier HCOB Manuf. PMIs;</b> UK Nationwide House Prices	<b>EZ, Belgian, Greek &amp; Italian Unempl.;</b> <b>French Budget Balance;</b> Italian New Car Reg.	<b>ECB Meeting;</b> <b>EZ PPI;</b> <b>Spanish &amp; Irish Unempl.;</b> <b>German &amp; Dutch Trade;</b> <b>2<sup>nd</sup> Tier HCOB Serv. &amp; Comp. PMIs;</b> <b>UK M4 Money Supply &amp; Cons. Credit;</b>	<b>German Factory Orders;</b> <b>EZ &amp; Italian Ret. Sales;</b> <b>Spanish, French &amp; Norwegian Ind. Prod.;</b> <b>Swiss CPI &amp; Unempl;</b> <b>French Wages;</b> UK & German Constr. PMIs;
<b>Japan</b>	<b>Cons. Conf.;</b> Jibun Bank Manuf. PMI (Final)	<b>Monetary Base</b>	<b>Constitution Memorial Day</b>	<b>Greenery Day</b>	<b>Children's Day</b>
<b>China</b>	<b>Labour Day</b> [Official PMIs]			<b>Caixin Manuf. PMI</b>	<b>Caixin Serv. &amp; Comp. PMIs</b>

## US corporate reporting calendar

**Monday, May 1** - Arista Networks (ANET), ON Semiconductor (ON), NXP Semiconductors (NXPI), MGM Resorts (MGM), Check Point Software (CHKP), and Global Payments (GPN)

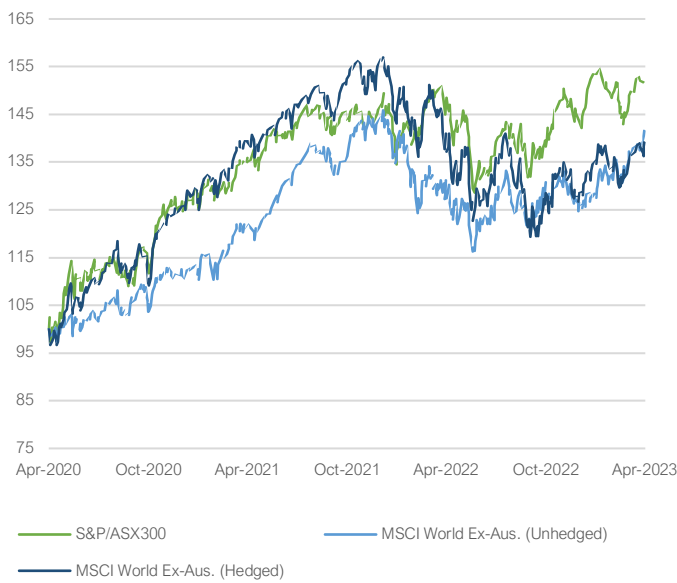
**Tuesday, May 2** - Pfizer (PFE), Starbucks (SBUX), Ford Motor (F), Marriott International (MAR), Uber Technologies (UBER), LendingTree (TREE), AMD (AMD), and Sprout Social (SPT)

**Wednesday, May 3** - Qualcomm (QCOM), CVS Health (CVS), Kraft Heinz (KHC), and MetLife (MET)

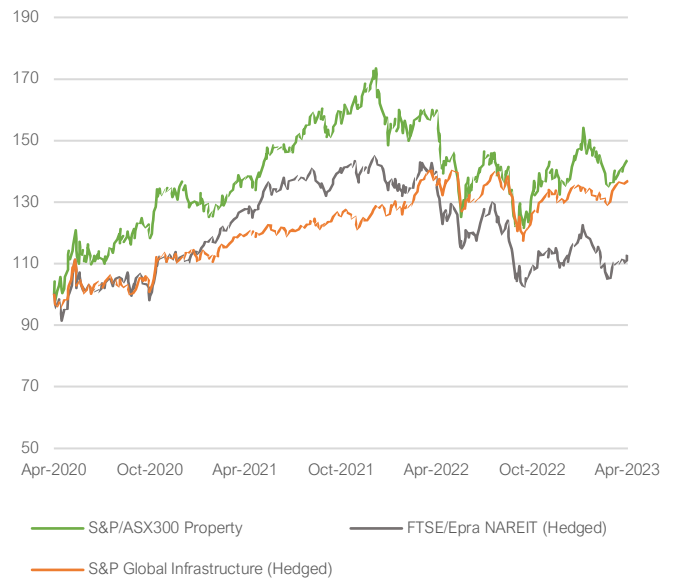
**Thursday, May 4** - Apple (AAPL), Anheuser-Busch InBev (BUD), Booking Holdings (BKNG), Shopify (SHOP), DraftKings (DKNG), and Fortinet (FTNT)

**Friday, May 5** - Enbridge (ENB), Cigna Group (CI), and CBOE Global Markets (CBOE), fubo TV (FUBO), and AMC Entertainment (AMC)

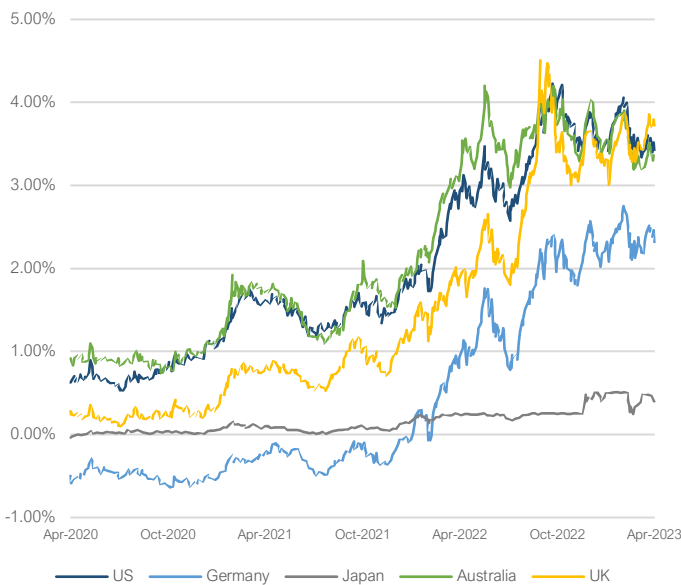
3Yr Equity Indices (Rebased to 100)



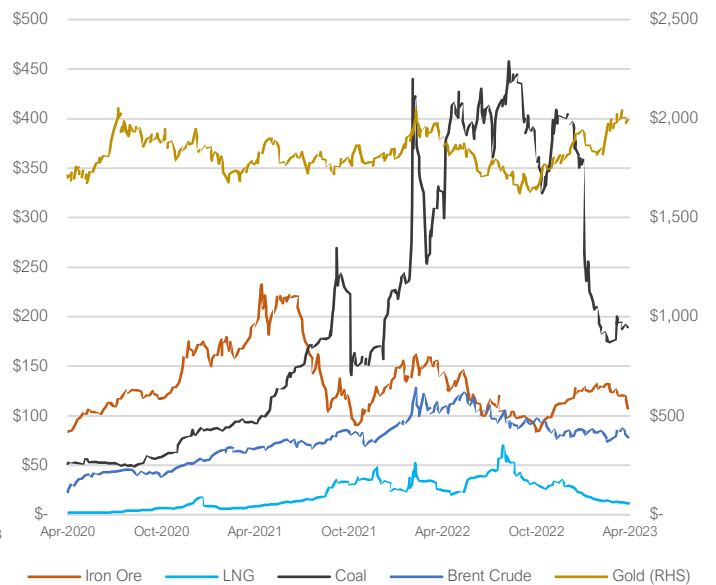
3Yr Prop. & Infr. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



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

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