



# MONTHLY REPORT

## Monthly Report

Our February monthly report is out now. See the global and Australian updates and trends.

# +1.1%

ASX performance

# -3.3%

US markets declined in the month, with the Dow Jones down -3.5% and S&P 500 down -3.1%



- **Long-dated US treasury yields** higher, with the 2-Yr yield at 1.44% and 10-Yr yield at 1.83%.
- **European markets.** European markets declined with the Stoxx Europe 600 Index down -3.4% and German DAX down -6.5%, as ECB forecast euro-area growth to remain subdued in 1Q22, and President Christine Lagarde no longer ruled out an interest-rate hike in 2022, agreeing a shift in policy guidance should materialize as soon as March with bond buying expected to end in 3Q22. The UK FTSE declined -0.1%.

## GLOBAL MARKET UPDATES

- **Asian markets.** Asian markets were mostly higher over the month, with the Shanghai Composite up +3%, as PBOC ramped up its short and medium-term liquidity injection in the banking system and China's Politburo vowed to strengthen macroeconomic policies to stabilize the economy this year. Nikkei was down -1.8% and KOSPI gained +1.4%.
- **Commodities.** Over the month, WTI oil price gained +10.7%, as sentiment buoyed by fears of sanctions on Russian oil and OPEC's prediction that recovery in global oil demand could surpass its forecasts this year and grow by more than the 4.2m barrels a day, was partially offset by news of U.S. and its allies confirming release of about 60m barrels of crude from emergency stockpiles, OPEC+ ratifying the 400k barrel-a-day production increase scheduled for April, and EU and Russian diplomats agreeing that negotiations over Iran's nuclear program have reached the endgame. Iron ore prices declined -7.2% whilst spot gold gained +6.2%.

## IN POLITICAL NEWS

- Geopolitical tensions flared up after Russia started invading Ukraine and Putin setting his nuclear arsenal on a "special regime of high alert combat duty", leading to U.S. and allies announcing a new tranche of sanctions on Russia, including targeting Russia's sale of sovereign debt abroad, an asset freeze on major banks and cutting off various Russian banks from the critical SWIFT financial messaging system.

## ON STOCK SPECIFIC NEWS (WHICH CAUSED SIGNIFICANT INTRADAY MOVES DURING THE MONTH):

- **Appen Ltd (APX)** - slumped -28.7%, after FY21 net income declined -20% y/y.
- **Beach Energy Ltd (BPT)** - gained +9.4%, after reporting +66% y/y increase in 1H22 net income and reaffirming FY22 production forecast of 21-23 MMboe.
- **Block Inc (SQ2)** - surged +32.5%, after 4Q21 net revenue increased +29% y/y.
- **CIMIC Group Ltd (CIM)** - surged +33.4%, after advising shareholders not to take any action on a takeover proposal from Hochtief Australia.
- **Megaport Ltd (MP1)** - gained +7.6%, after 1H22 net loss declined -47% y/y.

## IN ECONOMIC NEWS

- **Australian RBA decision.** RBA kept its cash rate at a record low 0.1%, while highlighting Ukraine war risks to outlook, however, upgraded its inflation (now sees core inflation breaching 3% for the first time since 2010, before settling around 2.75% through to mid-2024) and employment (the unemployment rate expected to fall to below 4% later in the year and to be around 3.75% at the end of 2023) outlook, while still seeing wage pressures building only gradually with wage price index only expected to advance to 2.75% in 2022, then edge up to 3% over 2023.
- **U.S.** Fed Chair Jerome Powell said the U.S. economy is expanding with enough force to withstand rate hikes, noting he's inclined to back a 25bps hike in March and is open to "series of rate increases" in 2022, despite research by Fed showing maximum employment in the U.S. will remain out of reach for now, as two key U.S. labor-market metrics, the labor-force participation rate and the employment-to-population ratio, may take until 2024 to recover to their pre-pandemic growth trend, as aging population continues to keep both series well below trend.
- **US** manufacturing and business activity advanced in February and consumer sentiment improved but held at a decade-low as inflation concerns remained elevated. with consumers now expecting an inflation rate of 5% over the next year, up from last month's reading of 4.9% and the highest since 2008.
- **Asia.** Manufacturing activity advanced in Southeast Asia in February, with manufacturing PMI of China, Vietnam and Malaysia improving from prior month, Thailand's index rising to a record, and Philippines rebounding to highest in three years.
- **Australia.** Private sector output and demand expanded to an eight-month high in February as a receding coronavirus wave helped lift demand, however, inflation rose +3.5% yoy in the month, the largest yearly increase since April 2011, driven by rising prices in private motoring and new dwellings, which increased +2.2% yoy and +1.1% yoy, respectively.
- **Europe.** ECB kept deposit rate unchanged at -0.5%, however, EU downgraded euro-area GDP forecast for 2022 by -30bps to +4% and upgraded 2023 forecast by +30bps to 2.7%, predicting that all member-states will have reached pre-pandemic levels of GDP by the end of 2022, while upgrading CPI forecast for 2022 by +130bps to 3.5% and 2023 forecast by +30bps to 1.3%, below ECB's 2% target.
- **U.K.** BOE raised its key interest rate by +25bps to 0.5% and signalled it would start running down bond holdings, in a bid to contain the fastest inflation in three decades, predicting inflation will peak at 7.25% in April vs prior forecast of 6%, more than triple the BOE's 2% target, with Chancellor of the Exchequer Rishi Sunak also announcing a GBP 9bn program to help consumers shoulder rising energy bills. The U.K. economy expanded at the fastest pace since World War II in 2021 after suffering a milder hit than expected in December, with +7.5% GDP expansion, the largest since 1941, making Britain the fastest-growing advanced economy in 2021.
- **India.** RBI stuck to its dovish tone to ensure an economic recovery in a surprise move, predicting GDP growth slowing to 7.8% in FY22 from a world-beating 9.2% estimated by the government and lowering the inflation outlook to 4.5% for FY23 from 5.3% in FY22.

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