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.

-3.4%

ASX performance

-4.2%

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• **US markets.** US markets were weaker in the month, with the Dow Jones down -4.2% and S&P500 down -5.9%, as central bank officials vowed to keep raising rates until they're confident inflation has been subdued.

• **Long-dated US** were higher, with the 2-Yr yield at 4.43% and 10-Yr yield at 3.87%.

GLOBAL MARKET UPDATES

• **European markets.** European markets were weaker with the Stoxx Europe 600 Index down -3.4%, UK FTSE down -1.6% and German DAX down -3.3%.
• **Asian markets.** Asian markets were lower over the month, with the Shanghai Composite down -2.0%, as China's accelerated shift toward reopening the economy by easing Covid testing requirements across major cities and for international travellers led to a surge in Covid infections with government estimating Covid surge infecting 37m people a day while predicting Covid outbreaks to peak during January, and latest high-frequency data revealing soaring Covid infections are keeping people home and causing a slump in travel and economic activity. KOSPI declined -9.6%, as minutes from BOK's policy meeting revealed members backed further rise in rates to cap inflation. Nikkei declined -6.7%.
• **Commodities.** Over the month, WTI oil price declined -0.5% to US$80.26/bbl, as negative sentiment from the U.S. raising its forecast for oil production next year to reach 12.34m barrels a day, topping the record 12.315m barrels a day set in 2019, as oil rigs rise, climbing by +30% so far this year, was mostly offset by OPEC reducing estimates for the amount of crude the group will need to pump in the coming months despite forecasting global oil demand to increase by 2.2m barrels a day next year to average 101.77m barrels a day, and Biden administration announcing to start buying 3m bbls crude to replenish strategic reserves.

IN POLITICAL NEWS

• Geopolitical tensions flared up with EU announcing a ninth package of sanctions against Russia, including restrictions on access to drones, chemicals and technologies used for military purposes, leading to President Vladimir Putin banning exports of Russian crude oil and refined products to foreign buyers that adhere to a price cap and warning that the threat of nuclear war in the world is rising and announcing that Russia may consider formally adding the possibility of a preventive nuclear first strike to disarm an opponent to its military doctrine. • U.S.-China trade war escalated with US blacklisting several Chinese tech companies and congress passing legislation to speed up the timeline for kicking Chinese companies off NYSE and Nasdaq if Washington regulators can't fully review their audit work papers. • North-South Korea tensions escalated as South Korea sent drones across the border into North Korea for the first time, an unprecedented tit-for-tat military move after Kim Jong Un's regime dispatched five unmanned aerial vehicles into its air space and North Korean leader Kim Jong Un pledged to increase his nuclear arsenal in the new year to stifle US and South Korean hostile acts, announcing the current situation highlights the importance and necessity of mass production of tactical nuclear weapons and calls for "exponential" increase of its nuclear warheads.

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

• **Chalice Mining Ltd (CHN)** - gained +18.6%, after announcing significant PGE-dominant sulphide mineralization intersected in initial drilling at the greenfield Hooley Prospect.
• **Downer EDI Ltd (DOW)** - declined -28.2%, after downgrading its FY23 underlying NPATA guidance to A$210-230m and flagging accounting irregularities in its Australian utilities business.
• **Sandfire Resources Ltd (SFR)** - gained +8.8%, after commencing formal sale process for DeGrussa copper operations.
• **Star Entertainment Group Ltd (SGR)** - declined -34.7%, after NSW Treasurer Matt Kean announced state plans to raise additional A$364m over next 3-years in casino taxes.

IN ECONOMIC NEWS

• **Australian RBA decision.** RBA raised its key interest rate for an eighth consecutive month, raising by +25bps to 3.1%, the highest level since November 2012 with minutes from policy meeting revealing RBA considered pausing its policy tightening cycle but decided against it as RBA's most recent forecasts indicated that inflation was expected to take several years to return to the 2-3% target, even with further increases in the cash rate. • Global growth outlook. All IMF, World Bank, WTO and OECD raised concerns about a worsening global outlook with a research by the Centre for Economics and Business Research revealing, the world economy will face recession in 2023 as a result of the rises in interest rates in response to higher inflation, forecasting central bankers to stick to their guns in 2023 despite the economic costs with the cost of bringing inflation down to more comfortable levels being a poorer growth outlook for a number of years to come.
• **U.S.** The Fed downshifted its rapid pace of interest-rate hikes, raising benchmark rate by +50bps to 4.25-4.5%, while signalling that borrowing costs, now the highest since 2007, will outstrip investors' expectations, projecting rates to end next year at 5.1% before being cut to 4.1% in 2024, a higher level than previously indicated, as the bank updated its forecast for GDP growth (2022 increased by +30bps to 0.5%, 2023 down -70bps to 0.5%, 2024 down -10bps to 1.6% and 2025 unchanged at 1.8%), inflation (2022 up +20bps to 5.6%, 2023 up +30bps to 3.1%, 2024 up +20bps to 2.5% and 2025 up +10bps to 2.1%) and unemployment rate (2022 down -10bps to 3.7%, both 2023 and 2024 up +20bps to 4.6% and 2025 up +20bps to 4.5%).
• **U.S.** Economic growth in 3Q22 was firmer than previously estimated with inflation-adjusted GDP increasing at a +3.2% q/q annualized rate during the period, reflecting upward revisions to consumer spending and business investment. Consumer confidence rose in December to the highest since with a measure of expectations, which reflects consumers' six-month outlook, climbing to highest since January and gauge of current conditions advancing to a three-month high as short-term inflation expectations unexpectedly declined -30bps MoM to 4.6%, the lowest level since June 2021 while long-term inflation expectations held steady at 3%.
• **China.** Economic activity in December fell to the slowest pace since February 2020 with both official manufacturing and non-manufacturing PMIs falling further into contraction. PBOC revealed Chinese residents saw their confidence in the job market and their incomes plunge to new lows in 4Q22, while interest in buying homes, and business conditions and export orders among industrial companies also fell as the economic slowdown worsened this year.

IN ECONOMIC NEWS (CONT.)

• **Australia.** Economic expansion decelerated in 3Q22 with GDP advancing +0.6% q/q (+5.9% y/y). Consumer confidence rebounded from a 2-1/2-year low, rising +3% MoM in December, however, remained deeply pessimistic and business confidence turned negative for the first time this year, as high inflation and interest rate increases weighed leading to Australia's household spending growth slowing to a 7-month low in the month.

• **Europe.** ECB hiked rates by +50bps to 2.5% and widened efforts to subdue double-digit inflation with a decision to shrink its €5 trillion bond portfolio from March, with President Christine Lagarde telling investors to prepare for a long- running campaign of similar moves as the bank increased its inflation forecasts for the next two years, seeing price growth remaining above the 2% target in 2025.

• **U.K.** BOE raised interest rates for a ninth time in a row by +50bps to a 14-year high of 3.5%, while forecasting Britain's inflation rate to have peaked. Economy shrank more than expected in 3Q22 with GDP contracting -0.3% q/q, more than the -0.2% q/q drop previously estimated and household incomes fell for a fourth straight quarter with disposable income per person (adjusted for inflation) declining -0.5%.

• **Japan.** BOJ unexpectedly joined a policy-tightening campaign by central banks around the world by doubling a cap on 10-year yields, allowing Japan's 10-year bond yields to rise to around 0.5%, up from the previous limit of 0.25%, while keeping both short-and long-term interest rates unchanged, however, with BOJ Governor Haruhiko Kuroda stressed that the bank's latest tweaks on its bond yield control program were not the beginning of an exit of monetary easing, but a way to make it sustainable and run smoothly announcing the bank will aim to achieve the price stability target in a sustainable and stable manner, accompanied by wage increases, by continuing with monetary easing under the framework of yield curve control.

• **India.** RBI raised the benchmark repurchase rate by +35bps to 6.25%, a level last seen in 2018, as it retained its 6.7% inflation forecast for 2022 with price gains expected to be back below 6% in 4Q22, while lowering 2022 GDP expansion forecast by -20bps to 6.8%. The World Bank revised its growth forecast for the country in the current fiscal year by +40bps to 6.9%, driven by expectations of stronger consumption and more robust domestic activity, however, cut forecasts for FY24 by -40bps to 6.6%.

• **Germany.** Bundesbank downgraded Germany's GDP growth forecasts for 2022 by - 10bps to 1.8%, 2023 by -290bps to -0.5% and 2024 by -10bps to 1.7%, while upgrading inflation forecasts for 2022 by +150bps to 8.6%, 2023 by +270bps to 7.2% and 2024 by +150bps to 4.1%, and predicted 2025 GDP growth of 1.4% and inflation of 2.8%.

• **South Korea.** The government lowered its economic growth forecast for both 2022 and 2023 by -10bps to 2.5% and 1.6%, respectively while raising inflation forecasts for 2022 by +40bps to 5.1% and lowering 2023 estimate by -10bps to 3.5%, as it predicted difficulties in exports, investment will continue due to a global economic slowdown and chip sluggishness while higher rates will limit a consumption recovery.