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.

-0.01%

ASX performance

+1.8%

US markets were stronger in the month, with the Dow Jones up +1.8% and S&P500 up +2.3%

• **ASX performance.** The ASX200 declined -0.01%.
• **US markets.** US markets were stronger in the month, with the Dow Jones up +1.8% and S&P500 up +2.3%, as VP Kamala Harris unveiled new federal subsidies for parents, homebuyers, and Americans with low incomes alongside new programs to curb increases in rent and grocery prices.
• **Long-dated US treasury yields** were lower, with the 2-Yr yield at 3.92% and 10-Yr yield steady at 3.90%, as swaps priced in 100bps of easing by Fed in 2024 after Fed Chair Jerome Powell's announced the time has come for the Fed to cut its key policy rate as he acknowledged recent progress on inflation, and minutes from latest FOMC revealed several Fed officials acknowledged there was a plausible case for cutting interest rates at their July 30-31 meeting before the central bank's policy committee voted unanimously to keep them steady, with 'vast majority' seeing a September cut as likely appropriate.

GLOBAL MARKET UPDATES

• **European markets.** European markets were strong with the Stoxx Europe 600 Index up +1.3% and German DAX up +2.2%, as several of the ECB's rate-setting Governing Council members made the case to further loosen monetary policy at the September meeting despite ECB Chief Economist Philip Lane's warning the bank's battle to return inflation to 2% isn't won and interest rates must stay as high as necessary to achieve that goal. The UK FTSE was up +0.1%.

• **Asian markets.** Asian markets were lower over the month, with the Nikkei down -1.2%, as BOJ's research papers highlighted the persistence of inflationary pressure in the economy, indicating there is still a case to be made for another interest rate hike. The Shanghai Composite declined -3.3%, as persistent economic weakness in China saw overseas investors turning net sellers of Chinese stocks for the year, leading to PBOC Governor Pan Gongsheng pledging further steps to support his nation's economic recovery, while cautioning that it won't be adopting "drastic" measures and Beijing maintaining a cautious approach to stimulating the economy with banks keeping their benchmark lending rates unchanged for August.

• **Commodities.** Over the month, WTI oil price declined -4.3% to US$73.55/bbl, as concerns over tightening supply with Libya suspending oil exports from five eastern ports amid an escalating stalemate over who controls the central bank, were more than offset by concerns over slowing demand with EIA cutting 2025 global crude consumption outlook by 200,000 barrels/day to 104.5m barrels/day equating to demand growth rate of +1.6%, OPEC trimming forecasts for global oil demand this year and next, lowering projections for world demand growth in 2024 by 135,000 barrels/day, and IEA forecasting global oil markets to swing from a deficit to a surplus in 4Q24 should OPEC+ proceed with plans to boost supplies.

IN POLITICAL NEWS

• Political turmoil in France continued with French President Emmanuel Macron continuing consultations on appointing a prime minister after ruling out a government led by leftist candidate Lucie Castets in favor of a possible centrist coalition.

• China-EU trade tensions heated up after China launched an anti-subsidy investigation into dairy imports from the EU.

ON STOCK SPECIFIC NEWS:

• **A2 Milk Co Ltd (A2M)** - declined -21.9%, after warning China IMF market conditions remain challenging and the company expects a further market value decline in FY25.

• **Bega Cheese Ltd (BGA)** - gained +14.1%, after forecasting continued growth in the Branded segment and significantly improved performance in the Bulk segment as the disconnect between Australian farm gate milk prices and dairy commodity returns eases.

• **Brambles Ltd (BXB)** - gained +17.2%, after announcing an on-market share buyback of up to $500m.

• **Charter Hall Group (CHC)** - gained +14.3%, after forecasting FY25 distribution/share growth of +6%.

ON STOCK SPECIFIC NEWS (CONT.):

• **Inghams Group Ltd (ING)** - declined -17.5%, after reporting reduced volume in its contract with supermarket giant Woolworths and warning consumer conditions are expected to remain challenging in the near term.
• **JB Hi-Fi Ltd (JBH)** - gained +14.2%, after declaring a special dividend despite a fall in annual profit, while signalling sales momentum across its key brands in Australia has continued in July.
• **Johns Lyng Group Ltd (JLG)** - declined -37.1%, after reporting -9.6% y/y decline in FY24 sales revenue to A$1.16bn.
• **Kelsian Group Ltd (KLS)** - declined -28.4%, after providing underwhelming indicative unaudited results for FY24. • **Life360 Inc (360)** - gained +15.5%, after upgrading FY24 consolidated revenue outlook to $370-378m from $365-375m and adjusted EBITDA guidance to $36-41m from $30-35m.
• **Megaport Ltd (MP1)** - declined -22.2%, after forecasting FY25 EBITDA of A$57-65m that missed consensus estimates.
• **Mineral Resources Ltd (MIN)** - declined -26.0%, after scrapping final dividend for the first time in more than a decade as it looks to preserve cash amid a prolonged downturn in lithium prices.
• **Orora Ltd (ORA)** - gained +22.5%, after rejecting an acquisition proposal from Lone Star Fund XII Acquisitions for A$2.55/share.
• **Tabcorp Holdings Ltd (TAH)** - declined -32.6%, after forecasting soft market to continue in the near term and macroeconomic environment to remain challenging in FY25.
• **WiseTech Global Ltd (WTC)** - gained +25.0%, after upgrading FY25 EBITDA outlook to A$660-700m that came in above consensus estimate of A$652.2m.

IN ECONOMIC NEWS

• **Australian RBA decision.** RBA kept interest rates at a 12-year high of 4.35% and ruled out a rate cut in the next six months, as the bank lifted its forecasts for inflation and economic growth with minutes from policy meeting revealing the bank will likely need to hold interest rates at their current 12-year high for an "extended period" to ensure that inflation returns to its target band next year and RBA Deputy Governor Andrew Hauser announcing the bank will not follow the U.S. Fed and cut interest rates this year because inflation is still too high and the 4.35% cash rate is not very high by global standards.
• **U.S.** The economy grew at a slightly stronger pace in 2Q24 than initially reported, with GDP rising at a +3% annualized rate vs prior estimate of +2.8%, reflecting an upward revision to consumer spending which advanced +2.9% vs the prior estimate of +2.3%, that more than offset weaker activity in other categories. Manufacturing activity shrank in August at the fastest pace this year as output shrank by the most in 14-months, orders contracted for a second month and employment came close to stagnating, however, services activity expanded at a solid pace with a measure of prices received by service providers declining to the lowest level since the start of the year. Job market continued to deteriorate with August indexes in each of the five regional manufacturing reports showing shrinking payrolls at factories, gauges of employment at service providers settling back and measures of hours worked slipping. Consumer sentiment improved in August for the first time in five months to rise to a six-month high as slower inflation and prospects for Fed interest-rate cuts helped lift expectations about personal finances with 1-year ahead inflation expectations down -10bps to 2.8%, the lowest since the end of 2020 and 5-to-10 year ahead expectations steady at 3%.

IN ECONOMIC NEWS (CONT.)

• **China.** Factory activity contracted for a fourth straight month in August despite cost of production materials falling for the first time in five months while manufacturers slashing selling prices to remain competitive, however, the non-manufacturing measure of activity in construction and services rose MoM, boosted by consumption during the summer holiday season. Residential slump deepened in August with value of new-home sales from the 100 biggest real estate companies falling -26.8% y/y to 251bn yuan. Broad budget expenditure contracted with combined spending in the general public budget and the government fund account down -2% y/y to 19.7 trillion yuan in the first seven months of the year as income from land sales for local governments fell at a record pace by -8.9% y/y.

• **Australia.** Wage price index rose +4.1% y/y in 2Q24, matching its first quarter reading. Consumer confidence rose +2.8% MoM in August following the introduction of tax cuts and after the RBA paused interest rates, though persistent inflation remains a burden on households. Private sector business activity rose at the fastest pace in three months in August with services PMI expanding and manufacturing PMI marking the slowest pace of deterioration since May, however, business cost pressures increased markedly, with the input price index at a higher level than was recorded at any time in the five years prior to the pandemic-era inflation surge.

• **Europe.** Firms across the euro zone slowed hiring in 2Q24 with employment growing +0.2% after +0.3% in 1Q24, amid mounting signs of economic weakness with a key gauge of euro-zone wages easing during the quarter with negotiated pay rising +3.6% y/y, down from +4.7% y/y in 1Q24. Euro-area inflation plunged to the lowest level since mid-2021 in August with CPI rising +2.2% y/y and economy got an unexpectedly strong boost from the Paris Olympics, which propelled private-sector growth to the fastest pace in three months with a gauge for services climbing to the highest level since April, though the region's manufacturing slump deepened. Euro-area economic confidence edged higher for a second month in August as readings for industrial confidence and services both advanced, while consumer sentiment snapped six months of gains with European Commission announcing consumer confidence remains short of its long-term average.

• **U.K.** GDP grew +0.6% in 2Q24, reflecting strength in government spending and the services sector. Unemployment fell unexpectedly after companies hired at the strongest pace since November, which saw employment surged by 97,000 and jobless rate fall -20bps to 4.2% in 2Q24. Government borrowing came in higher than forecast in the first four months of the fiscal year with the budget deficit totaling £51.4bn between April and July, £4.7bn higher than OBR’s forecast, while the national debt remained at levels last seen in the early 1960s at 99.4% of GDP. House prices declined -1.5% MoM (up +0.8% y/y) to £367,785 in August.

• **India.** Economy grew at a slower pace than expected in 2Q24 with GDP rising +6.7% y/y, the slowest pace in five quarters and below the RBI’s projection of 7.1% for the period. RBI left its benchmark interest rate unchanged at 6.5% and and retained its policy stance of "withdrawal of accommodation" with policymakers worrying that high food prices will continue to keep inflation above its target as a survey by the bank revealed Indian households expect inflation to accelerate by 20bps each through the next three months to one year driven mainly by food prices, housing and cost of services with RBI’s Deputy Governor Michael Patra warning repeated food price shocks are pushing up India’s inflation rate and it may “run out of control” if monetary policy is eased early while also announcing aggregate demand conditions are improving in the economy as rural consumption is reviving because of growing incomes, which should allow the private sector to increase spending.

IN ECONOMIC NEWS (CONT.)

• **Japan.** Economy rebounded to growth in 2Q24 with GDP expanding at an annualized pace of +3.1%, driven by an increase in private consumption. Businesses boosted investment in 2Q24 with capex on goods excluding software rising +9.1% y/y (+1.9% q/q), reaffirming signs of confidence that the economy is recovering slowly with the help of an uptick in domestic demand-led activity.

• **Germany.** Investment and consumer spending weighed on economy in 2Q24 with -0.1% contraction in GDP including a -2.2% plunge in capital investment and a -0.2% drop in private consumption, dashing hopes that the country can finally leave behind years of stagnation. Inflation slowed to the ECB's target in August with CPI rising +1.9% y/y (+2% y/y EU harmonized), the lowest since 2021. Investor confidence plummeted to its lowest level since January in August following a disappointing run of data and the recent turmoil on global stock markets.

• **South Korea.** BOK held its benchmark interest rate steady at 3.5% as authorities seek to rein in rising home prices that are fueling household debt concerns, and lowered 2024 outlooks for both CPI and GDP by -10bps to 2.5% and 2.4%, respectively, while keeping outlook for 2025 unchanged, with BOK Governor Rhee Chang-yong announcing four BOK board members are open to rate cut in next 3-months. Export growth returned to a double-digit clip in August, rising +11.4% y/y which combined with +6% y/y growth in imports resulted in trade surplus of $3.8bn. Household debt grew at a quickening clip in 2Q24 with total household credit rising +1.9% y/y to 1,896 trillion won. Inflation slowed more than expected to the central bank's target in August with CPI advancing +2% y/y, opening the door for monetary officials to conduct a policy pivot as soon as next month if home prices also show signs of easing.

• **Taiwan.** Government revised down its estimate for economic growth in 2024 after three straight upgrades, downgrading 2024 GDP growth outlook by -4bps to 3.9% while forecasting 2025 GDP growth of 3.26%, projecting a smaller increase in exports but remaining optimistic about overseas demand for artificial intelligence-related products.

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