SUPER NETWORK

TAILORED INVESTMENT ADVICE

MONTHLY REPORT

SEPTEMBER

MONTHLY REPORT

Monthly Report

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

-7.3%

ASX performance

-8.8%

Dow Jones down -8.8% and S&P500 down -9.3%

- **US markets.** US markets declined, with the Dow Jones down -8.8% and S&P500 down -9.3%, as Fed officials reiterated that they would keep raising interest rates to restrain high inflation, despite Fed's Beige Book report revealing the US economic growth prospects are weak and set to slump further over the next year.
- **Long-dated US treasury yields** were higher, with the 2-Yr yield at 4.26% and 10-Yr yield at 3.83%

GLOBAL MARKET UPDATES

• **European markets.** European markets were weak with the Stoxx Europe 600 Index down -6.6%. UK FTSE declined -5.4%, as concerns about heightened inflation that could lead to higher rates were fuelled after Liz Truss's government set out the most radical package of tax cuts since 1972. German DAX declined -5.6%, as recession fears intensified amid energy crunch with Germany's Deputy Energy Minister Patrick Graichen warning Germany's economy is facing "an additional price shock" of as much as EU400bn from the current energy crisis if prices stay where they are.
• **Asian markets.** Asian markets were lower, with the Nikkei down -7.7%, KOSPI down -12.8% and the Shanghai Composite down -5.6%.
• **Commodities.** WTI oil price declined -10.7%, as negative sentiment due to a potential recession weighing on demand with IEA predicting Chinese oil demand to decline by -2.7% in 2022 in the first annual drop since a -1% retreat in 1990, was partially offset by OPEC+ agreeing to make a token oil supply cut for October, announcing to reduce production by 100k barrels a day, taking output back to August levels, with ongoing discussions to further scale back production by more than 1m barrels a day, its largest reduction since the pandemic.

IN POLITICAL NEWS

• Geopolitical tensions surrounding Russia-Ukraine continued to simmer with Russian President Vladimir Putin and pro-Moscow leaders signing annexation documents of four occupied regions in Ukraine.
• Liz Truss was elected as U.K.'s Prime Minister.

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

• **IRESS Ltd (IRE) -** slumped -21.1%, after downgrading FY23 profit guidance amid challenging macro conditions and delayed new sales opportunities.
• **Lake Resources NL (LKE)** - slumped -23.5%, after announcing it's in a dispute over dates by which technology partner Lilac must achieve certain milestones at its Kachi project.
• **Link Administration Holdings Ltd (LNK)** - slumped -33.5%, after terminating discussions with Dye & Durham regarding acquisition of LNK.
• **Premier Investments Ltd (PMV)** - gained +6%, after announcing an on-market share buyback of up to A$50m.
• **Telix Pharmaceuticals Ltd (TLX)** - slumped -23.7%, after withdrawing the application for Illuccix in Europe.

IN ECONOMIC NEWS

• **Australian RBA decision.** RBA raised interest rates by +50bps for a fourth consecutive meeting to 2.35%, the highest level since 2015, and signalled interest rates are getting closer to "normal settings," with the board expecting to increase interest rates further over the months ahead and RBA governor Philip Lowe signalling the pace of interest rate rises could soon slow.

• **Global growth outlook 1.** The World Bank warned the global economy may face a recession next year caused by an aggressive wave of policy tightening that could yet prove inadequate to temper inflation, forecasting 2023 GDP growth slowing to +0.5% and contracting -0.4% in per capita terms, meeting the technical definition of a global recession.

• **Global growth outlook 2.** OECD cut world economic growth projections for 2022 and 2023 by -151bps and -105bps to 2.95% and 2.19%, respectively, cutting growth forecasts for most of G- 20 for 2023, while anticipating further interest-rate hikes.

• **U.S.** Fed raised interest rates by +75bps for the third consecutive time to 3-3.25%, the highest level since before the 2008 GFC and forecast they would reach 4.4% by end of 2022 and 4.6% in 2023 before declining to 3.9% in 2024 and 2.9% in 2025, as it downgraded GDP forecasts by -150bps, -50bps and -20bps to +0.2%, +1.2% and +1.7% for 2022, 2023 and 2024, respectively, while upgrading inflation forecasts by +20bps for both 2022 and 2023 to 5.4% and 2.8%, respectively and by +10bps for 2024 to 2.3%, with Fed Chair Jerome Powell signaling policy will remain aggressively tight and the odds of a soft landing look increasingly elusive.

• **U.S.** Consumer sentiment climbed to the highest since April in September as US long-term inflation expectations fell to the lowest in more than a year with consumers expecting prices to climb at an annual rate of 2.7% over the next 5-to-10 years, the lowest since July 2021, and rising +4.7% over the next year, the lowest since September 2021, however, uncertainty over near-term price views reached a four decade high given energy prices are falling but those of food are rising. Manufacturing stumbled in September to a more than two-year low, moving closer to outright stagnation as orders contracted for the third time in four months.

• **China.** Economic recovery faltered in September with manufacturing improving slightly, however, the services industry contracting for the first time since May as virus outbreaks and the Covid Zero policy continued to weigh on consumption.

• **Australia.** Economy powered ahead in 2Q22 with GDP expanding +0.9% q/q (+3.6% y/y), buoyed by high export prices and household spending despite high inflation leading to savings rate falling for a third consecutive quarter to 8.7%. Budget outcome for FY22 improved significantly with the deficit coming in at A$32bn (1.4% of GDP), however, Treasurer Jim Chalmers dismissed prospects for the books to return to the black over the next four years. Consumer sentiment edged up for the first time since November in September as inflation expectations eased to 4-month low of 5.4%, however, business sentiment across the private sector slipped further to among the lowest levels in six years.

• **Europe.** ECB hiked interest rates by +75bps to 0.75% and President Christine Lagarde said borrowing costs will be raised at the next "several meetings" despite increasing concerns about recessions in Germany and the euro zone, as the bank upgraded 2022 GDP forecast by +30bps to 3.1%, however, downgraded 2023 and 2024 forecast by -120bps and -20bps to 0.9% and 1.9%, respectively, mainly owing to the impact of energy supply disruptions, higher inflation and the related fall in confidence, with inflation projections for 2022, 2023 and 2024 revised up by +130bps, +200bps and +20bps to 8.1%, 5.5% and 2.3%, respectively. Euro-area consumer confidence slumped to its lowest level on record in September as economic crisis intensified with the first ever reading of double-digit inflation, with CPI rising +10% y/y in the month and core-CPI reaching an all-time high of 4.8% y/y.

IN ECONOMIC NEWS (CONT.)

• **U.K.** BOE delivered a second consecutive +50bps interest-rate hike to raise rate to 2.25% and projected a technical recession in 2Q22 and 3Q22, as the economy takes a hit from the extra bank holiday for the funeral of Queen Elizabeth II, however, later in the month reversed its monetary tightening policy by pledging unlimited purchases of long-dated bonds to stave off an imminent crash in the gilt sparked by government's plans to slash taxes, as it lowered its forecast for peak inflation from more than 13% to less than 11% and suggested a deep recession may be averted as a result of new Prime Minister Liz Truss's energy relief plan.

• **India.** RBI delivered a hat-trick of +50bps interest-rate hikes, raising the benchmark rate to 5.9%, and downgraded 2022 GDP growth outlook by -20bps to 7%, while keeping its 6.7% forecast on inflation.

• **Japan.** Economy grew at an annualized +3.5% in 2Q22, driven by stronger business spending, leading to BOJ sticking with ultra-low interest rates, keeping the central bank's yield curve control program and its asset purchases unchanged, which sparked further declines in the yen leading to Japan intervening to prop up the currency for the first time since 1998.

• **Germany.** Inflation soared in September with CPI rising +10.9% y/y, leading to Bundesbank warning hints of a recession in the country are becoming more evident in the sense of a clear, broad-based and longer-lasting decline in economic output after a significant deterioration in supply conditions, forecasting headline inflation to enter a double-digit range in coming months.

• **South Korea.** Consumer confidence rose in September with households' inflation expectation for next 12-months falling -10bps MoM to 4.2%, however, manufacturers', sentiment fell to 2-year low amid hints of slowdown in global demand with inventories at the nation's 100 biggest firms by revenue surging +55% y/y as of September 29, the fastest pace in a decade.