SUPER NETWORK

TAILORED INVESTMENT ADVICE

# MONTHLY REPORT

## AUGUST

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## Monthly Report

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

**-1.4%**

ASX performance

**-2.4%**

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• **US markets.** US markets were lower in the month, with the Dow Jones down -2.4% and S&P500 down -1.8%, Fitch downgraded the US credit rating to AA+ from AAA, citing "repeated debt limit standoffs," expected fiscal deterioration over the next three years and little progress in tackling rising social security and Medicare costs, followed by both Moody's Investors Service and S&P Global Ratings downgrading some small and midsize American banks. • Long-dated US treasury yields were mixed, with the 2-Yr yield lower at 4.86% and 10-Yr yield higher at 4.11%.

## GLOBAL MARKET UPDATES

. **European markets** were weak with the Stoxx Europe 600 Index down -2.8% and German DAX down -3.1%, after ECB President Christine Lagarde warned the bank will set borrowing costs as high as needed and leave them there for as long as it takes to bring inflation back to its goal and ECB Vice President Luis de Guindos warned new forecasts will show that the ECB's inflation outlook hasn't changed much over the summer, even though prospects for the economy worsened. The UK FTSE declined -3.4%, as BOE Chief Economist Huw Pill warned that a surge in food or natural gas prices could force policy makers to react if it shifted the outlook for UK inflation substantially while stressing prices in UK supermarkets may never fall back from their painfully high levels despite the plunge in international commodity markets.

• **Asian markets.** Asian markets were lower over the month, with the Shanghai Composite down -5.2%, amid renewed concerns about China's property sector with China Evergrande filing for bankruptcy protection in the U.S and China's state-owned property developers warning of widespread losses, missed payments by one of the nation's largest private wealth managers on multiple high-yield investment products, unprecedented losses at China-focused hedge funds and the threat of deflation. Nikkei declined -1.7%, as Japanese government highlighted progress toward stamping out deflation after battling it for a quarter century, raising concerns that BOJ is close to exiting its current policy framework and raising its negative interest rate. KOSPI declined -2.9%.

• **Commodities.** Over the month, WTI oil price gained +2.8% to US$83.63/bbl, as Saudi Arabia prolonged its unilateral production cut of 1m barrels a day by another month and hinted that deeper reductions may be on the way, leading to OPEC forecasting global oil markets remaining on track for a sharp supply deficit of more than 2m barrels a day in 3Q23.

## IN POLITICAL NEWS

• China-Taiwan continued to simmer with Taiwan's Ministry of National Defence reporting renewed Chinese military activity crossing sensitive median line of Taiwan Strait. • German Chancellor Olaf Scholz's ruling coalition resolved its latest dispute, sealing a deal that unblocks €6.5bn in corporate tax relief as well as €2.4bn in additional child benefits from 2025.

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

• **Altium Ltd (ALU)** - surged +26.7%, after forecasting FY24 revenue of $315- 325m and underlying EBITDA margin of 35-37%.

• **Chalice Mining Ltd (CHN)** - slumped -39.6%, after releasing a scoping study for its Gonneville project and announcing it could cost up to A$2.3bn to develop a mine.

• **GUD Holdings Ltd (GUD)** - gained +21.8%, after signing a sale and purchase agreement to divest Davey to Waterco for a total EV of A$64.9m.

## ON STOCK SPECIFIC NEWS (CONT.):

• **IRESS Ltd (IRE)** - slumped -38.3%, after reporting -14% y/y decline in 1H23 segment profit and scrapping interim dividend.
• **Megaport Ltd (MP1)** - gained +18.0%, after upgrading FY24 EBITDA growth outlook to +152-182% y/y.
• **Premier Investments Ltd (PMV)** - gained +16.1%, after announcing CEO Richard Murray has resigned and the company will undergo an operating review, with potential segment spin offs.
• **Sayona Mining Ltd (SYA)** - declined -24.1%, after announcing CEO Brett Lynch has resigned for personal reasons and will depart with immediate effect.
• **WiseTech Global Ltd (WTC)** - declined -19.0%, after forecasting FY24 EBITDA of A$455-490m vs consensus estimate of A$542.6m.

## IN ECONOMIC NEWS

• **Australian RBA decision.** RBA left the cash rate unchanged at 4.1%, however, RBA Governor Philip Lowe warned some further monetary policy tightening will be required as the bank revised down its estimates for economic growth, downgrading 2023 GDP forecast by -25bps to 1% as cost-of-living pressures and the rise in interest rates continue to weigh on domestic demand, while maintaining 2024 and 2025 forecast of +1.75% and +2.25%, respectively, and now sees inflation returning inside its 2-3% target at the end of 2025 with 2023 CPI forecast of 4.25% (down -25bps with core CPI of 4%), 2024 forecast of 3.25% (core CPI of 3%) and 2025 forecast of 2.75% (core CPI of 2.75%), suggesting interest rates may remain elevated for longer.
• **U.S.** Minutes from Fed's last policy meeting revealed Fed officials largely remained concerned that inflation would fail to recede and suggested they may continue raising interest rates with Fed Chair Jerome Powell saying officials "will proceed carefully" on whether to raise interest rates again, while signalling policy will remain tighter for longer. GDP growth for 2Q23 was revised -30bps lower to +2.1% annualized q/q, as more moderate business investment than initially reported outweighed stronger consumer spending which grew +1.7% q/q. Employment picked up in August with nonfarm payrolls rising by 187k which combined with higher participation rate saw unemployment rate increase by +30bps to 3.8%, the highest since early 2022, however, wage growth slowed. Consumer sentiment retreated in August from an almost two-year high in July, as 1-year inflation expectations picked up +10bps MoM to a three-month high of 3.5% as gasoline prices increased, while 5-10-year expectations remained steady at 3%. Factory activity shrank less in August than a month earlier, helped by an increase in the production index to a three-month high as well as improvements in measures of employment and supplier deliveries, in a hopeful sign that the malaise in manufacturing is no longer deepening.
• **China.** Manufacturing contraction eased slightly in August and a gauge of new orders improved, however, services activity weakened to lowest since December. Direct investment liabilities, a gauge of foreign direct investment in China, slumped -87% y/y in 2Q23 to a 25-year low of $4.9bn, the smallest amount in any quarter in data back to 1998. The country continued to roll-out measures to boost economic growth with PBOC reducing its key policy interest rates, lowering the rate on its one-year loans (medium-term lending facility) by -15bps to 2.5% and cutting seven-day reverse repurchase rate, a short-term policy rate, by -10bps to 1.8%.

## IN ECONOMIC NEWS (CONT.)

• **Australia.** Business investment rose more than expected in 2Q23, rising +2.8% q/q. Salaries grew at a much slower pace than inflation in 2Q23 with the wage price index rising +3.6% y/y, suggesting the economy will avoid a wage-price spiral. Consumer confidence slipped further into "deeply pessimistic" territory in August despite consumer inflation expectations over next 12-months declining -30bps MoM to 4.9%.

• **Europe.** Contraction of private-sector activity in the euro area intensified in August with services activity shrinking for the first time since end-2022 and industrial sector continuing its downturn. Euro-area inflation stopped slowing in August with CPI rising +5.3% y/y.

• **U.K.** BOE raised interest rates by +25bps to a new 15-year high of 5.25%, warning that its fight against inflation may require tighter borrowing conditions for an extended period, as the bank reduced its growth forecast over the next two years, anticipating GDP growth of +0.5% in both 2023 and 2024 and +0.25% in 2025, while raising its outlook for inflation over the medium term. Economy delivered its strongest quarterly growth in more than a year in 2Q23 with GDP rising +0.2% q/q, the biggest increase since the start of 2022. Wage growth accelerated at the strongest pace on record with average pay excluding bonuses rising +7.8% y/y in 2Q23.

• **Japan.** GDP grew at an annualized pace of 6% in 2Q23, marking the strongest growth since 4Q20, as a surge in exports more than offset weaker-than-expected results for both business investment and private consumption. Japan's businesses cut spending for the first time in five quarters with capex excluding software falling -1.6% q/q in 2Q23. Demand in Japan's economy outstripped supply for the first time in nearly four years in 2Q23 with the output gap rising +0.4%, a signal that the nation is getting closer to achieving the lasting inflation sought by its central bank.

• **India.** RBI left its benchmark repurchase rate unchanged at 6.50% while announcing a temporary measure to take out surplus liquidity from the banking system, ordering lenders to set aside 10% of their incremental deposits garnered between May 19 and July 28 as it raised its 2023 inflation forecast by +30bps to 5.4% due to an increase in food prices. GDP rose +7.8% y/y in 2Q23, driven by strong services growth and a modest pickup in manufacturing despite still-high interest rates.

• **Germany.** Economic growth stagnated in 2Q23, weighed down by trade, leading to Bundesbank warning the German economy continues to be in a weak phase and will probably stagnate again in 3Q23 as high interest rates and weak global demand weigh on manufacturing.

• **South Korea.** BOK kept its seven-day repurchase rate at 3.5% while reiterating a pledge to stay restrictive for "a considerable time" as the bank raised 2023 core CPI forecast by +10bps to 3.4% and maintained 2023 GDP growth forecast at 1.4% while cutting 2024 GDP growth forecast by -10bps to 2.2%. Exports fell at a more moderate pace in August, declining -8.4% y/y, offering signs of improvement in demand for semiconductors, which combined with -22.8% y/y decline in imports, resulted in a trade surplus of $870m.