SUPER NETWORK

TAILORED INVESTMENT ADVICE

MONTHLY REPORT

DECEMBER

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Monthly Report

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

-3.3%

ASX performance

-5.3%

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- **Long-dated US treasury yields** were higher, with the 2-Yr yield at 4.24% and 10-Yr yield at 4.57%.
- **European markets.** European markets were mostly lower with the Stoxx Europe 600 Index down -0.5%, UK FTSE down -1.4% and German DAX up +1.4%.
- **Asian markets.** Asian markets were mostly higher, with the Shanghai Composite up +0.8%, as China's top leaders vowed to ease monetary policy and expand fiscal spending with the Politburo announcing it will embrace a "moderately loose" strategy for monetary policy in 2025, marking its first major shift in stance since 2011, while pledging to "stabilize property and stock markets" with top officials vowing to raise the fiscal deficit target next year, delivering cuts to interest rates and the reserve requirement ratio for banks and making "lifting consumption vigorously" the top priority in 2025. The Nikkei was up +4.4%, as Japan's cabinet approved a record initial budget of ¥115.5 trillion for the next fiscal year, up +2.6% y/y, that will ramp up spending on defense and support for local economies.

GLOBAL MARKET UPDATES

• **US markets.** US markets were weaker in the month, with the Dow Jones down -5.3% and S&P500 down -2.5%, as several Fed members suggested to keep rates restrictive for longer amid a sturdy labor market and lingering inflation pressures.
• **Commodities.** Over the month, WTI oil price gained +5.9% to US$71.72/bbl, as positive sentiment from OPEC agreeing for a third time to delay the revival of halted production, announcing to unwind its current production cuts gradually from April 2025 until September 2026, a full year later than originally envisioned, and a report claiming President Joe Biden is set to order a ban on new offshore oil and gas development across 625m acres of U.S. coastal territory, ruling out the sale of drilling rights in Atlantic and Pacific waters as well as the eastern Gulf of Mexico, was partially offset by OPEC cutting oil demand growth forecasts for this year and next for a fifth straight month, making its deepest reduction to the 2024 outlook so far, downgrading projections for consumption growth in 2024 by 210k barrels/day to 1.6m barrels/day, equating to -27% slash in projections since July and lowering growth estimates for 2025 by 90k barrels/day to 1.4m barrels/day.
• **ASX performance.** The ASX200 declined -3.3%, as Treasury warned Australia's budget is expected to slip deeper into deficit in the years ahead, with the budget shortfall narrowing slightly in the current fiscal year to A$26.9bn before gaping to A$46.9bn in 2025-26, equating to 1.6% of GDP, and holding at or above 1% of GDP in the following two years, due to rising government spending and a weakening in key trade partner China, while edging down expectations for economic growth this fiscal year and next as elevated interest rates drag on private sector activity.

IN POLITICAL NEWS

• Tensions between U.S. and China continued to simmer with the U.S. Treasury Department announcing it was hacked by a Chinese state-sponsored actor through a third-party software service provider and Pentagon blacklisting internet giant Tencent and EV battery maker CATL amid links to the Chinese military.
• President Joe Biden signed funding legislation to keep the U.S. government operating until mid-March, avoiding a year-end shutdown with Treasury Secretary Janet Yellen announcing her department is likely to begin taking special accounting manoeuvre sometime in mid-January to avoid breaching the U.S. debt limit.
• Tensions between Russia and Ukraine flared up with Russia launching a massive air-strike against western Ukraine in what Kyiv described as one of the largest attacks on its power infrastructure since the war started leading to Ukraine retaliating by launching U.S.-supplied ATACMS missiles at the border region of Belgorod.
• Syrian government collapsed with Syrian President Bashar al-Assad and his family fleeing to Moscow, creating a power vacuum, with multiple groups vying for control, raising the prospect of more violence.
• Political uncertainty continued in South Korea with the Parliament impeaching acting President Han Duck-soo, dealing another blow to a government already reeling after President Yoon Suk Yeol's suspension less than two weeks ago for his brief martial law decree, leading to South Korea's Finance Minister Choi Sang-mok flagging economic risks from political turmoil.
• French President Emmanuel Macron picked Francois Bayrou to be France's new prime minister, calling on a longstanding centrist ally to navigate a fractured political landscape that toppled the previous administration.
• Canadian Prime Minister Justin Trudeau resigned after more than nine years leading the country, bowing to sagging approval numbers and a rebellion within his political party.

ON STOCK SPECIFIC NEWS:

• **BrainChip Holdings Ltd (BRN)** - gained +52.9%, after winning US$1.8m contract for radar signaling with Air Force Research Laboratory and announcing Frontgrade Gaisler has licensed company's Akida 1.0 Neuromorphic AI IP for incorporation into its products.
• **Insignia Financial Ltd (IFL)** - gained +13.1%, after receiving A$2.9bn takeover offer from CC Capital Partners, equating to A$4.30/share cash bid and implying +7.5% premium to an earlier A$4/share offer bid from private equity firm Bain Capital which the company had rejected.

IN ECONOMIC NEWS

• **Australian RBA decision.** RBA left its cash rate unchanged at 13-year high of 4.35%, marking more than a year at that level and scrapped a longstanding line that it wasn't ruling anything in or out on policy, as it announced its "gaining some confidence" inflation is moving sustainably toward target and some of the upside risks to inflation appear to have eased.
• **U.S.** The Fed lowered benchmark interest rate for a third consecutive time by -25bps to 4.25-4.5%, but reined in the number of cuts expected in 2025, with new quarterly forecasts showing several officials penciled in fewer rate cuts for next year than they estimated just a few months ago and saw inflation making considerably less progress in 2025, now seeing benchmark rate reaching a range of 3.75-4% by the end of 2025, implying two 25bps cuts, according to the median estimate, while raising median estimate of where the policy rate will settle over the long run by +10bps to 3%. Economy expanded at a faster pace in 3Q24 than previously estimated with GDP increasing at a +3.1% annualized rate, as growth in consumer spending was marked up to 3.7%, the fastest since early 2023 and exports also grew faster than previously estimated, both driven by services. Consumer sentiment rose for a fifth month in December, as current conditions gauge rose to the highest in eight months, however, the expectations index fell from the previous month despite views on inflation declining with both 1-year and 5-to-10 year ahead expectations down -10bps to 2.8% and 3%, respectively. Activity at service providers expanded at the fastest pace since October 2021 in December and factory measure improved for a second month to the highest level since March, as measure of new orders delivered its strongest reading since the start of last year and matching the highest since May 2022 and pickup in demand helped generate the first month of expanding production since May, however, more producers reduced staffing levels at a faster rate with employment index falling the most since July, and continued to be burned by elevated costs.
• **China.** The services activity expanded at the fastest pace in nine months in December while the manufacturing sector grew for a third straight month, marking the longest growth streak since March 2023, leading to President Xi Jinping forecasting China's GDP to expand around 5% for the full year of 2024, announcing China's economy was overall stable and progressing amid stability, risks in key areas were effectively addressed and employment and prices remained steady, while signaling that support for the economy will continue into 2025.
• **Australia.** Private-sector business activity fell in December to a 3-month low as new orders index hit a 3-month low, with growth limited to the service sector as manufacturing new orders declined at the sharpest pace since October, while business optimism rose for a third straight month to reach a 2-year high, buoyed by hopes that lower interest rates and increased business development efforts can stimulate growth in 2025.

IN ECONOMIC NEWS (CONT.)

Consumer confidence declined in December as persistent inflation and elevated interest rates at home coupled with upheaval abroad increased household uncertainty over the outlook for the economy with homebuyer sentiment falling back to very pessimistic levels and price expectations continuing to soften. House prices declined for the first time in 22-months in December with the Home Value Index for major cities sliding -0.2% for its first fall since February 2023 with Melbourne and Sydney, the two biggest markets, leading the declines with drops of -0.7% and -0.6%, respectively, as buyers increasingly found themselves priced out of the market, while the supply of properties increased.

• **Europe.** The ECB lowered interest rates for a third consecutive meeting by -25bps to 3%, bringing total easing since June to 100bps, and signaled more reductions next year by dropping wording saying policy will remain “sufficiently restrictive” for as long as necessary, as inflation nears 2% and the economy struggles with the bank downgrading eurozone GDP growth outlook for 2024, 2025 and 2026 by -10bps, -20bps and -10bps to +0.7%, +1.1% and +1.4%, respectively, while predicting 2027 GDP growth of +1.3%. Private consumption in the euro area jumped by the most in two years in 3Q24 with household expenditure increasing +0.7% q/q. Euro-area’s private sector shrank less than anticipated in December as downturn in manufacturing, now well into its third year, persisted, but the index for services advanced back above 50, signaling that hopes for a gradual recovery remain intact. Consumer confidence in the euro area slipped to an eight-month low in December amid political upheaval in the bloc’s two biggest members, Germany and France. Euro-area inflation accelerated in December with CPI rising +2.4% y/y, largely driven by energy costs, which climbed for the first time since July.

• **U.K.** The BOE kept borrowing costs unchanged at 4.75% and signaled it will keep easing gradually. Economy failed to grow in 3Q24 according to revised estimates, with GDP remaining unchanged vs prior estimate of +0.1% growth, suggesting the slowdown has been sharper than expected since Labour took office, leading to the Confederation of British Industry warning of a “steep” decline in private-sector activity in 4Q24, citing the impact of the £26bn increase in employer payroll taxes. Wage growth accelerated for the first time in more than a year with pay excluding bonuses growing +5.2% in the three months through October on the back of a surge in private-sector wages. Survey by BOE revealed U.K.’s 12-months ahead and 5-years ahead inflation expectations rose +20bps to 2.8% and 3.4%, respectively, with median expectations of the rate of inflation over the coming year rising +30bps to 3%. House prices slipped back for the first time in nine months in December with average house prices dropping -0.2% from a record high to £297,166, equating to 2024 total growth of +3.3%, strongest since 2021.

• **India.** The RBI left the benchmark interest rate unchanged at 6.5%, while taking steps to boost liquidity in the banking system by cutting cash reserve ratio, the proportion of deposits that banks must set aside with the RBI, by -50bps to 4%, as the bank raised its inflation forecast for the year through March 2025 by +30bps to 4.8% while lowering its growth forecast by -60bps to 6.6%. Finance Minister Nirmala Sitharaman called the country’s softer expansion in the last quarter a “temporary blip,” adding that growth is expected to bounce back in the coming months and RBI’s new Governor Sanjay Malhotra forecast economy to rebound in 2H25 on the back of strong consumer and business confidence leading to bright investment scenario as corporations step into 2025 with robust balance sheets and high profitability and revealed that capital levels of the banking system and non-banking financial companies remain well above the regulatory requirement while warning bad loan ratios to worsen after falling to multi-year lows, mainly because of stretched asset valuations and rising indebtedness, according to the report. Economic activity gained pace in December with composite PMI surging to the highest since August, as demand for goods and services continued to improve, driven by new orders, leading to business optimism among private sector companies strengthening for the second month in a row.

IN ECONOMIC NEWS (CONT.)

Current account deficit stayed largely flat in 3Q24 from the previous quarter's number, which was revised up sharply, with shortfall being $11.2bn in the quarter, or 1.2% of GDP. According to forecast by the finance ministry, economy is likely to see stronger growth in the second half of fiscal year 2024-25 compared to the first half, on signs of capital formation growth rebounding amid government capex picking up, with projected GDP growth of 6.5% for FY25. Government lowered its economic growth projection for the fiscal year to the weakest since the pandemic, anticipating GDP to expand +6.4% in the year through March, down from +8.2% in the past financial year.

• **Japan.** The BOJ kept its monetary policy settings steady with benchmark rate at 0.25% and indicated the economy is moving in line with its expectations, a prerequisite for a rate hike, by reiterating that the inflation trend appears to be consistent with its target for the second half of its outlook period, however, BOJ Governor Kazuo Ueda opened up the possibility of waiting longer for his next interest rate, announcing more information on Japan's wages and the policies of U.S. President-elect Donald Trump is needed before the BOJ can decide on a rate hike. Economy grew at a faster pace than initially estimated in 3Q24 with GDP growing at an annualized pace of +1.2% q/q, largely on better net exports, capital expenditure and inventory figures. BOJ's 4Q24 Tankan corporate survey showed confidence among Japan's large manufacturers strengthened with business sentiment improving especially in major heavy industries such as automaking, fossil fuels and machinery, while services industries were less upbeat.

• **Germany.** According to forecasts from Bundesbank, Germany's economy will hardly grow in 2025 after shrinking again this year, with GDP expected to fall by -0.2% in 2024 and expand by +0.2% in 2025 vs prior forecast of +1.1%, before growing +0.8% and +0.9% for 2026 and 2027, respectively. Unemployment increased less than anticipated in December with joblessness rising by 10k and the unemployment rate holding steady at 6.1%. Inflation accelerated more than anticipated in December with CPI rising +2.6% y/y (+2.9% y/y EU harmonized), driven by energy and food costs. Investor expectations unexpectedly improved to rise above the 10-year average in December, on hopes that next February's elections and further rate cuts will bring some relief.

• **South Korea.** Finance Ministry cut the country's economic growth forecast for 2025 by -40bps to +1.8%, reflecting the pressure from weaker private consumption and easing export momentum. Exports maintained growth momentum in December, rising +6.6% y/y as demand from China increased while semiconductor sales stayed resilient, which combined with +3.3% y/y growth in imports resulted in a trade surplus of $6.5bn. Consumer confidence dropped by the most since the outbreak of Covid-19 in December, falling well below the threshold of 100 that divides optimism and pessimism, battered by the political turmoil triggered by President Yoon Suk Yeol's declaration of martial law and his impeachment. Business confidence deteriorated the most since the global outbreak of Covid-19 in December, marking the biggest month-on-month slide since April 2020, reflecting mounting concerns about an economy grappling with political turmoil and facing Donald Trump's tariff threats.

• **Switzerland.** The Swiss National Bank delivered a bigger-than-expected 50bps interest-rate cut, lowering key benchmark to 0.5%, as it sought to head off gains in its currency.

• **Canada.** The BOC made its second straight outsize cut to interest rates, reducing the benchmark overnight rate by -50bps to 3.25%, bringing it to a level that they believe is no longer so restrictive for growth and signaled policymakers are ready to slow down their campaign to lower borrowing costs.

IN ECONOMIC NEWS (CONT.)

• **Sweden.** The Riksbank lowered its benchmark interest rate by -25bps to a two-year low of 2.5%, and signaled its easing campaign is likely to be wrapping up with one cut left to deploy in 1H25, while announcing in 2025, several taxes will be lowered and higher government spending is set to kick in, supporting an expected recovery as both consumers and businesses are likely to start spending more freely, as it downgraded 2025 GDP growth outlook by -10bps to +1.8% while increasing 2026 forecast by +10bps to +2.6% and forecasting 2027 GDP growth of +2.1%.

• **New Zealand.** Economy suffered a deeper-than-expected recession in the second and third quarters as high interest rates curbed demand with GDP shrinking a revised -1.1% in 2Q24 compared to an initially reported -0.2% drop and declining -1% in 3Q24, with Statistics New Zealand forecasting the economy to recover over 2025 now that the RBNZ, having tamed inflation, has started to lower its official cash rate.

• **Mexico.** The central bank cut interest rates for a fourth straight meeting, lowering borrowing costs by -25bps to 10%, as inflation is slowing back to target and the economy is losing momentum with the Board expecting that the inflationary environment will allow further reference rate reductions.

• **Singapore.** Economy performed better than expected in 2024, with GDP expanding +4%, beating the Trade Ministry's forecast for an expansion of around 3.5%.