

MONTHLY REPORT

Monthly Report

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

+1.1%

ASX performance

+2.3%

US markets were stronger in the month, with the Dow Jones up +1.3% and S&P500 up +2.3%.



- Long-dated US treasury yields were lower, with the 2-Yr yield at 0.18% and 10-Yr yield at 1.22%.
- European markets. European markets saw mixed results with the Stoxx Europe 600 Index up +2.0%, UK FTSE down -0.1% and German DAX up +0.1%.
- Asian markets. Asian markets were lower over the month, with the Shanghai Composite down -5.4%, amid new efforts from Beijing to overhaul a range of industries with the government announcing it would tighten rules that let Chinese companies list overseas and revise its IPO approval process, and banning school tutoring companies from making profits, raising capital or going public. Nikkei was down -5.1% and KOSPI declined -2.9%.
- Commodities. Over the month, WTI oil price gained +1.6% to US\$73.95/bbl. Iron ore prices declined -15.4% to US\$178.63 per tonne, whilst spot gold gained +2.5% to US\$1,814 per ounce.

IN POLITICAL NEWS:

- Tensions between world's two biggest economies continued with the U.S. extending Trump-era halt to economic dialogue with China and adding 14 Chinese enterprises that are alleged to be involved in human-rights abuses in the Xinjiang region to its economic blacklist.
- U.S. Senate voted to move ahead with a broad infrastructure package, with a bipartisan group of senators and the White House reaching an agreement on a \$550bn plan.

IN ECONOMIC NEWS:

- **Australian RBA decision.** RBA kept its key interest rate and three-year bond yield target unchanged at 0.10% and retreated it will maintain its flexible approach to the rate of bond purchases, continuing to buy A\$5bn/week of bonds until early September, then tapering to A\$4bn/week until at least mid-November.
- **Global growth outlook.** The IMF raised global growth outlook for 2022 to +4.9%, up from +4.4%, and maintained its world output growth outlook at +6% in 2021 following last year's -3.2% drop, however, reduced the forecast for emerging-market expansion to +6.3% compared with the +6.7% increase projected in April, and raised the estimate for advanced economies by 50bps to +5.6%, with the U.K. getting the biggest bump among major economies, with the IMF now forecasting a growth rate of +7% in 2021, all the U.S., the euro area, Latin America and the Middle East and Central Asia getting GDP upgrades.
- **U.S.** Growth missed forecasts in 2Q21, with GDP expanding at a +6.5% annualized rate following a revised +6.3% pace in 1Q21 as the effects of supply-chain constraints reverberated through the economy and took the shine off one of the biggest gains in consumer spending in decades with personal consumption increasing an annualized +11.8%, the second-largest advance since 1952.
- **U.S.** labor market charged ahead in July with the biggest increase in employment in nearly a year with payrolls climbing by 943,000, leading to the unemployment rate dropping -50bps MoM to a pandemic low of 5.4%. Consumer confidence improved for a sixth straight month in July to a fresh pandemic high as Americans grew more optimistic about current business and labor market conditions.
- **China.** Economic rebound steadied in 2Q21 with GDP expanding +7.9% yoy, down from +18.3% yoy in 1Q21. Country's PPI surged +9% yoy in July as commodity prices climbed, while CPI increased +1% yoy and core CPI (which strip out volatile food and fuel costs) rose +1.3% yoy, the most in 18 months.
- **Australia.** Inflation surged in 2Q21, with CPI accelerating +3.8% yoy, the fastest pace since 2008, fueled by one-off factors like free childcare (core measure that strips out volatility climbed +1.6% yoy) and PPI rising +2.2% yoy (+0.7% qoq). Retail sales volumes increased +0.8% qoq in 2Q21, as households increased their discretionary spending for much of the quarter.
- **Europe.** ECB kept rates unchanged at -0.5% and said it will persist with ultra-loose monetary stimulus until it has solid evidence that it can sustainably hit its new inflation goal of 2% (vs previous target of below, but close to, 2% over the medium term), vowing it won't necessarily react immediately if price growth exceeds that target for a "transitory" period, with ECB President announcing that fresh measures might be brought in next year to support the euro-area economy after the current emergency bond program ends. The euro-area exited recession in 2Q21 with GDP expanding +2% qoq (+13.7% yoy), driven by southern European countries (Spain and Italy) with Germany, the region's largest economy, expanding less than forecast as supply-chain disruptions weighed on key industries such as carmakers.
- **U.K.** BOE left its benchmark interest rate unchanged at 0.1% and signalled that its concerns over inflation are strong enough to warrant the withdrawal of some support to the U.K. economy over the next three years, announcing it now expect annual price growth to peak higher than expected around 4% and confirming it will start to unwind 875bn pound quantitative easing program when the interest rate reaches 0.5%.
- **Japan.** BOJ kept interest rate targets at -0.1% for short-term deposits and at 0% for 10-year Japanese government bond yields, and said it would maintain quantitative-easing programs, however, downgraded its real GDP forecast for FY21 to 3.8% from 4.0%.

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

- **Afterpay Ltd (APT)** - surged +18.8%, after receiving a US\$29bn (~A\$126 per share) takeover offer from U.S. based firm Square Inc.
- **Nearmap Ltd (NEA)** - surged +14.4%, after announcing its annual contract value portfolio is expected to close at A\$133.8m, exceeding recently upgraded guidance.
- **PointsBet Holdings Ltd (PBH)** - slumped -11.2%, after completing its institutional entitlement offer at 25% discount.

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