SUPER NETWORK

TAILORED INVESTMENT ADVICE

MONTHLY REPORT

OCTOBER

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Monthly Report

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

-1.3%

ASX performance

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• **ASX performance.** The ASX200 declined -1.3%.
• **US markets.** US markets were lower, with the Dow Jones down -1.3% and S&P500 down -1.0%, as investors slashed their bets on the pace of future Fed interest-rate cuts after September U.S. employment data blew past estimates and signaled a robust hiring trend and Fed Governor Christopher Waller said recent economic data signals policymakers can approach subsequent interest-rate reductions with less urgency than they applied at their gathering last month, with swaps pricing out 50bps rate cut in November and pricing in only 53bps of rate cuts for November and December combined.
• **Long-dated US treasury yields** were higher, with the 2-Yr yield at 4.16% and 10-Yr yield at 4.28%, with the term premium on 10-year Treasury notes, an expression of the extra yield investors demand for owning the debt rather than rolling over shorter-term securities, hitting the highest since November 2023.

GLOBAL MARKET UPDATES

• **European markets.** European markets were lower with the Stoxx Europe 600 Index down -3.4%, UK FTSE down -1.5% and German DAX down -1.3%.
• **Asian markets.** Asian markets were mostly lower, with the Shanghai Composite down -1.7%, amid disappointment from the NDRC meeting which announced a meager 200bn yuan advancement in spending from next year vs forecasts of a fiscal package worth as much as 3 trillion yuan in the pipeline, leading to PBOC Chief pledging to maintain an accommodative monetary policy stance and to double down on countercyclical adjustments to support the country's economic growth and Chinese Premier Li Qiang expressing confidence that his government can pull off an economic recovery. The Nikkei was up +3.1%, as the new Japanese Prime Minister Shigeru Ishiba emphasized that his top economic priority is to defeat deflation and put the nation on a stable growth track, vowing to seek to raise wages, boost productivity, support the revival of rural areas and turn Japan into an "investment powerhouse" by continuing to encourage a shift of private savings into investment.
• **Commodities.** Over the month, WTI oil price gained +2.2% to US$69.26/bbl, as positive sentiment from Israel stepping up air strikes on Lebanon and OPEC+ agreeing to push back its 180,000 barrels/day December production increase by one month, the second delay to its plans to revive supply as prices continue to struggle amid a fragile economic outlook, was partially offset by OPEC trimming its forecasts for oil demand growth this year and next for a third consecutive month, with global oil consumption expected to increase by 1.9m barrels/day, roughly 2%, in 2024, ~106,000 barrels/day less than previously forecast.

IN POLITICAL NEWS

• Republican Donald Trump won the 2024 U.S. Presidential election by clear majority with JD Vance elected to be Vice President.
• Biden administration finalized restrictions on investments by U.S. individuals and companies into advanced technology in China, including semiconductors, quantum computing and artificial intelligence, and the EU pressed ahead to impose higher tariffs peaking at 45% on electric vehicles from China, leading to China retaliating by imposing a 39% levy on brandy from the EU and announcing it is looking into increasing duties on imported gasoline cars with large engines.
• China reached a deal with India on easing border tensions, potentially ending a four-year border stalemate that has frayed relations between the Asian giants.
• Japan's ruling coalition, the Liberal Democratic Party (LDP), failed to secure a majority in parliament for the first time since 2009, with the LDP and Komeito together winning 215 seats, falling short of the 233 needed for a majority in the lower house, and the main opposition, the Constitutional Democratic Party of Japan, gaining 148 seats.
• German Chancellor Olaf Scholz dismissed Finance Minister Christian Lindner and called for a snap election after divisions over how to revive the lackluster economy triggered the breakup of his fractious three-party ruling coalition.

ON STOCK SPECIFIC NEWS:

• **Flight Centre Travel Group Ltd (FLT)** - declined -28.5%, after announcing airfare deflation and downtrading in some large accounts negatively affected 1Q25 volumes growth.
• **Mineral Resources (MIN)** - declined -24.3%, after announcing Managing Director Chris Ellison will incur board-imposed financial penalties of A$8.8m and loss of remuneration of as much as A$9.6m.
• **Reece Ltd (REH)** - declined -20.0%, after reporting -4% y/y (in CC) decline in 1Q25 sales revenue to A$2.23bn driven by ongoing softness in housing activity in ANZ and the U.S.
• **Web Travel Group Ltd (WEB)** - declined -45.2%, after announcing WebBeds 1H25 preliminary TTV/Revenue margins are now expected to be about 6.4%, down from around 7% as indicated in August.

IN ECONOMIC NEWS

• **Australian RBA decision.** RBA held its key interest rate at a 13-year high of 4.35% and restated that it isn't "ruling anything in or out" on policy given the "high level of uncertainty" about the international outlook and high underlying inflation, as the bank downgraded forecasts for economic growth by -20bps to +1.5% by year's end and -30bps to +2.3% for June 2025, while also downgrading underlying inflation outlook for 2024 by -10bps to 3.4% and forecasting it to reach the top of the 2-3% target band in mid-2025 before touching 2.8% by the end of that year.
• **Global growth outlook.** The IMF kept global growth forecast for 2024 unchanged at +3.2% (U.S. up +20bps to +2.8%, euro area down -10bps to +0.8%, U.K. up +40bps to +1.1%, Japan down -40bps to +0.3%, China down -20bps to +4.8% and India unchanged at +7%) while lowering 2025 outlook by -10bps to +3.2% (U.S. up +30bps to +2.2%, euro area down -30bps to +1.2%, U.K. unchanged at +1.5%, Japan up +10bps to +1.1%, and both China and India unchanged at +4.5% and +6.5%, respectively) as it warned of accelerating risks from wars to trade protectionism, even as it credited central banks for taming inflation without sending nations into recession, forecasting inflation to slow to 4.3% next year from 5.8% in 2024.
• **U.S.** The Fed cut interest rates by -25bps to 4.5-4.75%, while announcing policy is still restrictive even after the cut and recent indicators suggest the economy keeps expanding solidly with policymakers no longer including a line about achieving "greater confidence" that inflation is moving sustainably toward 2%, though noting inflation has "made progress" toward the central bank's goal. The Treasury trimmed its estimate for federal borrowing for the current quarter by -3.3% to $546bn in net borrowing largely reflecting a bigger cash stockpile on hand at the end of September than previously expected partially offset by lower net cash flows, while continuing to expect a $700bn cash balance at the end of the year. Consumer confidence increased in October by the most since March 2021 to the highest level since the start of the year, with a measure of expectations for the next 6-months rising to the highest since December 2021, a gauge of present conditions delivering the largest monthly advance since May 2021, share of consumers that said jobs were currently plentiful rising the most since June 2021 to 35.1%, share saying jobs were hard to get decreasing to 16.8%, share of consumers who expect business conditions to improve increasing to the highest since February 2022, the proportion of consumers expecting a recession within the next year dropping to its lowest level since the question was first asked in July 2022, the share of respondents anticipating their financial situation to improve in the next 6-months rising to the highest in data back more than two years, measure of buying conditions for durable goods picking up to a 4-month high, expectations about household incomes rising to the highest level since June with respondents being more upbeat about the labor market, 12-month ahead inflation expectations remaining steady at +2.7% and 5-to-10 year ahead inflation expectations declining -10bps to +3%.

IN ECONOMIC NEWS (CONT.)

Hiring advanced at the slowest pace since 2020 while the unemployment rate remained low in October, a month distorted by severe hurricanes and a major strike at Boeing Co, with nonfarm payrolls increasing 12k, hiring over the previous two months revised lower, unemployment rate holding steady at 4.1% and hourly earnings increasing +0.4% MoM (+4% y/y). Manufacturing activity shrank in October for a seventh month to the lowest reading since July 2023, with manufacturing activity now in a contraction territory, meaning a reading below 50 every month except one in the past two years, dragged down by a drop in production which registered the biggest monthly decline since April 2021, shrinking inventories and a rise in prices paid with factory price pressures on materials and inputs rising by the most since January, however, service sector expanded at the fastest pace in over two years, with gauges of new orders and business activity expanding at a solid rate and employment index climbing to the highest since August 2023.

• **China.** Chinese banks cut their benchmark lending rates after easing by the central bank at the end of September, decreasing both the 1-year and 5-year LPR by -25bps to 3.10% and 3.60%, respectively. Economic expansion slowed in 3Q24 with GDP increasing +4.6% y/y, the slowest pace since March 2023, bringing YTD growth to +4.8%, the lower end of government's annual growth goal. Factory activity unexpectedly expanded in October after five months of contraction with official manufacturing PMI rising more than expected and non-manufacturing PMI showing activity in construction and services expanded after staying little changed the previous month. Residential property sales rose in October to mark the first y/y increase of 2024 with value of new-home sales from the 100 biggest real estate companies rising +7.1% y/y to 435.5bn yuan. Earnings returned to growth in 3024 with profits at onshore-listed companies increasing +3.7% y/y after declining in the previous two quarters largely driven by a surge in investment returns at financial firms following a stock market rally that began in late September, but a closer look at the numbers reveals a picture that's far less encouraging with profits declining at a steeper pace excluding the financial sector. Export growth surged in October to the fastest since July 2022, rising +12.7% y/y to $309bn which combined with -2.3% y/y decline in imports to $213bn saw the trade surplus climb to the third-highest on record.

• **Australia.** Consumer confidence jumped in October to a 2.5 year high as households now reckon the RBA has concluded its campaign of interest-rate increases amid signs of a moderation in inflation with 12-month ahead consumer inflation expectations declining -40bps MoM to 4%, the lowest in 3-years. Core inflation remained elevated in 3Q24 with trimmed mean CPI rising +0.8% q/q (+3.5% y/y) as services inflation accelerated, however, headline CPI came in lower than expected at +0.2% q/q (+2.8% y/y) driven by government energy rebates, and factory inflation moderated in 3Q24 with PPI increasing +0.9% q/q (+3.9% y/y) vs +1% q/q (+4.8% y/y) in 2Q24. House prices advanced at a slower pace than prior month in October, increasing +0.2% MoM, with -0.1% MoM decline in Sydney, the first decline since January 2023, and -0.2% MoM decline in Melbourne, more than offset by +1.4% growth in Perth.

• **Europe.** ECB lowered interest rates for the third time this year, cutting the key deposit rate by 25bps to 3.25% and announced the process of taming prices should be complete "in the course of next year," tweaking its previous language for that landmark to only be reached in 2H25, with President Christine Lagarde reiterating that the economy should recover in time, as interest rates decline and shoppers spend more, but said risks to growth remain tilted to the downside, however, a recession isn't likely. Euro area's economy expanded more strongly than expected in 3Q24 with GDP growth of +0.4%, as momentum in France accelerated and stayed strong in both Spain and Germany, partially offset by Italy, where output was unexpectedly flat, driven by a negative contribution from net trade. Euro-area inflation accelerated more than expected in October, with CPI rising +2% y/y.

IN ECONOMIC NEWS (CONT.)

The downtrend in private-sector activity in the euro-area extended into a second month in October with both Germany and France, region's two top economies, weighing on output and little sign of a recovery to come. Eurozone consumer confidence improved MoM in October to its highest since Russia invaded Ukraine in early 2022, with falling inflation fattening wallets as pay rises outstrip price rises.

• **U.K.** BOE cut borrowing costs for the second time this year by -25bps to 4.75%, but stopped short of signaling faster easing, warning that last week's budget could drive up inflation by as much as +50bps to peak at 2.8% in 3Q25 before slowing below the goal to 1.8% in the course of 2027. Chancellor of the Exchequer Rachel Reeves unveiled £40bn of tax rises, the most in decades, entailing to capital gains tax and employers' national insurance contributions, while also paving the way for higher borrowing for investment to speed up an economy hit by the 2007-09 financial crisis, Brexit, Covid-19 and soaring energy prices. Government deficit came in higher than expected in 1H24, with government borrowing of £79.6bncbetween April and September, a £6.7bn overshoot compared to official forecasts with September's shortfall at £16.6bn, below economists' expectations for a £17.5bn deficit but still the third-highest borrowing on record for the month, equating to 98.5% of GDP, the highest since the early 1960s. Economy returned to growth in August with GDP rising +0.2% MoM as services, production and construction all expanded on the month. Manufacturing PMI slipped into contraction territory for the first time since April in October.

• **India.** RBI held its benchmark repurchase rate at 6.50% but opted to change the policy stance to neutral, signaling the next likely move may be a cut as it retained its growth and inflation projections for the fiscal year through March 2025 at 7.2% and 4.5%, respectively, with Governor Shaktikanta Das announcing food costs, which make up about half of the consumer price basket, will likely ease in coming months, improving the outlook for inflation, while projecting economy to get a boost from a revival in demand during the festivals and improving consumer confidence, with an increase in government spending set to lift the economy for the rest of the fiscal through March 2025.

• **Japan.** BOJ kept its benchmark interest rate unchanged at 0.25%, however, Governor Kazuo Ueda indicated the bank remains on track for more rate hikes given upside risk to inflation for fiscal 2025, as the bank maintained 2024 and 2026 GDP growth outlook of +0.6% and +1%, respectively, however, upgraded 2025 outlook by +10bps to +1% while also raising it economic assessments for the Hokuriku and Tokai regions. Number of bankruptcies in the six months through September surged to the highest since 2013, increasing +18.6% y/y to 4,990, as companies were increasingly hit by rising costs. Private sector experienced a modest contraction in October, driven by a decline in both manufacturing and services sector with new orders, employment and output all slipping for both the sectors and confidence in the 12-months ahead in manufacturing sector easing to the lowest level since April 2022. Consumer confidence declined MoM in October with optimism undercut by prospective employment and income growth.

• **Germany.** Inflation quickened more sharply than expected and exceeded the ECB's 2% target in October, with CPI rising +2% y/y (+2.4% y/y EU harmonized). Investor confidence in the economy improved for the first time in four months in October on the prospect of stable inflation rates and that borrowing costs will fall more quickly than previously anticipated and business outlook improved with expectations gauge rising to the highest level since June.

• **South Korea.** The BOK cautiously joined a global wave of central banks cutting rates, lowering its key policy rate by -25bps to 3.25%, with the bank citing a "clear trend of stabilization" in inflation, a slowing in the growth of household debt and an easing of currency risks as factors behind its decision, however, Governor Changyong Rhee acknowledged the decision as essentially a "hawkish cut" warning against speculation for more easing in November.

IN ECONOMIC NEWS (CONT.)

Economy barely managed to eke out growth in 3Q24 following an earlier contraction, with GDP expanding +0.1% q/q (+1.5% y/y) underscoring the risks from a softening export rally. Inflation decelerated to the slowest pace since early 2021 with CPI advancing +1.3% y/y in October, easing for a third straight month. Export momentum moderated in October with headline exports advancing +4.6%, which combined with +1.7% growth in imports resulted in a trade surplus of $3.2bn. Consumer sentiment rose MoM in October with the outlook for interest-rate levels in the next 6-months falling to the lowest point since mid-2020, however, confidence in the country's housing-market rally weakened for the first time since the start of the year.

• **Canada.** The BOC stepped up the pace of interest-rate cuts, lowering the benchmark overnight rate by -50bps to 3.75% and signaled that the post-pandemic era of high inflation is over as bank's forecasts revealed policymakers remain confident on achieving a so-called soft landing, where inflation normalizes without a deep economic downturn, with GDP growth expected to accelerate and average 2.25% over 2025 and 2026 from 1.2% in 2024 while inflation is expected to remain near the midpoint of the 1-3% target range with core measures of consumer prices easing gradually.

• **New Zealand.** RBNZ lowered the official cash rate by -50bps to 4.75%, stepping up the pace of easing as policymakers become more concerned about the economic slowdown, warning the economy has stalled, unemployment is rising, and house prices are falling as the prolonged period of high borrowing costs curbs demand.