

MONTHLY REPORT

Monthly Report

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

+2.9%

ASX performance

+3.4%

US markets were lower in the month, with the Dow Jones down -2.4% and S&P500 down -1.8%



- **Long-dated US treasury yields** were mixed, with the 2-Yr yield lower at 4.88% and 10-Yr yield higher at 3.96%.
- **European markets.** European markets were higher with the Stoxx Europe 600 Index up +2.0%, UK FTSE up +2.2% and German DAX up +1.9%.
- **Asian markets.** Asian markets were mostly higher, with the Shanghai Composite up +2.8%, as China's top leaders signalled more support for the troubled real estate sector alongside pledges to boost consumption and resolve local government debt with ruling Communist Party's Politburo laying out a pro-growth tone at its key economic meeting. The Nikkei was down -0.1% and KOSPI gained +2.7%.

GLOBAL MARKET UPDATES

- **Commodities.** Over the month, WTI oil price gained +15.6% to US\$81.8/bbl, as EIA forecast the world will consume more oil than it produces in 2023 with a small drop in oil production from OPEC+ alliances and those outside of them trimming global supply to 101.1m barrels a day, just short of demand.

IN POLITICAL NEWS

- Concerns over potential escalation of China-Taiwan war resurfaced as Chinese warplanes made biggest Taiwan incursion in 3-months and Chinese President Xi Jinping asked the military command that oversees the Taiwan Strait to strengthen drills and boost its capacity to win wars leading to the U.S. announcing \$345m military aid package for the country.

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

- **Beach Energy Ltd (BPT)** - gained 19.6%, after reporting +11% q/q increase in 4Q23 production to 5 mmboe.
- **Core Lithium Ltd (CXO)** - slumped -28.9%, after forecasting lower FY24 output due to lower recoveries.
- **Costa Group Holdings Ltd (CGC)** - gained +21.7%, after receiving a A\$1.4bn takeover proposal from U.S. private equity firm Paine Schwartz Partners LLC.
- **Megaport Ltd (MP1)** - surged +41.3%, after reporting +16% q/q increase in 4Q23 revenue to A\$44.3m and forecasting to be net cash positive for FY24.
- **Monadelphous Group Ltd (MND)** - gained +16.2%, after securing a major construction contract with Albemarle valued at ~A\$200m.
- **Syrah Resources Ltd (SYR)** - declined -22.7%, after reporting -63% q/q decline in 2Q23 Balama graphite production to 15,000 tons.
- **Virgin Money UK Plc (VUK)** - gained +20.7%, after passing the BOE's latest stress test.

IN ECONOMIC NEWS

- **Australian RBA decision.** RBA kept its key interest rate unchanged at 4.1% in both July and August policy meetings, following a cooling of inflation pressures and weaker household spending, while keeping the door open to future hikes, as the bank forecast inflation easing to around 3.25% by the end of 2024 and falling back to within the target in late 2025, GDP growing at 1.75% over 2024 and unemployment rising to 4.5% by late next year.
- **Global growth outlook.** The IMF upgraded 2023 world GDP growth outlook by +20bps to +3% (advanced economies up +20bps to +1.5% with U.S. up +20bps to +1.8%, euro area up +10bps to +0.9%, U.K. up +70bps to +0.4% and Japan up +10bps to +1.4%, and EM/developing economies up +10bps to +4% with China unchanged at +5.2% and India up +20bps to +6.1%), while maintaining 2024 forecast of +3% (advanced economies unchanged at +1.4% with U.S. down -10bps to +1%, euro area up +10bps to +1.5%, and both U.K. and Japan unchanged at +1%, and EM/developing economies down -10bps to +4.1% with China unchanged at +4.5% and India unchanged at +6.3%) as it downgraded 2023 world CPI growth outlook by -20bps to +6.8% (advanced economies unchanged at +4.7% and EM/developing economies down -30bps to +8.3%) while upgrading 2024 world CPI growth outlook by +30bps to +5.2% (advanced economies up +20bps to +2.8% and EM/developing economies up +30bps to +6.8%).
- **U.S.** The Fed raised interest rates by +25bps to 5.25-5.5%, the highest level since 2001, and Chair Jerome Powell said additional increases will depend on incoming data while announcing the Fed is no longer forecasting a recession as it upgraded its description of economic growth to "moderate" from "modest." U.S. consumer confidence advanced in July to a two-year high with a gauge of current conditions improving to the strongest level since March 2020, a measure of expectations, which reflects consumers' 6-month outlook advancing to the highest since the start of last year and a gauge of expected inflation ticking down with consumers expecting prices to climb at an annual rate of 3.4% over the next year and seeing costs rising 3% over the next 5-to-10 years. According to Fed's Beige Book survey, the US economy showed an overall increase in activity since late May, though most regions expect the pace of expansion to weaken. U.S. factory activity contracted in July for a ninth-straight month, however, measures of new orders and production improved with the former rebounding to a nine-month high, even though both remained in contractionary territory, meanwhile a gauge of exports fell to its lowest level this year as outbound shipments of US goods continued to decline. White House maintained US 2023 real GDP growth forecast of +0.4% while downgrading 2024 estimate by -30bps to +1.8% as it upgraded both 2023 and 2024 CPI outlook by +30bps and +20bps to 3.3% and 2.5%, respectively while downgrading 2023 and 2024 unemployment rate by -50bps and -20bps to 3.8% and 4.4%, respectively. 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, while upgrading the outlook to stable from watch negative, leading to Janet Yellen criticizing the decision as "arbitrary" and "outdated."
- **China.** Economic recovery lost momentum in 2Q23 with GDP growing +6.3% y/y (+0.8% q/q) with economic activity losing more steam in July with manufacturing contracting again, the services sector weakening and home sales tumbling -33.1%, the most in a year.

IN ECONOMIC NEWS (CONT.)

- **Australia.** Inflation rate slowed more than expected in 2Q23 with CPI advancing +6% y/y (+0.8% q/q). Consumer confidence edged up MoM in July while still remaining in “deeply pessimistic” territory.
- **Europe.** ECB raised interest rates by +25bps to 3.75%, while keeping options open for the next meeting, however, reassuring investors that policymakers are nearing the end of their cycle of monetary tightening as ECB President Christine Lagarde announced the near-term economic outlook for the euro area has deteriorated owing largely to weaker domestic demand. Euro-area economy returned to growth in 2Q23 with GDP advancing +0.3% q/q (+0.6% y/y) after shrinking and stagnating in the two earlier periods, while inflation pressures persisted with CPI rising +5.3% y/y in July and core-CPI staying at +5.5% y/y, surpassing the headline gauge for the first time since 2021. Euro-area private-sector economy contracted more than anticipated in July, marking the lowest reading since November, with order inflows and output expectations pointing to the downturn deepening in the coming months.
- **U.K.** Consumer confidence fell for the first time in six months in July to mark the sharpest drop in 15-months and the lowest reading since April.
- **Japan.** BOJ left rate untouched at -0.1% and its long-term bond yield target at zero, while acknowledging that inflation was much stronger in 2023 than it expected and loosening its grip on bond yields by keeping its target for 10-year yields at around 0% but saying its 0.5% ceiling is now a reference point, not a rigid limit and offering to buy 10-year debt at 1% each day, suggesting an effective doubling of the movement range for yields. Cabinet Office raised its overall inflation forecast for 2023 by +90bps to 2.6% while forecasting inflation slowing to about 1.9% and 1.2% in the subsequent years and remaining ~0.7% over the longer term, and estimated real GDP growth of +1.3% in FY23 and +1.2% in FY24.
- **Germany.** Exited its winter recession in 2Q23 with GDP unchanged q/q, and inflation slowed more than anticipated in July, with the annual reading came in at 6.5% with a measure of underlying inflation also slowing.
- **South Korea.** BOK kept its 7-day repurchase rate at 3.5% for the fourth-straight meeting, while, pledging to keep a restrictive policy stance for a “considerable time” with BOK Governor Rhee Chang-yong announcing all six members on his board remain open to the possibility of ultimately lifting the rate to 3.75% as inflation is set to heat up again this year. South Korea’s economic growth accelerated in 2Q23 with GDP expanding +0.6% q/q (+0.9% y/y), on the back of a pickup in manufacturing, however, the country trimmed its growth outlook for 2023 by -20bps to +1.4% while maintaining 2024 outlook of +2.4%, citing uncertainties over momentum in China and the US, and inflation outlook for 2023 by -20bps to 3.3%.

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