SUPER NETWORK

TAILORED INVESTMENT ADVICE

MONTHLY REPORT

JANUARY

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Monthly Report

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

+1.2%

ASX performance

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- **ASX performance.** The ASX200 gained +1.2%
- **US markets.** US markets were stronger in the month, with the Dow Jones up +1.2% and S&P500 up +1.6%, as data which revealed U.S. economy's 4Q23 growth proved stronger than expected with GDP rising +3.3% q/q annualized rate, equating to total 2023 GDP growth of +2.5% y/y, as +2.8% personal spending growth was fueled by cooling inflation with core PCE price index rising +2%, saw Treasury Secretary Janet Yellen declare the U.S. economy had achieved a long-sought soft landing.
- **Long-dated US treasury yields** were mixed, with the 2-Yr yield lower at 4.21% and 10-Yr yield higher at 3.91%, as U.S. Treasury reduced its estimate for federal borrowing for 1Q24 by -6.9% to $760bn and boosted the size of its quarterly issuance of longer-term debt for a third straight time, announcing it will sell $121bn of longer-term securities at its so-called quarterly refunding auctions which span 3, 10 and 30-year Treasuries, while suggesting that no more increases are likely until next year.

GLOBAL MARKET UPDATES

• **European markets.** European markets were mostly higher with the Stoxx Europe 600 Index up +1.4% and German DAX up +0.9%, as ECB kept interest rates on hold for a third straight meeting at 4.5% with President Christine Lagarde standing by her prior remarks that borrowing costs could be trimmed from the summer while announcing the euro area economy is likely to have stagnated in 4Q23 but that could damp price pressures, leading to investors stepping up bets on cuts, pricing an 90% chance of a reduction in April and 141bps of easing across the whole year, up from 130bps before. The UK FTSE declined -1.3%.

• **Asian markets.** Asian markets were mostly lower over the month, with the the Shanghai Composite down -6.3%, as Evergrande's liquidation order intensified worries about the embattled real estate sector given the lack of forceful policy support, leading to PBOC cutting the reserve requirement ratio for banks by -50bps to provide 1 trillion yuan in long-term liquidity to the market, PBOC providing 150bn yuan worth of low-cost funds for lending to housing and infrastructure projects and regulators adding more measures to bolster the slumping property and stock markets including broadening the use of commercial property loans for developers to help them repay other debt. Nikkei was up +8.4%, as BOJ revised up assessment of economy in two of nine regions while downgrading view on one. KOSPI declined -6.0%.

• **Commodities.** Over the month, WTI oil price gained +5.6% to US$75.85/bbl, as negative sentiment from OPEC member Libya restarting production from its largest field was more than offset by Ukrainian drone strikes threatening Russian oil exports, UAE warning that the risk of a wider Middle East conflagration is growing daily and OPEC forecasting global oil demand to continue to increase strongly in 2025 and exceed growth in supplies, with world consumption swelling by a "robust" 1.8m bpd and non-OPEC supplies expanding by 1.3m bpd.

IN POLITICAL NEWS

• Taiwan elected current Vice President Lai Ching-te as leader of the country as Democratic Progressive Party sealed victory in the election with 40.1% of the counted vote, the lowest winning percentage since another three-way race in 2000.

• Tensions between U.S. and North Korea flared up after North Korea fired an intermediate-range ballistic missile designed to hit U.S. bases in Asia for its first such launch of 2024, amid a pledge by leader Kim Jong Un to boost the country's nuclear-strike capabilities.

• German budget lawmakers approved the federal government's delayed finance plan for 2024, which restores a constitutional limit on net new borrowing for the first time since 2019.

IN ECONOMIC NEWS

• **Australian RBA decision.** The RBA left the cash rate unchanged at 4.35%.
• **Global growth outlook #1.** The World Bank forecast in the five years through 2024, global activity will post the weakest performance since the early 1990s, anticipating global growth slowing in 2024 for a third year in a row to 2.4% (advanced economies at +1.2% with U.S. upgraded by +80bps to +1.6%, euro area down -60bps to +0.7% and Japan up +20bps to +0.9%, and emerging & developing economies at +3.9% with China downgraded by -10bps to +4.5% and India at +6.4%) while downgrading 2025 outlook by -30bps to +2.7% (advanced economies downgraded by -60bps to +1.6% with U.S. down -60bps to +1.7%, euro area down -70bps to +1.6% and Japan up +20bps to +0.8%, and emerging & developing economies at +4.0% with China downgraded by -10bps to +4.3% and India at +6.5%).
• **Global growth outlook #2.** The IMF raised its forecast for global growth in 2024 by +20bps to +3.1% (advanced economies up +10bps to +1.5% with U.S. up +60bps to +2.1%, euro area down -30bps to +0.9%, Japan down -10bps to +0.9% and U.K. at +0.6%, and emerging & developing economies up +10bps to +4.1% with China up +40bps to +4.6% and India up +20bps to +6.5%), while keeping its 2025 forecast unchanged at +3.2% (advanced economies at +1.8% with U.S. down -10bps to +1.7%, euro area down -10bps to +1.7%, Japan up +20bps to +0.8% and U.K. down -40bps to +1.6%, and emerging & developing economies up +10bps to +4.2% with China at +4.1% and India up +20bps to +6.5%).
• **U.S.** The U.S. Federal Reserve kept its benchmark rate steady at 5.25-5.5% for the fourth consecutive meeting, signaling tighter credit conditions ahead. Jerome Powell stated a rate cut in March was unlikely. Resilient consumer spending buoyed the economy, offsetting weaknesses in manufacturing. Employment saw a significant boost in January, with 353,000 jobs added, maintaining a steady unemployment rate of 3.7%. Wage growth surged, with average hourly earnings rising +4.5% y/y. Consumer confidence reached its highest level since July 2021, with expectations for inflation easing. Factory activity hit a 15-month high in January, driven by strong orders growth, while business activity expanded, particularly in service providers and manufacturers, buoyed by domestic demand.
• **China.** China experienced a GDP growth of +5.2% y/y in 2023, despite disappointing indicators for home prices and property-related spending. Deflation persisted, with the GDP deflator recording its longest decline since 1999. Premier Li Qiang signaled reluctance to use significant stimulus measures to boost growth. Industrial profits decreased by -2.3% y/y, reflecting widespread challenges in both domestic and international markets. Foreign direct investment hit a three-year low, dropping -8% y/y to 1.1 trillion yuan. Factory activity contracted in January due to weak domestic sentiment, while home sales saw a significant decline, with sales from the top 100 real estate companies dropping by -34.2% y/y to 235 billion yuan.
• **Australia.** Headline inflation cooled further in 4Q23 with CPI advancing +4.1% y/y and producer prices cooled with PPI rising +0.9% q/q (+4.1% y/y) in 4Q23 vs +1.8% q/q in 3Q23. Consumer confidence slipped in January with pessimists heavily outweighing optimists, as households remain anxious about their finances following a series of rapid interest rate hikes.

IN ECONOMIC NEWS (CONT.)

• **Europe.** The euro zone unexpectedly avoided a first recession since the pandemic in 2H23 with GDP stagnating in 4Q23, dodging a two-quarter downturn once again by the slimmest of margins following the -0.1% decline in 3Q23, as firmer growth in Italy and Spain offset the malaise in Germany. Inflation eased less than anticipated in January with CPI rising +2.8% y/y and core-CPI rising +3.3% y/y. Private-sector activity contracted for an eighth month in January with an improvement in manufacturing PMI to a 10-month high more than offset by declining services PMI. Consumer confidence unexpectedly declined in January with European Commission warning the consumer confidence is scoring well below long-term average.

• **U.K.** BOE left interest rate unchanged at 5.25% while removing key guidance that borrowing costs may have to rise again, with Governor Andrew Bailey acknowledging that keeping rates unchanged would push inflation "significantly" below the target of 2%. Insolvencies in the U.K. jumped +14% y/y to 25,159 in 2023.

• **India.** RBI kept rates unchanged for five straight policy meetings, while sticking to a relatively hawkish stance with Governor Shaktikanta Das announcing the topic of rate cuts is not even under discussion. Indian government forecast 2023-24 GDP growth of +7.3% y/y, faster than the RBI's +7% y/y projection, with farm growth seen at +1.8% y/y, mining at +8.1% y/y, manufacturing sector growth of +6.5% y/y, power and gas of +8.3% y/y, trade, hotels, transport, telecom growth of +6.3% y/y, finance, real estate sector growth of +8.9% y/y, and public admin, defense sector growth of +7.7% y/y.

• **Japan.** BOJ maintained its -0.1% short-term rate and kept its yield curve control parameters intact, however, Governor Kazuo Ueda left little doubt that a move to end negative interest rate is in the pipeline, announcing the certainty of achieving the BOJ's projections has continued to gradually increase, as the bank updated its price and growth forecasts, leading to swaps indicating a 56% likelihood of a rate hike by the April meeting and 100% by the June gathering. Japan's output gap worsened for the first time since the end of 2022 in 3Q23 with demand 0.37% below supply with GDP contracting by the most since the height of the pandemic during that period. A survey by BOJ revealed Japanese households continue to expect consumer prices to rise at an elevated pace over a five-year period.

• **Germany.** Economy contracted for the first time since the pandemic in 2023 with GDP falling -0.3% y/y. Inflation slowed by more than expected in January with CPI (EU harmonized) rising +3.1% y/y. Unemployment unexpectedly decreased in January with joblessness falling by 2k and unemployment rate remaining unchanged at 5.8% for the fourth consecutive month.

• **Canada.** BOC held its policy rate steady for a fourth consecutive meeting at 5% and explicitly stated for the first time that it won't need to increase it again if the economy evolves in line with its forecasts, announcing economic growth has stalled and will remain slow in the near term, which will help bring inflation back to the bank's 2% target next year.

• **South Korea.** BOK Governor Rhee Chang-young sought to preempt speculation over an early policy pivot by saying he expects to hold the key interest rate steady for a considerable period, as the bank kept the seven-day repurchase rate at 3.5% and removed the phrase of "to judge the need to raise base rate further" from statement, while warning property project-finance risks have increased. Economic growth held steady in 4Q23 with GDP expanding +2.2% y/y (+0.6% q/q) as exports maintained momentum, equating to total GDP growth for 2023 of +1.4% y/y, in line with BOK's projection. Inflation eased in January with CPI increasing +2.8% y/y vs +3.2% y/y in prior month. Consumer confidence improved in January with households turning optimistic for the first time in 5-months with more consumers seeing interest rate falling rather than rising.