



SUPER NETWORK

TAILORED INVESTMENT ADVICE

MONTHLY REPORT

OCTOBER



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Monthly Report

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

-3.8%

ASX performance

-1.4%

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S&P500 down -2.2%



- **ASX performance.** The ASX200 declined -3.8%, as RBA announced a growing number of Australian households are in the early stages of financial stress, while lenders remain in a solid position to absorb loan losses if needed.
- **US markets.** US markets were lower, with the Dow Jones down -1.4% and S&P500 down -2.2%, amid concerns over climbing Treasury yields, interest rates staying elevated for longer and rising geopolitical concerns.
- **Long-dated US treasury yields** were higher, with the 2-Yr yield at 5.07% and 10-Yr yield at 4.93%, amid a heavy slate of new corporate debt sales and supply concerns ahead of a series of three auctions despite U.S. Treasury announcing plans to slow the pace of increase in its quarterly long-term debt sales amid a widening fiscal deficit, announcing to sell \$112bn of longer-term securities at its quarterly refunding auctions.

GLOBAL MARKET UPDATES

- **European markets.** European markets were lower with the Stoxx Europe 600 Index down -3.7%, and both UK FTSE and German DAX down -3.8%.
- **Asian markets.** Asian markets were lower, with the Nikkei down -3.1%, KOSPI down -7.6%, and the Shanghai Composite down -3.0%.
- **Commodities.** Over the month, WTI oil price declined -8.8% to US\$81.02/bbl, as EIA announced U.S. crude production surged to a record during 3Q23 and is expected to climb further above 13m barrels a day in 4Q23 and U.S.'s move to suspend sanctions on Venezuelan oil, gas and gold paved way to bring more Venezuelan crude to the market in the months ahead. Saudi Arabia and Russia reaffirmed that they will stick with oil supply curbs of more than 1m barrels a day until the end of the year as a rally in prices falters. The World Bank warned that even a small disruption to crude supplies due to escalating Middle Eastern conflict could remove between 500k to 2m barrels a day from global markets with a medium-sized disruption of 3-5m barrels a day driving prices as high as \$121 a barrel and the biggest potential disruption removing 6-8m barrels of oil per day, comparable in magnitude to the 1973 Arab oil embargo, seeing prices reach \$157 a barrel.

IN POLITICAL NEWS

- Tensions in Middle East flared up following a series of surprise coordinated attacks, conducted by the Palestinian Islamist militant group Hamas, from the Gaza Strip onto bordering areas in Israel, leading to retaliation by Israel by initiating an invasion of Gaza.
- New Zealand's center-right National Party was elected to lead the government under Christopher Luxon, ending a period of Labour Party rule.
- The Pentagon warned, China continues efforts to modernize, diversify and expand its nuclear arsenal, with about 500 operational warheads today and more than 1,000 likely by 2030.

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

- **Bapcor Ltd (BAP)** - declined -21.5%, after announcing YTD pro-forma NPAT at the end of September is behind the expectations it had at the beginning of the year.
- **Champion Iron Ltd (CIA)** - gained +13.0%, after reporting +34% y/y growth in 1H24 net income to C\$81.9m.
- **Credit Corp Group Ltd (CCP)** - declined -37.7%, after downgrading FY24 net income outlook to A\$35-45m from A\$90-100m.
- **IGO Ltd (IGO)** - declined -24.9%, after reporting -42% q/q decline in 1Q24 underlying EBITDA and warning volatility in lithium prices will impact sales in 2Q24.
- **Inghams Ltd (ING)** - gained +10.8%, after flagging strong consumer demand and an encouraging start to FY24.

ON STOCK SPECIFIC NEWS (CONT.):

- **Liontown Resources Ltd (LTR)** - declined -45.2%, after completing a dilutive capital raise at A\$1.80/share.
- **Magellan Financial Group Ltd (MFG)** - declined -29.6%, after reporting net outflows for September of A\$2bn.
- **Megaport Ltd (MP1)** - declined -19.2%, after warning rebuild and recovery of momentum is expected to take time.
- **Syrah Resources Ltd (SYR)** - gained +30.4%, on expectations of stockpiling of graphite and a rush to secure alternative supplies after Beijing announced export restrictions on the material.

IN ECONOMIC NEWS

- **Australian RBA decision.** RBA left the cash rate unchanged in October, however, resumed raising interest rates in November, increasing its cash rate to a 12-year high of 4.35% and revising up its inflation forecast slightly to 3.5% by end-2024.
- **Global growth outlook.** IMF downgraded 2024 world GDP growth outlook by -10bps to +2.9% (U.S. up +50bps to +1.5%, euro area down -30bps to +1.2%, U.K. down -40bps to +0.6%, Japan unchanged at +1.0%, China down -30bps to +4.2% and India unchanged at +6.3%) while maintaining 2023 forecast of +3% (U.S. up +30bps to +2.1%, euro area down -20bps to +0.7%, U.K. up +10bps to +0.5%, Japan up +60bps to +2.0%, China down -20bps to +5.0% and India up +20bps to +6.3%), as it upgraded world CPI outlook for 2024 by +60bps to 5.8%.
- **U.S.** The US Fed held interest rates at a 22-year high of 5.25-5.5% for a second straight meeting, signalling financial conditions have tightened significantly while also saying it isn't yet confident to judge whether monetary policy is restrictive enough to bring inflation back to the 2% target, leading to swaps now showing traders see an only 16% chance of another hike by January and have fully priced in a cut by June instead of July. According to Fed's Beige Book survey, the outlook for the U.S. economy is stable or may show softer expansion, with prices continuing to increase at a modest pace overall with sales prices increasing at a slower rate than input prices, as businesses struggled to pass along cost pressures because consumers had grown more sensitive to prices.
- **U.S.** Economy grew at the fastest pace in nearly two years in 3Q23 with GDP accelerating to a +4.9% annualized rate amid a surge in consumer spending, which jumped +4%, also the most since 2021, however, a closely watched measure of underlying inflation cooled more than expected to the slowest pace since 2020. Labor productivity advanced by the most in three years in 3Q23 with output per hour of work rising at a 4.7% annualized rate, and unit labor costs decreased at a -0.8%, marking the first decline since late 2022. Manufacturing contracted at fastest pace in 3-months in October, with orders index dropping to a 5-month low, indicating demand is shrinking at a faster pace, factory payrolls slipping back into contraction territory to the lowest level in three months and inventories shrinking at the fastest pace since June 2012. Nonfarm payrolls increased 150k in October, unemployment rate climbed +10bps MoM to 3.9% and monthly wage growth slowed. Near-term inflation expectations rose in October to a five-month high with 1-year ahead expectations rising +40bps to 4.2% and 5-10 year expectation staying stable at 3%, as consumers feared higher prices at the gas pump, reinforcing downbeat views on the economy leading to consumer confidence dropping to a five-month low with gauges of both current conditions and future expectations worsening.

IN ECONOMIC NEWS (CONT.)

- **China.** GDP grew +4.9% y/y in 3Q23 on strong consumer spending, leading to Chinese President Xi Jinping stepping up support for China's economy, issuing additional sovereign debt and raising the budget deficit ratio for 2023 to about 3.8% of GDP. A measure of foreign investment into China turned negative for the first time since records began in 1998 in 3Q23 with China's direct investment liabilities in its balance of payments declining by \$11.8bn, highlighting how foreign companies are pulling money out of the country due to geopolitical tensions and higher interest rates elsewhere. Factory activity fell back into contraction in October while expansion of the services sector unexpectedly eased. Trade data for October offered a mixed picture for the economy's outlook, as an unexpected +3% y/y pickup in imports was offset by signs that global demand for Chinese goods is struggling to gain traction with exports dropping -6.4% y/y, resulting in trade surplus of \$56.5bn.
- **Australia.** Inflation rate rose more than expected in 3Q23 with CPI advancing +5.4% y/y and core-CPI gaining +5.2% y/y, however, factory inflation slowed with PPI growing +3.8% y/y vs +3.9% y/y in 2Q23. Consumer inflation expectations for next 12-months rose +20bps MOM to 4.8% in October.
- **Europe.** ECB left interest rates unchanged for the first time in more than a year, keeping deposit rate at a record high of 4%, as it reiterated that holding borrowing costs at that level for long enough will make a "substantial contribution" to bringing consumer-price gains back to the 2% target. Euro-area inflation eased to its lowest level in more than two years in October with CPI rising +2.9% y/y as the bloc's economy shrank -0.1% q/q (up +0.1% y/y) in 3Q23. Private-sector activity in the euro area kicked off 4Q23 with another dismal reading with PMI contracting to a three-year low in October.
- **U.K.** BOE left its benchmark lending rate at a 15-year high of 5.25%, with Governor Andrew Bailey saying it was "much too early" to be thinking about cuts. Number of British businesses in financial distress jumped +10% y/y to 6208 in 3Q23, with the combined total of 2Q23 and 3Q23 the worst for corporate failures since 2009.
- **India.** RBI kept interest rates unchanged at 6.5%, however, struck a hawkish policy tone while announcing the bank is considering selling bonds in order to soak up extra cash, despite its survey revealing Indian households expect inflation to fall in the coming months. India's services activity in October grew at the slowest pace in seven months as a pickup in inflation expectations dampened overall business sentiment, and manufacturing activity slipped to the lowest in eight months.
- **Japan.** BOJ kept its negative interest rates unchanged while loosening its grip on government bond yields, announcing it will take a more flexible approach to controlling yields on 10-yr government debt and the 1% level is now a reference point, with BOJ Governor Kazuo Ueda signaling its unlikely policymakers will have the data needed to declare by year-end that it's time to put an end to negative interest rates, as he continues to monitor whether a wage-inflation cycle will materialize, despite the bank upgrading its inflation forecasts for 2023, 2024 and 2025 by +30bps, +90bps and +10bps to 2.8%, 2.8% and 1.7%, respectively core CPI. Prime Minister Fumio Kishida and his cabinet approved a larger-than-expected economic stimulus package of more than ¥17 trillion including the impact from tax cuts and other costs.
- **Germany.** The German government downgraded 2023 German GDP growth outlook by -80bps to -0.4% and 2024 outlook by -30bps to +1.3% while predicting 2025 growth of +1.5% with inflation slowing to 2.6% in 2024. German output shrank in 3Q23 with GDP contracting -0.1% q/q. Inflation slowed markedly in October with CPI rising +3% y/y, the weakest since June 2021. Investor confidence improved for a third month in October despite an index of current conditions worsening a little and business outlook improved slightly in October with both the expectation index and a measure of current conditions unexpectedly advancing.

IN ECONOMIC NEWS (CONT.)

- **South Korea.** BOK held interest rates steady at 3.5%, however, flagged upside risks to inflation. Economic growth held steady in 3Q23 with GDP growing +0.6% q/q (+1.4% y/y) on the back of recovering exports. CPI advanced +3.8% y/y in October vs +3.7% y/y in prior month, leading to BOK signalling it will adjust its inflation projection higher. Exports rose for the first time since late last year in October, rising +5.1% y/y, which combined with -9.7% y/y decline in imports, resulted in a trade surplus of \$1.6bn.

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