SUPER NETWORK

TAILORED INVESTMENT ADVICE

MONTHLY REPORT

MAY

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Monthly Report

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

+1.9%

ASX performance

+1.93%

US markets were stronger in the month, with the Dow Jones up +1.93% and S&P500 up +0.55%.

• Long-dated US treasury yields were slightly lower, with the 2-Yr yield at 0.14% and 10-Yr yield at 1.59%.
• European markets. European markets were higher with the Stoxx Europe 600 Index up +2.1%, UK FTSE up +0.8% and German DAX up +1.9%.
• Asian markets. Asian markets were higher over the month, with the Nikkei up +0.2%, KOSPI up +1.8%, and the Shanghai Composite up +4.9%.
• Commodities. Over the month, WTI oil price gained +4.5% to US$66.32/bbl, after OPEC forecast that inventories will fall sharply this year with a supply surplus mostly gone by the end of next month, if the group sticks to its plan, and IEA warned of a looming gap between rising demand and stagnant supply in 2H21, forecasting that global oil demand will jump roughly 5 million barrels a day between now and the end of the year putting upward pressure on prices. Iron ore prices increased +9.1% to US$200.91 per tonne and spot gold gained +7.8% to US$1,907 per ounce.

IN POLITICAL NEWS:

• President Biden issued his first full budget proposal for the U.S., detailing his ambitions to expand the size and scope of the federal government with more than $6 trillion in spending over the coming fiscal year.
• Geopolitical tensions continued to simmer around the world, with President Joe Biden announcing to sign an order amending a ban on U.S. investment in Chinese companies begun under his predecessor, naming 59 companies with ties to China's military or in the surveillance industry including Huawei Technologies Co and the country's three biggest telecommunications companies, China announcing the nation was suspending ministerial economic talks with Australia, and Russia announcing it would eliminate the dollar from its National Wellbeing Fund to reduce exposure to U.S. assets.
• Finance ministers from the G7 nations closed in on a deal to jointly support a minimum corporate tax rate of at least 15%.

IN ECONOMIC NEWS:

• Australian RBA decision. RBA left rates unchanged at 0.1% and reiterated that inflation and wage gains are unlikely to be at the point where an interest rate hike is needed until 2024.
• Global growth outlook. OECD raised its growth forecast, with the global economy now set to grow +5.8% this year and +4.4% next year, up from +5.6% and +4.0%, respectively.
• U.S. Federal Reserve's Beige book indicated, the pace of the U.S. recovery picked up, with the economy expanding at a moderate pace from early April to late May, a somewhat faster rate than the prior reporting period, however, overall price pressures increased further, with selling prices increasing moderately, while input costs rising more briskly.
• U.S. job growth picked up in May with payrolls increasing by 559,000 along with worker pay, and the unemployment rate falling to 5.8% from 6.1% in the prior month. U.S. manufacturing quickened in May, propelled by stronger growth in orders which reached an almost 17-year high, however, input prices remained elevated and delivery times increased to the longest since 1974.
• Australia. The country unveiled a big-spending budget that is expected to see a budget deficit of A$106.6bn (5% of GDP) in 2021-22, with Treasury forecasting GDP to rise 5.25% in CY21 before cooling to 2.75% in CY22, net debt to be at 34.2% of GDP in June 2022 and peak just shy of A$1 trillion (40.9% of GDP) in June 2025, and 4.75% unemployment in June 2023. The GDP advanced +1.1% YoY (+1.8% QoQ) in 1Q21, however, retail sales volumes fell -0.5% QoQ in the quarter following a +2.4% QoQ rise in 4Q20.
• Europe. European Commission upgraded its growth outlook for the bloc this year to +4.3% from +3.8%, with total output by the EU's 27 member states now expected to reach its pre-pandemic size by the end of this year, earlier than initially thought, though the recovery still being uneven, with economies in France, Spain, and Italy not reaching their pre-pandemic levels until next year. Euro-area businesses shed jobs in 1Q21 with employment falling by -0.3% after two consecutive gains, after strict lockdowns pushed the economy into a double-dip recession with GDP declining -0.6% QoQ (- 1.8% YoY). Eurozone consumer confidence improved in May, as recovery in Europe gathered momentum and restrictions eased.
• U.K. The BOE slowed its emergency bond-buying to GBP 100bn from GBP 150bn and signaled it's on course to end that crisis support later this year as the U.K. is on course to recover its pre-coronavirus level of output one quarter earlier than previously forecast. The economy shrank -1.5% QoQ in 1Q21, however, continued to recover in May, with the private sector expanding at the fastest pace in at least 23 years, with factory orders surging at a record pace, while business confidence reaching an all-time high, and consumer confidence jumping to levels last seen before the original lockdown in March last year.
• Japan. GDP contracted an annualized -5.1% QoQ in 1Q21, and Cabinet Office in its May economic report lowered its overall economic view for the first time in three months, citing anti-pandemic states of emergency declared for Tokyo, Osaka and other regions, however, pointed Japan industrial production and corporate profits are improving.

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

• A2 Milk Co Ltd (A2M) - slumped -13.1%, after cutting its FY21 revenue to NZ$1.20-1.25bn from NZ$1.4bn and EBITDA margin to 11-12% from 24-26%.
• Costa Group Holdings Ltd (CGC) - slumped -24.1%, after issuing a trading update, noting that its 1H21 performance is expected to be only marginally ahead of pcp.
• Nearmap Ltd (NEA) - slumped -23.3%, following a complaint in the U.S. court by Eagle View Technologies Inc and Pictometry International Corp that alleges patent infringement.
• Xero Ltd (XRO) - declined -13.0%, after FY21 Ebitda and free cash flow came in below consensus estimates amid higher operating expenditure, and management pointed to lower Ebitda in FY22.

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