SUPER NETWORK

TAILORED INVESTMENT ADVICE

MONTHLY REPORT

JUNE

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Monthly Report

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

+0.9%

ASX performance

+1.1%

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• **ASX performance.** The ASX200 gained +0.9%.
• **US markets.** US markets were stronger, with the Dow Jones up +1.1% and S&P500 up +3.5%, as Fed Chair Jerome Powell cited signals the U.S. is back on a disinflationary path, announcing there's been a "substantial" move toward better balance in the labour market between the supply of and demand for workers.
• **Long-dated US treasury yields** were lower, with the 2-Yr yield at 4.75% and 10-Yr yield at 4.40%.
• **European markets.** European markets declined with the Stoxx Europe 600 Index down -1.3% and German DAX down -1.4%, as French President Emmanuel Macron plunged France into political uncertainty by calling a snap election following a drubbing for his group in European parliamentary voting, with with investors remaining concerned about the risk of Marine Le Pen's far-right National Rally taking control of the legislature. The UK FTSE was down -1.3%.

GLOBAL MARKET UPDATES

• **Asian markets.** Asian markets were mostly higher, with the Shanghai Composite down -3.9%, amid a slew of disappointing economic data out of China, leading to local governments in China asking several companies to pay tax bills dating back as far as the 1990s, underscoring their need for funding due to the uneven economic recovery and persistent housing slump, China's Premier Li Qiang reassuring investors by announcing China economy has sustained momentum of recovery and is confident it will achieve the growth rate target of about 5% this year as the country continues to deepen technology exchanges and cooperation as its market is large and open, and China Securities Regulatory Commission pledging to work to improve financing for firms on the China's Star Market and increase support for mergers between companies on the tech-heavy board while releasing an eight point plan to help the market. Nikkei was up +2.9% as fall in yen to the weakest level since 1986 boosted exporters, and KOSPI was up +6.1%.
• **Commodities.** Over the month, WTI oil price gained +6.3% to US$81.54/bbl, as OPEC maintained forecasts for strengthening oil demand in 2H24, forecasting world oil consumption to see a year-on-year increase of 2.3m barrels a day in 2H24, about 150,000 a day more than during 1H24, amid continued economic growth in China and other emerging economies, and Russia announced plans to compensate for exceeding its output quota by trimming production with the new pledge including a cut of 471k barrels a day on top of the earlier promised 500k barrel-a-day reduction announced last year.

IN POLITICAL NEWS

• Indian Prime Minister Narendra Modi won crucial backing from two key allies in his coalition, allowing him to form a government and extend his decade in power.
• Australia and China agreed to improve communications between their respective armed forces in a bid to avoid future standoffs.
• U.S.-China trade tensions escalated after U.S. Treasury Department advanced plans to restrict investments by US individuals and companies into China, with a focus on curbing Beijing's ability to gain ground in semiconductors, quantum computing and artificial intelligence.

ON STOCK SPECIFIC NEWS:

• **Aristocrat Leisure Ltd (ALL)** - gained +10.8%, as Aristocrat Gaming unveiled official partnership with Dallas Cowboys.
• **Bapcor Ltd (BAP)** - gained +20.9%, after receiving a takeover proposal from Bain Capital for A$5.4/share in cash.
• **Insurance Australia Group Ltd (IAG)** - gained +15.2%, after announcing FY24 reported insurance profit is expected to be around the upper end of the A$1.2-1.45bn guidance range with margin being around the upper end of the 13.5-15.5% guidance range.
• **Paladin Energy Ltd (PDN)** - declined - 21.7%, after entering into a definitive arrangement agreement with Fission Uranium to acquire 100% of the issued and outstanding shares of the company at C$1.3/share.

ON STOCK SPECIFIC NEWS (CONT.):

• **Tabcorp Holdings Ltd (TAH)** - gained +13.8%, after an official said the company approached the NSW government with an indicative proposal to make tax and regulatory changes to the wagering sector that would alter the way funding flows to the racing industry.
• **Treasury Wine Estates Ltd (TWE)** - was up +9.8%, after reaffirming FY24 EBITS growth (excluding the EBITS contribution from DAOU in 2H24) guidance of mid-to high single digit.

IN ECONOMIC NEWS

• **Australian RBA decision.** RBA held its cash rate at a 12-year high of 4.35% for a fifth straight meeting and restated that it wasn't "ruling anything in or out" as inflation is proving sticky, leading to swaps paring expectations for a rate cut by December to a roughly one-in-four chance, down from one-in-two, with RBA Governor Michele Bullock saying the bank is conscious of the high economic cost of above-target inflation and won't hesitate to raise interest rates again if needed, though its assessment remains that this may not be required.
• **U.S.** The Fed kept interest rates unchanged at 5.25- 5.5%, while downgrading 2024 rate cut forecast to 1 cut from 3 and increasing 2025 forecast to 4 cuts, as the bank raised projection for 2024 underlying inflation by +20bps to 2.8% while maintaining forecasts for economic growth and the unemployment rate at 2.1% and 4% respectively. Economy showed further signs of slowing in 1Q24 with GDP expanding +1.4% q/q annualized as personal spending declined -50bps to +1.5% q/q annualized, declines in orders and shipments of certain business equipment accelerated and the economy posted widest trade deficit in two years. Labor costs increased less than expected in 1Q24, rising +4% q/q annualized (+0.9% y/y), the slowest pace in three years, reflecting downward revisions to economic output and hours worked. Services activity picked up in June to the fastest pace in more than two years while the outlook improved on cooler price pressures and prospects for lower borrowing costs, which combined with a second month of expansion among manufacturers, saw the composite PMI surge to a 26-month high. Consumer sentiment declined in June by less than initially estimated on expectations inflationary pressures will moderate with 1-year consumer inflation expectations down -30bps to 3%, the lowest in three months, and 5-to-10-year expectations down -10bps to 3%, however, outlook for business conditions remined muted, with only 12.5% of consumers expecting business conditions to improve in the next six months, the smallest share since 2011.
• **China.** Factory activity contracted for a second straight month in June with manufacturing PMI remaining steady MoM with a sub-index of new orders at factories inching lower MoM as demand weakened while a gauge measuring new export orders remaining unchanged MoM. The downturn in China's residential real estate sector slowed further in June with the value of new-home sales from the 100 biggest real estate companies improving +36% MoM (down -17% y/y) to 439bn yuan. A measure of foreign direct investment in China declined for the 12th straight month with inbound FDI dropping -28.2% y/y in the first five months of 2024 to 412.51bn yuan. New aggregate social financing in China totaled 14.8 trillion yuan in the first five months of 2024, up from 12.7 trillion yuan in Jan-April, and lower than consensus forecast of 15.1 trillion yuan, as financing demand from corporates and households remained sluggish, signs there's little appetite for investment or home purchases.

IN ECONOMIC NEWS (CONT.)

• **Australia.** Economy grew +1.1 y/y in 1Q24, the slowest pace of expansion since 1992 apart from the pandemic period. Consumer sentiment edged up in June while remaining in deeply pessimistic zone as consumers remained downbeat, as positives from fiscal support measures are being negated by increased concerns about inflation and the outlook for interest rates with12-months ahead consumer inflation expectations rising +30bps MoM to +4.4%.

• **Europe.** ECB lowered the key deposit rate by -25bps to 3.75% while raising projections for prices, upgrading inflation forecast for both 2024 and 2025 by +20bps to 2.5% and 2.2%, respectively, and updating economic growth expectations, upgrading 2024 GDP growth outlook by +30bps to +0.9% while downgrading 2025 outlook by -10bps to +1.4%, with President Christine Lagarde also leaving investors querying where policy is headed next, announcing the ECB wasn't pre-committing to a particular rate path beyond today. Euro area's final labor cost rose +5.1% y/y in 1Q24 vs preliminary reading of +4.9% y/y. Rebound in euro-area private-sector business activity unexpectedly lost momentum in June as France's snap election weighed on firms and manufacturing in the region recorded its worst month of the year. Euro-zone inflation slowed in June with CPI rising +2.5% y/y, down from +2.6% y/y in May, however, core CPI unexpectedly remained unchanged at +2.9% y/y.

• **U.K.** BOE left the key rate on hold at 5.25% while hinting that more of its officials may be close to backing a pivot away from the highest borrowing costs in 16 years. U.K.'s economy bounced out of recession more quickly than previously estimated with the strongest growth in more than two years with GDP expanding +0.7% q/q (+0.3% y/y) in 1Q24, with services and consumer spending both driving the gains. Unemployment unexpectedly rose to the highest in more than 2.5 years with the jobless rate climbing +10bps to 4.4% in the three months through April, however, pay pressures eased with average weekly earnings in the private sector increasing by 5.8%, the slowest pace in two years even though the minimum wage increased by almost 10%. Consumer confidence improved for a third consecutive month to the strongest level in 2.5 years in June, reflecting a rosier economic outlook ahead of the general election. House prices increased for a second month in June, rising +0.2% MoM (+1.5% y/y).

• **India.** RBI left its benchmark interest rate unchanged at 6.5% and stuck to its relatively hawkish stance of "withdrawal of accommodation" with Governor Shaktikanta Das hinting the bank may be willing to move before the Fed, pointing out its monetary policy actions are determined by domestic growth and inflation conditions as the bank raised its economic growth projection for the current fiscal year through March 2025 by +20bps to 7.2% while maintaining its inflation forecast at 4.5%.

• **Japan.** BOJ kept its benchmark interest rate steady at 0-0.1% and said it will reduce the amount of its bond purchases after its July meeting but delayed providing details until its next policy meeting with Governor Kazuo Ueda also pushing back against the view that the central bank can't raise interest rates in July. Japan's economy showed scant sign of a clear recovery with its narrower-than-first-estimated contraction, with 1Q24 GDP shrinking at an annualized pace of -1.8% q/q compared with a -2% q/q annualized retreat reported in preliminary data, with both consumers and companies cutting back on spending and unsold supplies building up on warehouse shelves as the strongest inflation trend in decades continues to crimp outlays in real terms. Key measures of Japan's manufacturing and service activity weakened in June, with the services gauge registering a contraction for the first time in almost two years as companies faced strains from higher input costs. Confidence among Japan's large manufacturers rose q/q in 2Q24 with an upward revision to capital spending plans for this fiscal year to 11.1% growth.

IN ECONOMIC NEWS (CONT.)

• **Germany.** The Bundesbank downgraded Germany's real GDP outlook by -10bps for all 2024, 2025 and 2026 to +0.3%, +1.1% and +1.4%, respectively, and upgraded inflation forecasts for 2024 and 2025 by +10bps and +20bps to 2.8% and 2.7%, respectively while maintaining 2026 forecast of 2.2%. Inflation slowed after two months of accelerating with CPI rising +2.2% y/y (+2.5% EU Harmonized) in June.

• **South Korea.** Export growth accelerated in June with headline exports rising +5.1% y/y, reflecting resilience in global demand as the artificial intelligence and technology sectors drive gains, which combined with -7.5% y/y decline in imports, resulted in trade surplus of $8bn. Consumer confidence improved MoM in June as households' inflation expectation for next 12-months fell -20bps to 3%. Manufacturers' sentiment fell MoM for July with proportion of companies surveyed complaining about weak domestic demand rising +220bps to 23.9%. Inflation slowed more than expected ahead of a key central bank meeting, with CPI growth easing to +2.4% y/y in June, the slowest pace since July 2023 and marking a deceleration from 2.7% in May.

• **Canada.** BOC cut interest rates by -25bps to 4.75%, as it sees a soft landing on the horizon, with officials remaining confident that inflation is headed to the 2% target, and announcing its "reasonable to expect further cuts," if progress continues.

• **Switzerland.** Swiss National Bank lowered borrowing costs at a second straight meeting by 25bps to 1.25% while lowering their inflation projections to 1.3% for 2024, 1.1% for 2025 and 1% for 2026.

• **Taiwan.** Central bank kept its benchmark interest rate unchanged at 2%, the highest since 2008, as concern about inflation recedes with the bank cutting its 2024 inflation forecast by -4bps to to 2.12% and upgrading GDP growth outlook by +55bps to +3.77%, while increasing lenders' reserve requirement ratio for the first time since September 2022, saying the move would help slow the flow of credit into the real estate market, and also tightening a curb on buying property.