SUPER NETWORK

TAILORED INVESTMENT ADVICE

MONTHLY REPORT

JUNE

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Monthly Report

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

+1.6%

ASX performance

+4.6%

US markets were stronger, with the Dow Jones up +4.6% and S&P500 up +6.5%

- **Long-dated US treasury** yields were higher, with the 2-Yr yield at 4.898% and 10-Yr yield at 3.84%, as Fed left the benchmark rate unchanged at 5-5.25%, however, forecast borrowing costs rising to 5.6% by year end, up +50bps from previous round of projections, with Fed Chair Jerome Powell insisting it would take 'couple of years' before Fed starts cutting rates and announcing two more rate hikes this year is "a pretty good guess", leading to swaps now fully pricing in another 25bps increase at the September meeting, with some possibility for a further increase in November, with no cuts in 2023.
- **European markets.** European markets were stronger with the Stoxx Europe 600 Index up +2.3% and UK FTSE up +1.2%. German DAX was up +3.1%, as Germany's Economy Ministry announced despite a slow start to 2Q23, a moderate economic recovery in the German economy can be expected in the further course of the year.

GLOBAL MARKET UPDATES

• **Asian markets.** Asian markets were mostly lower, with the Shanghai Composite down -0.1%, as a relatively modest reduction the mortgage reference rate with Chinese banks lowering both 1-year and 5-year LPR by - 10bps to 3.55% and 4.2%, respectively, and China's delay in stimulus rollout with the State Council stopping short of releasing any specific proposals, saying the government is studying new measures that will be adopted in a "timely manner" added to concerns about the weakening economy, despite PBOC lowering the seven-day reverse repurchase rate by -10bps to 1.9%, the first reduction in the rate since August 2022. KOSPI was down -0.5%, as BOK Governor Rhee Chang-yong flagged growing financial sector risks amid a rise in real estate loan delinquencies. Nikkei gained +7.5%.

• **Commodities.** Over the month, WTI oil price gained +3.5% to US$70.64/bbl, amid a series of positive news with; (1) Saudi Arabia announcing it will prolong its unilateral oil production cut by one month, maintaining the 1m barrel-a-day reduction, on top of existing curbs agreed with OPEC+, into August with possibility of further extension it further, while Russia and Algeria also announcing to lower their August output and export levels by 500k bpd and 20k bpd, respectively. (2) U.S. announcing plans to buy 12m bbl of oil in 2023 for SPR, buying 3.2m bbl in June. (3) OPEC forecasting oil consumption to climb by a hefty 2.3m barrels a day to average 101.9m a day in 2023 while predicting Saudi Arabia's latest oil production cuts are set to tighten global markets sharply in July with world consumption exceeding supplies by ~2.7m barrels a day in the month.

IN POLITICAL NEWS

• Fresh tensions flared up between U.S. and China after China said U.S. President Joe Biden had made a "public political provocation" by referring to his Chinese counterpart Xi Jinping as a "dictator" and U.S. announced restriction of Chinese access to some chips and related technologies, leading to China retaliating by imposing restrictions on exporting two metals that are crucial to parts of the semiconductor, telecommunications and electric-vehicle industries. • Geopolitical tensions continued to simmer with President Vladimir Putin announcing Russia has delivered its first tactical nuclear weapons to Belarus. • Russia managed to pull back from the brink of civil war, as Russian mercenary group Wagner which marched on Moscow, turned back at the last moment.

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

• **AGL Energy Ltd (AGL)** - gained +15.1%, after upgrading FY23 underlying profit guidance to A$255-285m from A$200-280m.

• **Collins Foods Ltd (CKF)** - surged +17%, after announcing sales over the first seven weeks of FY24 have been encouraging with all business units reporting positive same store sales growth.

ON STOCK SPECIFIC NEWS (CONT.):

• **Gold Road Resources Ltd (GOR)** - declined -15.6%, after downgrading FY23 gold production guidance to 320-350k oz from 340-370k oz.
• **Johns Lyng Group Ltd (JLG)** - slumped -16.2%, after downgrading FY23 commercial construction revenue and EBITDA forecasts.
• **Lake Resources NL (LKE)** - slumped -43.4%, after announcing its large-scale lithium project in Argentina will be delayed by six years and cost around twice as much as originally anticipated.

IN ECONOMIC NEWS

• **Australian RBA decision.** RBA unexpectedly raised its key interest rate by +25bps to 4.1%, the highest level since April 2012, bringing its cumulative tightening to 400bps since May 2022, and kept the door open to further hikes, fretting that policy needs to be tighter in order to be confident that inflation will return to target in mid-2025.
• **China.** Economy lost more steam in June with manufacturing activity contracting for a third straight month and home sales tumbling with the value of new home sales by the 100 biggest real estate developers falling -28.1% y/y to 526.74bn yuan.
• **Australia.** Economy slowed more than expected in 1Q23 with GDP expanding +0.2% q/q (+2.3% y/y), the weakest three-month expansion since September 2021. Consumer confidence improved +0.2% MoM in June to stabilized at “near recession lows.”
• **Europe.** ECB lifted interest rates by +25bps to 3.5%, the highest level in more than two decades, with President Christine Lagarde describing a further hike in July as “very likely” as the bank’s fresh quarterly projections suggest inflation will moderate more slowly than previously envisaged, to 2.2% in 2025. The euro area suffered the mildest possible recession in 1Q23 with GDP shrinking by -0.1% q/q (up +1% y/y). Euro-area inflation declined in June to the lowest level since before the war in Ukraine broke out with CPI rising +5.5% y/y, however, core-CPI re-accelerated, rising +5.4% y/y, as the cost of services picked up markedly. Economic momentum in the euro area almost came to a halt in June with manufacturing remaining the “principal area of weakness” and service-sector expansion “slowing sharply” as the recent bounce-back in spending lost momentum.
• **U.K.** BOE unexpectedly raised its benchmark interest rate by +50bps to 5%, the highest level in 15 years and the biggest move since February, and warned it may have to hike again, which saw investors pricing a 30% chance the key rate will peak at 6.25% by February.
• **India.** RBI left its key interest rate unchanged for a second meeting at 6.5% and retained its tightening stance, signalling rate-setters want to see inflation moderating further while weaker monsoon risks remain a concern, as the bank retained a 6.5% growth target in the current fiscal year.
• **Japan.** BOJ left negative rate and yield curve control program unchanged and maintained view that inflation will slow over the coming months, though BOJ Governor Kazuo Ueda didn’t clearly rule out the possibility of changes to come in July.

IN ECONOMIC NEWS (CONT.)

• **Germany.** Bundesbank upgraded Germany’s 2023 GDP growth forecast by +20bps to -0.3% while lowering 2024 and 2025 outlook by -50bps and -10bps to +1.2% and +1.3%, respectively while also downgrading inflation forecast for 2023, 2024 and 2025 by -120bps, -100bps and -10bps to 6%, 3.1% and 2.7%, respectively.