

MONTHLY REPORT

Monthly Report

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

-3.0%

ASX performance

+0.04%

US markets were mostly flat,
with the Dow Jones up +0.04%
and S&P500 up +0.01%



- **US markets.** US markets were mostly flat, with the Dow Jones up +0.04% and S&P500 up +0.01%, as growth stocks remained under pressure after Fed delivered the biggest hike in interest rates since 2000, increasing benchmark rate by +50bps to 0.75-1%, and announced it would allow its holdings of Treasuries and mortgage-backed securities to decline in June at an initial combined monthly pace of \$47.5bn, stepping up over three months to \$95bn, while revising up inflation forecasts, predicting PCE price inflation of +4.3% in 2022, +2.5% in 2023 and +2.1% in 2024.
- **US treasury** were lower, with the 2-Yr yield at 2.56% and 10-Yr yield at 2.84%.

GLOBAL MARKET UPDATES

- **European markets.** European markets were mostly higher with the Stoxx Europe 600 Index down -1.6%, UK FTSE up +0.8% and German DAX up +2.1%.
- **Asian markets.** Asian markets were mostly higher, with the Shanghai Composite up +4.6%, as China vowed to ease its regulatory crackdown and rolled back some strict pandemic-triggered restrictions after Covid-19 cases in Shanghai and Beijing continued to decline. Nikkei was up +1.6% after Japan's cabinet approved a 2.7 trillion-yen additional budget to help households and firms hit by higher prices, and Kospi declined -0.3%.
- **Commodities.** WTI oil price gained +11.4%, as EU leaders agreed to pursue a partial ban on Russian oil, forbidding the purchase of crude oil and petroleum products from Russia delivered to member states by sea but including a temporary exemption for pipeline crude, U.S. announced a plan to begin purchasing oil to refill the nation's emergency reserve and investors cast doubt on OPEC's ability to deliver scheduled hike as most members struggle with capacity constraints with oil ministers of Saudi Arabia and the UAE warning that spare capacity is decreasing in all energy sectors as producers slash investment.

IN POLITICAL NEWS

- Anthony Albanese became Australia's new Prime Minister following Labor party's election victory.

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

- **Appen Ltd (APX)** - slumped -20.9%, after announcing TELUS International has revoked their indicative proposal of A\$9.50 per share.
- **ARB Corp Ltd (ARB)** - slumped -11.2%, after flagging staff shortages and cost pressures.
- **Imugene Ltd (IMU)** - surged +17.6%, after announcing an update on the phase 1 clinical trial of its novel cancer-killing virus, CF33-hNIS.
- **Tabcorp Holdings Ltd (TAH)** - slumped -80.2%, the most on record, as its spinoff The Lottery Corporation (TLC) started trading on ASX.
- **Xero Ltd (XRO)** - slumped -11.6%, after reporting FY22 net loss of NZ\$9.11m.

IN ECONOMIC NEWS

- **Australian RBA decision.** RBA increased its official cash rate by +25bps to 0.35% with its quarterly monetary policy statement revealing RBA will need to raise interest rates further as unemployment is forecast to drop to the lowest level since 1974, fuelling wages growth and underpinning inflation, predicting both headline and core inflation remaining above the central bank's 2-3% target through this year and next before easing to 2.9% at the end of the forecast period in June 2024, with the cash rate assumed to be 1.75% in 4Q22 and 2.5% at the end of 2023.
- **U.S.** The Congressional Budget Office predicted the U.S. federal budget deficit will shrink dramatically in 2022 to an estimated \$1 trillion due to a surge in tax revenue and the expiration of pandemic-related aid programs, with the shortfall further narrowing to \$984bn in fiscal 2023. US manufacturing activity unexpectedly advanced in May as new orders and output growth quickened, however, US consumer sentiment deteriorated further in May to a fresh decade low with a gauge of current conditions dropping to the lowest in 13 years amid escalating concerns over inflation.
- **China.** PBOC cut a key interest rate for long-term loans by a record amount, cutting the 5-year LPR, a reference for home mortgages, by -15bps to 4.45%, while keeping the 1-year LPR, the de facto benchmark lending rate, unchanged at 3.7%, and Beijing ordered state-owned policy banks to set up an 800bn yuan line of credit for infrastructure projects.
- **Australia.** The economy expanded faster than forecast in 1Q22 with GDP advancing +0.8% qoq, taking the annual pace to +3.3%, outpacing the pre-pandemic average of +2%. Business investment in 1Q22 fell -0.3% qoq to A\$33.6bn with contraction in buildings and structures, mining and non-mining, partially offset by increase in equipment and machinery, however, ABS upgraded its outlook with firms intend to invest A\$130.5bn in the 12 months through June 2023, +11.8% higher than the previous estimate. Wages advanced at less than half the pace of consumer-price gains in 1Q22.
- **Europe.** European Commission downgraded its GDP growth forecasts for 2022 by -130bps to 2.7% and for 2023 by -40bps to 2.3% while upgrading inflation forecast for 2022 by +260bps to 6.1% and for 2023 by +100bps to 2.7%, which saw ECB President Christine Lagarde announcing the regulator is likely to start raising interest rates in July and exit sub-zero territory by the end of September. Euro-zone inflation accelerated to an all-time high in May with CPI increasing +8.1% yoy driven by food and energy costs.
- **U.K.** BOE hiked interest rates by +25bps to 1%, highest level since the GFC and issued a gloomy outlook, warning Britain to brace for double-digit inflation and a prolonged period of stagnation or even recession, predicting GDP to collapse by close to 1% in 4Q22, annual GDP to shrink by 0.25% in 2023 and economy continuing to stagnate in 2024, when growth is a feeble 0.25%, and inflation climbing above 10% in October 2022 leading to households facing a 1.75% drop in real disposable income this year, the second-biggest fall since 1964, leading to Chancellor of the Exchequer Rishi Sunak announcing around £15bn of additional aid for households to see them through a painful spike in energy bills this year, while also announcing to impose a 25% windfall tax on the profits of oil and gas companies.
- **India.** RBI increased repurchase rate by +40bps to 4.40% in an unscheduled decision and moved to drain 870bn rupee of liquidity from the banking system by increasing the cash reserve ratio by +50bps to 4.5% and the government unveiled inflation-fighting fiscal measures estimated to cost \$26bn that includes lower fuel taxes and import levies.

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